

NHH



The Effect of Culture on Norwegian-Chinese Business Negotiations

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Abstract

This thesis attempts to discover how cultural differences between Norway and China affect business negotiations. Critical incidents have been found through interviews with Norwegian business representatives, who have negotiated in China. Relevant literature is also presented. Some incidents appear to have a stronger connection with an unsuccessful negotiated result than others. Norwegian business representatives who want to negotiate in China should be aware of the cultural differences between our two countries. The recurring incidents mentioned in my interviews are emphasized in my discussion. Furthermore, I have included my respondents' advice for future negotiators. Respecting local hierarchy and maintaining long lasting relations appear to be the most significant factors Norwegian negotiators need to understand in China.

1. Introduction

1.1 The objective of this master thesis

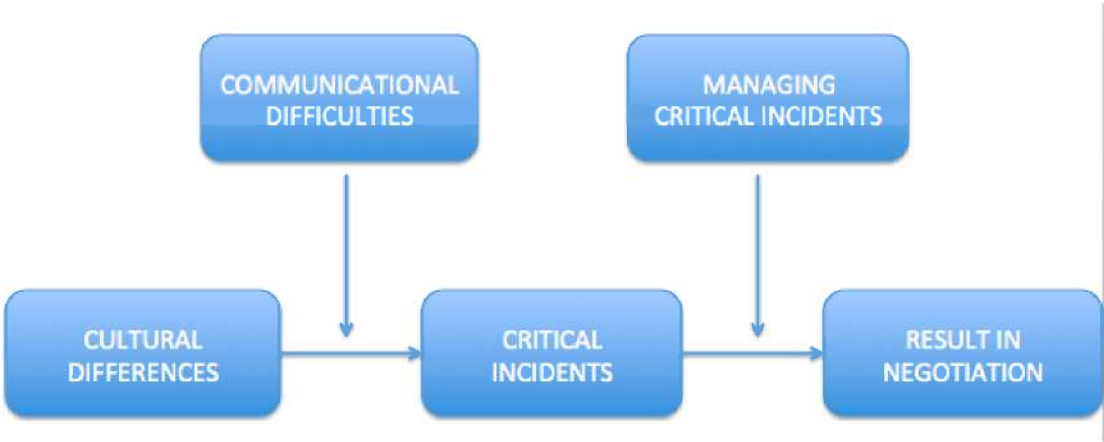
The objective of this paper is to explore potential *pitfalls in Chinese-Norwegian business negotiations*. Also, I will make suggestions on how to communicate better with Chinese business associates. All the incidents and suggestions given here are based on a Norwegian perspective. The emphasis of this paper is on challenges arising as a result of cultural differences and difficulties in communication. I will also mention certain problems caused by the Norwegian Nobel Committee awarding the Nobel Peace Prize to Liu Xiaobo, the Chinese human rights activist. These issues are institutional in nature, but I believe the reason behind them is cultural.

This thesis is based on a critical incidents-study. The study is built on five interviews with Norwegians who have negotiated with Chinese business representatives. Potential critical incidents will be highlighted throughout the text. Three of my respondents work in a Norwegian company. The remaining two are from the Norwegian branch of a foreign company, where the Norwegian office has been responsible for negotiations and projects in China. Based on the interviews, only problems of a larger scale that threaten the success of the negotiation have been considered critical. Furthermore, I have used existing literature on negotiations, Chinese culture and negotiations in China, to explain what went wrong. Both results from the interviews and the literature are included in my final suggestions regarding how to avoid these incidents or resolve them. Within China, there are great differences in culture, geography, ethnicity, etc. (Kristoffersen, 2010). My recommendations are based on the research and literature used in this thesis. One cannot foresee all situations that may occur during Norwegian-Chinese business negotiations, but hopefully this thesis may help Norwegian representatives be better prepared in China.

As I wish to convey any incident my interviewees consider critical, this paper is not limited to a specific part of negotiations. However, I have only interviewed representatives from companies who have traded successfully with the Chinese for more than three years. This to ensure that they have experience and that they have succeeded in creating a lasting agreement. They all had similar recommendations on how to ensure the completion of a contract. Furthermore, some of my respondents also had valuable insight regarding what to expect

while working with the Chinese. This was not originally supposed to be included in my thesis, but as the advice is likely to be valuable for Norwegian companies hoping to work with the Chinese, I have decided to incorporate it in sections 4.5 and 5.5 in my results and discussion. Related theory is also presented. This part of my thesis is strictly limited to what two or more of my respondents mentioned without my questioning them on the topic.

Throughout this study, I hope to see how *cultural differences* cause *critical incidents*, which in turn may be what determines the *result of the negotiation*. I will also investigate how *communicational difficulties* affect the occurrence of critical incidents. Furthermore, I will enquire as to how my respondents *managed the critical incidents*, as I believe that has great impact on the final agreement. The cultural differences are an independent variable, affecting the dependent variable, the negotiated result. Communicational difficulties and managing critical incidents are moderators. The critical incidents themselves are a mediating variable. The relationship is summarized in the following figure:



To comprise the information above, I have arrived at the following research problem:

Observed from a Norwegian perspective, which critical incidents often arise in Norwegian-Chinese business negotiations, and how may one avoid them and communicate better with the other party?

1.2 Why China

China is interesting, partly because it is the fastest growing economy in the entire world (Economy Watch, 2010). In China, the GDP has increased by 9,3 % in 2011 (The World Bank, 2013), a slight decrease from annual growth at about 11-12% before the financial crisis. Expected growth in 2013 is at 7,5% (NTB, 2013). In comparison, total GDP of Norway and the United States, has increased by 1,4 % and 1,7 %, respectively in 2011 (The World Bank, 2013). Ever since rising past Japan in 2010, China has been the second largest economy in the world. Many believe the country will pass the United States, making it the largest in a few years time (Vatne, 2013).

In 1979, China opened up its economy, thus allowing for future foreign direct investments (FDI) (Chen C. , 2011). Generally, the country's well-educated, yet low-cost, labour has attracted FDIs and alliance partners from across the world. In 2008, around 50 US\$ billion from foreign companies were invested in manufacturing in China. Simultaneously, 40 US\$ billion are invested in services, and 2 US\$ billion in primary (Chen C. , 2011). Furthermore, after the country's accession to the World Trade Organization (WTO) in 2001, China has become the world's leading exporter (Tsai, 2011) and the largest manufacturer of goods (Vatne, 2013). For instance, one sixth of the U.S. manufacturing labour force has been outsourced to China since 2000 (Cao, Cao, Prasad, & Shen, 2011). Today, there are about 220 Norwegian companies in China (Halvorsen & Miljeteig, 2013).

China has come a long way since 1979, and there are many who believe that there is still much to be seen from the country, in terms of exported products, innovation and the development of a domestic market (Vatne, 2013; Halvorsen & Miljeteig, 2013). The country's domestic market is huge, and still growing as the general income increases (Dayal-Gulati & Lee, 2004). According to Peter Tan, ex-CEO of both McDonalds and Burger King, multinational companies (MNCs) that wish to grow, actually have to go to China (Maher, Countryman, & Yang, 2004). Opportunities for outsourcing and other alliances are equally significant. In relation to Norway, growth in China in the past decades has increased worldwide oil-prices. According to Kristoffersen (2010), China's need for energy is likely to increase further, and Norwegian companies may profit from a general rise in energy demand. Also, Norwegians established the first foreign industrial park in China, called Nordic

Industrial Park (NIP). NIP is located in Ningbo, a city along the prosperous east coast of China (Hågensen, 2011).

A growing market of consumers, good conditions for production and a great need for energy are reasons why I believe there are several business opportunities for Norwegian companies in China. China is still a developing country, and especially the western and northern areas have a long way to go before they catch up with the eastern coast in terms of development (Vatne, 2013). Knowing what to expect in terms of cultural and communicational difficulties may help Norwegian companies negotiate more efficiently in China. Although one may never fully know what to expect when entering a negotiation, I hope this thesis may help some Norwegian representatives communicate better with the Chinese party, and avoid certain pit-falls.

1.3 The Purpose of this Thesis

The basic assumption throughout this master thesis is that there are cultural differences separating Norway from China, and that these differences affect business negotiations. In general, research show that business representatives negotiating abroad do worse than those who operate within their own cultural framework (Rognes, 2008). Particularly in China, western business negotiators complain about bureaucratic difficulties, a lengthy process and other challenges (Davies, Leung, Luk, & Wong, 1995). Nodland, the main founder behind NIP, spent his first ten years in China learning how to live and communicate with the locals (Hågensen, 2011). Generally, I will assume Norwegian companies seeking an agreement with a Chinese company do not wish to spend ten years learning before they are able to create a beneficial agreement.

According to Halvorsen and Miljetig (2013), Norwegian companies find working with the Chinese challenging mainly because of cultural differences and the language barrier. Thus, there seems to be a need for a better understanding of local culture, when doing business negotiations in China. Chinese business values are different from western ones, and according to Dayal-Gulati and Lee (2004), the main differences between western countries and China is definitely cultural.

2. Literature Review

The literature review is focused around four main areas:

- General issues in negotiations
- Cultural differences between Norway and China
- Potential critical incidents that may arise because of either of the two above
- Communicational difficulties that may influence the negotiation process

First, I will introduce the purpose of this thesis. Then, I will outline some important issues in negotiations. Also, problems that frequently occur, even when there is little cultural distance between the negotiating parties will be mentioned. Furthermore, I will make a theoretical foundation for why I believe differences in culture will affect business negotiations when representatives from one Norwegian and one Chinese company meet. Finally, I will introduce theoretical foundation for potential problems that may occur in Norwegian-Chinese business negotiations.

Additionally, my thesis will include a short discussion on the effects of communication in business negotiations. According to O'Rourke, it is one party's inability to understand and adapt to the other country's ways of thinking and acting, not technical or professional incompetence that causes international projects to fail (Washington, Okoro, & Bowie, 2012). Communicational difficulties will be mentioned as an element that may affect whether or not cultural differences lead to critical incidents.

2.1 Negotiations

No matter where you negotiate, there are some elements one should always consider. As this thesis focuses on problems related to cultural distance, I will not explain negotiations in general. I will however, mention a few aspects of the general process, which I believe are equally, if not more important when negotiation in a country far from your own.

Negotiation theory often defines two different approaches, distributive and integrative strategies. Either of these two strategies may be used to reach an agreement. *Distributive strategy* aims at distributing a given amount of benefits between the negotiating parties. This approach presents itself when there is a given amount to distribute between two parties (Rognes, 2008), and is associated with competitive behaviour, such as demands (Saorín-

Iborra, 2008). The parties must reach a compromise within a range they both are willing to accept, or end negotiations (Rognes, 2008). Mainly, distributive strategies consist of offers and substantiation, attempting to close the gap between the parties' positions or influence the other parties (Lee, Brett, & Park, 2012). The negotiating parts wish to uncover how far they are able to push the other party, without revealing their own limits (Rognes, 2008). As distributive strategies are closer related to traditional arguing, they are more likely to contain explicit conflict than the integrative strategies (Malhotra & Bazerman, 2007).

Integrative strategies try to create more value through the realization of mutual gain (Lee et al., 2012; Rognes, 2008; Saorín-Iborra, 2008). The aim is to reach a better agreement than what a simple compromise on the separate issues would provide, often by increasing the elements one include in negotiations. Instead of focusing on distribution of one issue, the parties will include aspects in which their priorities are different. Thus, what is important to one party might be given to them without much, or any loss to the other party. This requires a profound analysis of potential elements for the negotiation process. Information sharing, making the parties understand what is important and why, is equally important (Rognes, 2008).

Although integrative strategies may appear ideal, some level of trust is needed (Rognes, 2008), as the negotiators willingness to share information honestly is vital (Saorín-Iborra, 2008). Additionally, even the most experienced negotiators are unable to understand the full scope of positive sum potential (Cao et al., 2011). Furthermore, integrative negotiations are demanding, in terms of having to prepare for multiple outcomes and understanding the value of several different elements in one package (Malhotra & Bazerman, 2007). There must be possible to find elements to integrate, and the negotiating parties must be both motivated and competent to reach such an agreement. Nevertheless, agreements reached through integrative negotiations are likely to be better for both parties and motivate them to uphold their end of the bargain (Rognes, 2008). Time pressure has traditionally been known to create competitive negotiation behaviour, thus hindering honest sharing of information (Saorín-Iborra, 2008). The physical distance limits negotiation time in Norwegian-Chinese business negotiations.

Regardless of the negotiation being distributive or integrative, negotiators in China may benefit from appearing rational (Kristoffersen, 2010), i.e. by avoiding existing biases (Malhotra & Bazerman, 2007). The Chinese value pragmatism (Kristoffersen, 2010).

2.2 Cultural differences

2.2.1 There is cultural distance

When measured, Norwegians and Chinese show distinct dissimilarities in their national culture (The Hofstede Centre, 2013). Interviews conducted by Sheer and Chen (2003) also show that business representatives from western countries find Chinese culture challenging. Both representatives from China and the western countries believe that Chinese culture affect business negotiations. However, neither group found western culture to have any influence on the situation. Although this thesis is focused on differences in culture, Chinese culture is elaborated more extensively as I wish to provide Norwegian users with a better understanding of how to communicate in China.

When people from countries with underlying differences in national culture attempt to communicate, cultural distance may present itself as a problem. The term cultural distance is described as differences in national culture. (Gooderham, Groggaard, & Nordhaug, 2013). Hofstede (1993, p. 89) defines culture as “*the collective programming of the mind which distinguishes one group or category of people from another*”. Great variance in beliefs, values and behaviour may create interpersonal problem, hindering knowledge sharing (Hutzschenreuter & Voll, 2008) and thus effective negotiations.

A wide spectre of difficulties may arise when two parties negotiate (Malhotra & Bazerman, 2007). Culture affects how we communicate (Gao, 1998), and how we act and understand different situations (Rognes, 2008). These differences may further worsen the possibility for a constructive dialogue (Gooderham et al., 2013). Culture also has an effect on how we see ourselves (Markus & Kitayama, 1991) and how we relate to others. Finally, culture influences our values and beliefs (Hofstede, 1993; Gooderham, Groggaard, & Nordhaug, 2013).

2.2.2 Hofstede's Five Dimensions

The most frequently used study to explain differences in national culture is Hofstede's model of five different dimensions (Sivakumar & Nakata, 2001; Gooderham et al., 2013). Based on a large survey of IBM employees in the late 60s and early 70s, Hofstede made four dimensions in which we can measure national culture. Later, he also added a fifth element, as an answer to criticism that the four were insufficient (Gooderham et al., 2013). The dimensions reflect Hofstede's view, that culture cannot be observed directly. Thus, the dimensions do not exist, but can be inferred through verbal and non-verbal actions. Although there have been several other studies on culture, Hofstede's overall impact is more significant than any other (Fang, 2011).

Hofstede called his dimensions Power Distance, Individualism-Collectivism, Masculinity-Femininity, Uncertainty Avoidance and Long-term versus Short-term Orientation (Gooderham et al., 2013). *Power Distance* refers to the level of institutional inequality the people of one nation accepts (Hofstede, 1993). As China scores relatively high, and Norway sits relatively low, Chinese accept such differences to a much higher degree than Norwegians (The Hofstede Centre, 2013).

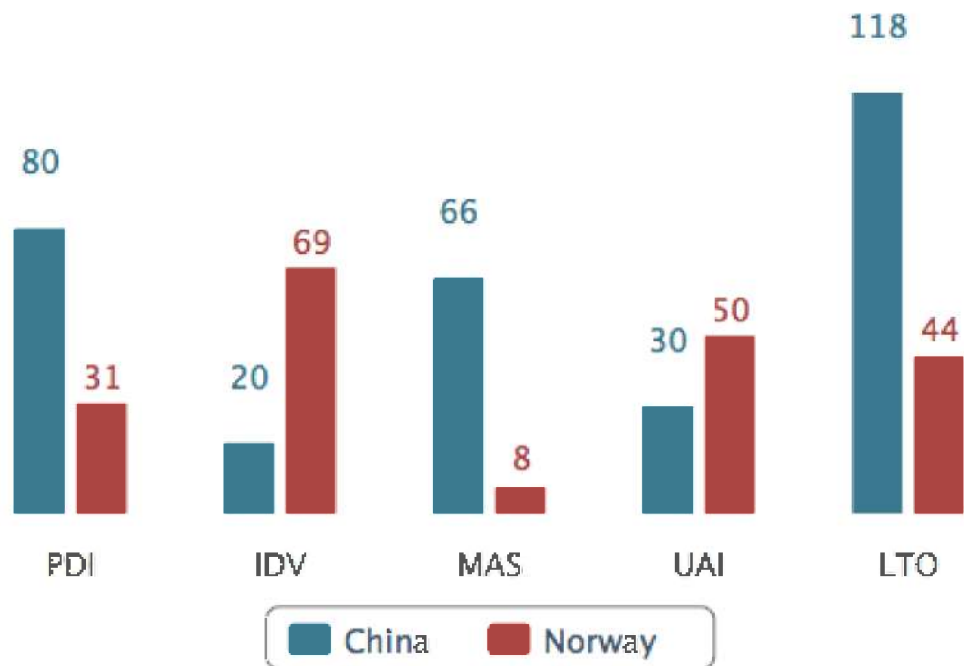
Individualism-Collectivism describes whether people prefer to act as individuals, or as part of a group (Hofstede, 1993). China scores low on individualism (The Hofstede Centre, 2013; Chen, Leung, & Chen, 2009), meaning that they prefer to act as members of a group. Norwegians are more individualistic (The Hofstede Centre, 2013). Within cross-cultural research, this dimension has received more attention than the other four. Partly due to it being relevant both to individuals and as a social phenomenon, but also because of its unclear definition (Chen et al., 2009).

The third element in Hofstede's research is called *Masculinity-Femininity*. A high masculinity-score implies that hard values, such as assertiveness, competitiveness and materialism are strong in the population (Gooderham et al., 2013). Quality of life, personal relationships and solidarity are considered feminine values. In more masculine societies, the differences between men and women are larger than in feminine nations (Hofstede, 1993). According to the Hofstede Centre (2013), China is much more masculine than Norway.

Uncertainty Avoidance refers to a nation's preference in regards to security, stability and predictability (Gooderham et al., 2013). Neither Norway nor China has a very high score (The Hofstede Centre, 2013), which means that the countries are fairly flexible, and do not need an abundance of rules. Countries with a high Uncertainty Avoidance may be described as rigid (Hofstede, 1993).

National culture also differs in terms of *Long- and Short-term Orientation* (Gooderham et al., 2013). This dimension was added after the others, and is based on a study of students from 23 different countries. Long-term Orientation is when people have a future focus. Saving and persistence is valued. When a nation is more Short-term Oriented, the focus is on the past and the present. It can be recognized through strong respect for tradition. Fulfilling one's social obligations is also important in these societies (Hofstede, 1993).

China has a very high score on Long-term Orientation (The Hofstede Centre, 2013). In negotiations, this element may be most easily recognized by their emphasis on maintaining long lasting relationships. For instance, when an American company wanted to sell stock shares of a joint venture with a Chinese company, the Chinese understood that the Americans had no desire to keep a long-term interest in the company (Sheer & Chen, 2003). In Norway, the focus is rooted more strongly in the past and present, i.e. more Short-term Orientation (The Hofstede Centre, 2013).



(The Hofstede Centre, 2013)

Even though the use of Hofstede's findings is frequent, many have criticized his research (Sivakumar & Nakata, 2001). Among other things, the collection of data is faulty, the study is dated (Gooderham et al., 2013), it does not recognize variations within a national culture (Sivakumar & Nakata, 2001) and it is lacking in theoretical clarity (Chen et al., 2009). However, Hofstede's results may serve as a starting point to explore cultural differences, i.e. between Norway and China.

2.3 Potential Critical Incidents Related to Cultural Differences

Below, I will explain potential problems in Norwegian-Chinese business negotiations. I begin with looking at the effects of different values in Hofstede's five dimensions. Furthermore, I will present other differences, most of which are part of Norwegian or Chinese culture. Some potential critical incidents related to the differences will also be mentioned. I will however not form any hypotheses, as there is little foundation to do so, and I do not wish to limit my results.

The implications for Hofstede's findings in Norwegian-Chinese business negotiations are many. Difference in *Power Distance* does not only dictate what is accepted in the two countries, but also how the delegates behave. Unlike Norway, hierarchy in China is deeply

rooted in society (Halvorsen & Miljeteig, 2013; Kristoffersen, 2010). From early childhood to adult employment situations, the Chinese are expected to do as they are told, without asking questions or making mistakes (Halvorsen & Miljeteig, 2013).

Hierarchy affects many situations Norwegian delegates may enter. In China, even seating arrangements are not random. When a Norwegian party visits a Chinese delegation, the leaders should also greet each other before the others. The Chinese might help you recognize their leader by presenting him or her at the front of the party at the first meeting (Kristoffersen, 2010). Throughout the subsequent meeting, as well as in future social settings, the focus should be on the leader, rather than any other member of the party (Sheer & Chen, 2003; Kristoffersen, 2010). Furthermore, negotiations are not necessarily completed at a meeting in China. Discussions may be continued at dinner or during other informal meetings (Rognes, 2008). When concluding a meeting, Norwegian business representatives should remember that the Chinese delegates might not have the proper authority to finalize an agreement. As Norwegian companies normally have a flat structure, the negotiators may be mandated to make decisions. In China, upper management often need to approve of the terms before a contract is written (Halvorsen & Miljeteig, 2013).

Markus and Kitayama (1991) claim that national culture affects how people see themselves. In some Asian countries, the self is often viewed in a group context. This corresponds well with the country's *collectivist* values (The Hofstede Centre, 2013). However, in many western cultures, standing out from the crowd is more frequently appreciated (Markus & Kitayama, 1991). In China, being part of a grand network is greatly respected (Gao, 1998). In China, people are often seen as part of their in-group (Markus & Kitayama, 1991). Both a large Power Distance, and collectivist values affect the functions of these groups. In their respective groups, people have different rank and subsequently, different roles. Inside a network, trust and friendship is the rule. However, outsiders are expected to act in accordance with their hierarchical position and role (Gao, 1998). Interviews conducted by Sheer and Chen (2003) suggest that if the delegates from a western country pay more attention to the interpreter than the highest ranking Chinese official, negotiations may be futile due to a perceived lack of due respect. In Norway, interpreters are taught to inform their clients that they should look at each other, and not include the interpreter in any dialog (Skaaden, 2007). To my knowledge, very few delegates from Norwegian companies are trained to communicate through an interpreter, and may thus not be properly equipped when entering such an environment.

The fact that China is a collective society does not mean that the individual is not important. Competition is wide spread (Kristoffersen, 2010) and many Chinese desire personal wealth (Chen et al., 2009). Collectivism in China is largely based on the thoughts of Chinese philosopher, Confucius (Halvorsen & Miljeteig, 2013), who died in 479 BC. Confucius's beliefs still greatly affect the work morale in China. A manager is like a father, and the employees are loyal sons. Therefore, employees may be scared of being creative in interpreting their work tasks (Kristoffersen, 2010). Furthermore, collective societies are prone to prefer integrative negotiation strategies (Rognes, 2008). Difficulties are likely to arise if the Norwegian party does not consider the importance of being member of a network China.

Due to strong *feminine* values (The Hofstede Centre, 2013), a distributive negotiation strategy is difficult for many Norwegians. When faced with these strategies, most of us find the other party unlikely to ever become a serious and trustworthy business partner. Whilst negotiating with other Norwegian companies, the final agreement is frequently a result of integrative strategies. Yet, when we face companies from masculine societies, we are unable to transfer our methods (Rognes, 2008). Although the Chinese have a masculine score (The Hofstede Centre, 2013), preferences appear to be on integrative negotiations (Kristoffersen, 2010). That may be a result of collectivism and aspirations of creating a long-term, beneficial cooperation, being valued higher than masculine dialogues.

As both Norway and China have a relatively low score on *Uncertainty Avoidance* (The Hofstede Centre, 2013), potential differences are unlikely to create critical incidents in business negotiations. The fact that both countries are similar in this matter might even make a foundation for integrative negotiations, as neither party is afraid to explore new areas in negotiations (Rognes, 2008). However, as trust in China is not awarded easily (Gao, 1998), and Norwegians tend to focus on the matter at hand, and not fully investigate the other company's interests (Rognes, 2008), integrative negotiations may not always occur.

As mentioned above, Chinese negotiators value a *Long-term Relationship* above short-term profit. An implication of this is a need for mutual trust in relationships. Several researchers (Akgunes & Culpepper, 2012; Lee et al., 2012; Sheer & Chen, 2003; Kristoffersen, 2010; Dayal-Gulati & Lee, 2004) imply that the notion of mutual trust, or *guanxi* (meaning mutually trustful relationship, pron. gwan-kji), is extremely important to the Chinese. Guanxi

relationships are the most fundamental unit of social interaction. Only those who can contribute to a mutually beneficial bond are included, and especially people from outside their guanxi network struggle to build the appropriate relationship (Lee et al., 2012). Such relationships are built by showing sincere concern for the Chinese party, and their families (Kristoffersen, 2010). As relationships are important, it is often easier to begin negotiations through some common relation, to set a basis for trust. Once an insider, trust and assistance is awarded (Gao, 1998).

Some western negotiators have mentioned that guanxi is necessary if one is to effectively cope with the unstable and inconsistent political and economic environments in China. They also claim that it is essential to reaching a beneficial agreement with the Chinese counterpart (Sheer & Chen, 2003). Other researchers say that networks are essential to create a successful business in China, not because of corruption, but because it is efficient and awards trust. Trust is a reason to enter a business agreement in China (Halvorsen & Miljeteig, 2013). Furthermore, a business agreement is considered a lifetime commitment (Washington et al., 2012). Guanxi relationships are used for gathering information and getting things done. For Norwegian companies negotiating in China, guanxi relationships may be necessary to understand local practise, which may differ from what is stated in the law. Also, the information provided by these connections is always credible, as opposed to many other sources. New introductions are made through guanxi relationships. The Chinese will introduce their connections to other friends, and these friends will help their new connection because of the common relation (Kristoffersen, 2010).

According to Sheer and Chen (2003), out of Hofstede's five elements, differences in Power Distance and Long-term Orientation have the most visible effects in Sino-western negotiations. Furthermore, Chen et al. (2009) explain that Individualism-Collectivism has been measured in ways showing very similar results in traditionally different countries. For Instance, there is no difference between Chinese and Americans in terms of in-group favouritism (Chen et al., 2009). Therefore we may assume that Norwegians inability to fully respect the strict Chinese hierarchy and the Chinese' need for long-term commitment may present the largest complications in negotiations. However, different group related orientations and the different understandings of so called masculine and feminine values, may also cause problems. Furthermore, these elements may be interconnected. For instance,

Norwegian business-delegates who show interest in a long-term business relationship may more easily become part of a Chinese business executive's in-group.

In addition to Hofstede, researchers have found several other areas in which Asian culture differ from western ones. For instance, *face* (mianzi, pron. mien-tse), or more particularly, not to *lose face* or cause others to do so are significant social factors in China (Gao, 1998; Kristoffersen, 2010; Washington et al., 2012). Face is an evaluation of the individual's credibility and self-image (Washington et al., 2012). Whereas Norwegian culture builds relationships on admitting mistakes and forgiving each other, the Chinese don't mind making mistakes, as long as nobody else notices (Halvorsen & Miljeteig, 2013).

Consistent with the aspiration not to *lose face*, and the importance of building strong and trusting relationships, reciprocity is a valued transaction (Lee et al., 2012). Giving face, often in terms of praising someone in front of others, is an important part of Chinese business life (Kristoffersen, 2010). For instance, when receiving a business card, the Chinese will accept and study it, often complimenting on its information or appearance. For the remainder of the meeting, the business card is placed within their view. Then, the Chinese may consult the card to make sure they address the other persons by their proper names and titles, which save them from losing face (Washington et al., 2012).

Guanxi and mianzi are closely connected (Washington et al., 2012). It's your guanxi network that helps provide you with mianzi. Good mianzi, in return, has a positive effect on your entire guanxi network (Kristoffersen, 2010). They are both important when entering business negotiations with the Chinese.

Giving and receiving favours build guanxi relationships (Lee et al., 2012). In Sheer and Chen's (2003) interviews, many negotiators from western countries commented the giving and receiving of favours as a step towards reaching a desired agreement. When someone does not reciprocate a favour, the person is violating an accepted social norm. The person, or party, also *loses face*, which is considered a great dishonour, and trust between the parties is lost (Lee et al., 2012). Although reciprocity may exist in Norway, the term does not have the powerful social impact it does in China.

Guanxi makes it easy to assume that integrative strategies, where mutually beneficial agreements are in focus, are frequent in Chinese negotiations. Also, distributive strategies may be hazardous to the other party's *face*. However, *guanxi* relationships should exist before one attempts in integrative strategy, as the Chinese are unlikely to disclose their true motives to a party they do not trust (Lee et al., 2012). Related to what Hofstede call feminine values, Norwegians also value integrative negotiations. The more aggressive distributive strategy often makes us uncomfortable. Tactics such as gamesmanship are deemed unethical. Honesty and a just result are valued (Rognes, 2008). Although Norwegians and Chinese seemingly should find a mutually beneficial agreement, critical incidents may still occur. As conflicts are few and seldom, we Norwegians might assume that everything is ok. We embark on an integrative strategy, revealing much of ourselves, and hoping to reach an agreement. On the other end of the table, the Chinese do not trust us, do not present their actual preferences, and are unhappy with the result.

Furthermore, Asian cultures are more prone to avoid *conflict* than natives of the European and American countries (Chen et al., 2009). The primary reason for the Chinese to communicate is to maintain peaceful relationships with the people close to them. Public confrontations cause the disputants to loose face (Washington et al., 2012), which is damaging for their reputation (Gao, 1998). Discussions in China are structured to avoid conflict and preserve harmony (Markus & Kitayama, 1991; Gao, 1998; Kristoffersen, 2010). Every aspect of a situation should be identified, before the participants state their own, personal opinions. In western countries, this may seem unnecessary (Markus & Kitayama, 1991). In negotiations, problems may arise when the Chinese participants do not give their opinions and the Norwegians, in return, create conflict or mistakenly assume that an agreement has been made.

Norwegian culture is generally not considered as conflict oriented as some other western countries. Conflict is something we may speak about, but actual confrontations are rare (Rognes, 2008). However, Norwegians are very trusting (Skirbekk, 2012; Gooderham et al., 2013). If the Chinese party is avoiding conflict, or agreeing to impossible terms, the Norwegians may be more prone to believe them without question than delegates from other countries. In Norwegian business, trust can make negotiations easier (Rognes, 2008). However, if we expect a potential Chinese partner to behave exactly as another Norwegian company, we risk sharing too much too early, and lose important competencies.

When negotiating in China, another difference is frequently revealed; *time management*. China is known for its speed, both in development and how fast the locals expand their cities and build new prospects (Kristoffersen, 2010). However, when negotiating with a Chinese counterpart, patience is definitely a virtue (Sebenius, 2002; Kristoffersen, 2010). Also, building relations and reaching an understanding takes time, and the delegates are likely to check every decision with their superiors. Nevertheless, when they decide, work may be expected to begin almost the minute the agreement is signed (Kristoffersen, 2010). Punctuality may also be important to the Chinese delegates, as being on time shows respect for the other party (Schnack, 2002).

Politeness is greatly valued, and dictates how one should behave in a number of different situations. For instance, one must not impose. If invited to any kind of social event, traditionally, the Chinese will decline. Their decline gives the host an opportunity to insist, thus proving the sincerity of his or her invitation, and saving face (Gao, 1998). Knowing the Chinese etiquette is useful, but not necessary. In general, the Chinese would forgive foreigners who fail to uphold every curtesy (Kristoffersen, 2010). However, learning the local customs may limit misunderstandings, as both parties know what kind of behaviour is to be expected by the other, and how one should interpret variations in formulations and behaviour (Washington et al., 2012).

Although the Chinese value *guanxi* relationships, not every new acquaintance aspires to join the network. However, when visiting the Chinese, one is likely to be taken well care of. Chinese culture admires people's ability to make their guests feel at home (Gao, 1998).

When arriving in China, showing some interest in the local culture may be an advantage. Giving gifts and knowing how to receive a business card or eat with chopsticks would show the Chinese that the Norwegians have taken an interest in their ways (Kristoffersen, 2010). Although one should not accept corruption, Norwegian companies must make sure to follow the culture of *gift giving* (Halvorsen & Miljeteig, 2013). Giving carefully chosen gifts shows respect. Also, the gift proves how much you value the business relationship with the other party (Pitta, Fung, & Isberg, 199).

One difference, that does not appear to create problems for the Chinese, but might still be an issue for the Norwegian party, is the understanding of *intellectual property*. China is

considered the country with most frequent violations of intellectual property rights (Beck, Feldman, Grimoldi, & Ver Eecke, 2004). Chinese interviewees from Sheer and Chens (2003) study explained that they do not have a strong understanding of patents or the existence of intellectual property.

Increasing to the problem, the Chinese government does not appear to consider copying known brands an issue worth following (Beck et al., 2004; Kristoffersen, 2010). In 2007, at the end of Chinas grace period in the WTO, the US expressed a desire to charge China with illegal copying of merchandise. The Chinese government answered by explaining that the western countries have profited more from the Chinese entering the international trade marked, than China itself. Therefore the Americans should be happy that they can trade with China, and not complain about trivialities, such as copyrights (Kristoffersen, 2010). Although copying is still a problem in China, there are signs of progress. The Quality Brands Protection Committee (QBPC) has been working actively to form *guanxi* relationships with government officials, and limit the local protection of counterfeiters. Nevertheless, Chinese officials have expressed that, as the government provide multinationals with tax benefits and manufacturing cost advantages, the company itself, not the Chinese authorities, should protect their intellectual property (Beck et al., 2004).

In accordance with that theory, Chinese business representatives do not appear to be insulted when western counterparts insist on spending time during negotiations to create a written statement as to what belongs to which party (Sheer & Chen, 2003). Others have attempted to differentiate both products and packaging, while advertising and investigating potential copycats, and lobbying for legislations. All of the above resulted in little, or only short-term success. Nurturing *guanxi* relationships, however, appear to be a viable solution (Beck et al., 2004).

Although a *contract* may be helpful in protecting intellectual property, and the Chinese government attempts to make contracts a binding agreement, tradition in China claims that the desire of someone with a high position in the hierarchy is more important than a written agreement (Kristoffersen, 2010). In China the context is more important than what is written. Norwegians normally have the opposite view, and rely on the contract more than the situation in which it was made. To the Chinese, a contract is simply a supplement to the much more important relation. Therefore, renegotiating the contract may happen frequently, as external

factors change, and the agreement is to care for ones relations (Rognes, 2008). When the Chinese party no longer sees an agreement as beneficial, they will simply leave it (Halvorsen & Miljeteig, 2013). Also, because they may be unsure how important the contract is to the other party, they may wait to see how the other party use and interpret the contract. Thus, they will not begin to uphold their end of the agreement before the other party follow up on the contract. The Chinese prefer a written contract with as much flexibility as possible, as that leaves them room to avoid situations where they might loose face (Kristoffersen, 2010). Also, when deciding on what to include in the contract, one should be aware that business representatives in East Asian countries normally are given less decision power than what is common in Norway (Rognes, 2008).

Kristoffersen's (2010) many experiences in China leave him with two main recommendations to Norwegian business representatives: do not forget your own Norwegian culture, and do not forget their Chinese culture either. The Chinese are, in general, proud of their national culture. Norwegian representatives must expect that negotiating in China is different than negotiating in Norway, and do the necessary preparations to succeed. When preparing for discussions with the Chinese, time should be spent learning their culture and understanding their way of communication. However, it may be equally interesting for the other party to learn what is typically Norwegian, and that we also are proud of our culture (Kristoffersen, 2010). A strong belief that our society is the best is common for Norwegians. In fact, only the Americans have stronger fait in their own infallibility than us (Rognes, 2008). Explaining some of the aspects of our society that makes us proud may be very interesting for the foreign party. Understanding each other might help create a better environment for negotiations.

2.4 Communicational Challenges

A potential difficulty when negotiating with the Chinese is the difference in how one communicates. For instance, in China, saying yes does not necessarily mean an acceptance of the proposed terms. Saying yes may mean something far less conclusive, for instance that they will consider the proposal (Gao, 1998). Also, the Chinese party will often attempt to limit the amount of non-verbal communication when negotiating. Body language may be misunderstood by the other party, and undermine trust and a subsequent beneficial relationship (Akgunes & Culpepper, 2012). Sheer and Chen (2003) found that the specifics of a business transaction should not be discussed at the beginning of negotiations. First, one

should spend time understanding the group, and finding the decision maker and those who are influential on him.

In general, communication in China is different than in Norway. Chinese typically teach their children to observe and examine conversations, as what is implied is equally or more important than what is being said (Gao, 1998). Listening is the primary focus in communication, as only people with authority, seniority and power are allowed to speak (Gao, 1998). However, in Norway, connected with low Power Distance, every opinion should be heard. Equality is central, and expert opinions may be heard regardless of the individual's position in the company (Gooderham et al., 2013).

Furthermore, in China, outright saying *no* is not consistent with social norm (Akgunes & Culpepper, 2012). The underlying reason lies within Chinese reluctance to openly show negative emotions (Gao, 1998). Examples have been made; where the Chinese representatives have not been truthful about their financial or manufacturing capacities, as they will not say that they are unable to fulfil their side of the agreement. Thus, it may be difficult to complete the negotiated contract. Some westerns have attempted to avoid delays by stressing a specific time frame in the negotiations. However, the Chinese sometimes feel criticized when their counterparts insist on such a schedule (Sheer & Chen, 2003).

2.5 Summary and Further Thoughts

As we have seen, long-term relationships, built on trust and reciprocity, may be essential to reaching a mutually beneficial agreement in Norwegian-Chinese business negotiations. Respecting the local hierarchy, and that group members have different roles also seem to be important.

Even though I have mentioned several cultural differences, and how they may cause critical incidents, one should not forget that there are 1,354.04 million people in China (National Bureau of Statistics of China, 2013). They are all different (Kristoffersen, 2010), and one should take care not to assume they all act the same way. Increased globalization has provided many businessmen and –women with international experiences, which lessens the cultural difficulties of international business negotiations (Rognes, 2008). Also, when renegotiating or expanding collaborations with existing partners, one may see the evolvement of a business

culture; “how we do things in this company”, which may surpass national culture in importance (Sheer & Chen, 2003).

Finally, Fudan University Finance Professor, Xiaozu Wang, adds that gaining a decent market position is harder today than it has been in the past. 20 years ago, foreign companies had advantages simply by being foreign. Today, there are many competitors, and gaining access may be more difficult than first expected (Halvorsen & Miljeteig, 2013).

3. Methodology

In this part of my thesis I explain the method of data-collection, and challenges regarding the reliability and validity of my research.

3.1 Research Philosophy

Research philosophy is related to the development of knowledge throughout this master thesis, and the nature of that knowledge (Saunders, Lewis, & Thornhill, 2009). I seek to develop knowledge about what happens when Norwegian business representatives travel to China to conduct business negotiations.

Research philosophy can be pragmatic, realistic, positivistic or interpretivistic. Interpretivism means searching for an understanding of differences between humans as social actors (Saunders et al., 2009), which is exactly what I hope to do. This point of view dictates that the world is too complex to be narrowed down to generalizable results. Research is often conducted at the individual level, as each and every person is different, and operates within his or her social role. Interpretivism is the philosophy best suited for my research. It may be challenging for me to understand the world from the point of view of my research subjects, yet it is necessary to try, as I wish to understand their behaviour. Both observable phenomena and subjective opinions are acceptable knowledge. Research consists of in-depth investigations. Limitations to be aware of is that I will be part of my research, thus making my subjective meaning part of the final conclusion. Additionally, the sample is small.

3.2 Research Approach and Design

Research approach is concerned with the use of theory. A paper based on a strong theoretical foundation, where testing theoretical hypothesis creates the conclusion, has a deductive approach. The inductive approach involves collecting data first, then developing the theory to explain it (Saunders et al., 2009). In this thesis I have first collected the data through interviews, then found theory to explain the critical incidents my interviewees have observed, consistent with the inductive approach.

The inductive approach is well suited for analysis of *qualitative data*. It is flexible (Saunders et al., 2009), which is necessary in my case, as the interviewees' observations are an essential

part of the final conclusion, and may be unexpected. A major strength of this approach is that it helps one understand the meaning people attach to certain events. Limitations to the method are that collecting data is time consuming, and samples are usually small (Saunders et al., 2009).

The *research design* is a plan for how to reach a conclusion to the research problem, presented in the introduction. If the design is well suited to the problem, it may reduce chances of faulty results. The design can either be exploratory, descriptive or explanatory. The purpose of an exploratory study is to learn something new, or see a phenomenon in a new light. At first, focus is broad. However, as the research progresses, the focus is narrowed down. Descriptive research seeks to accurately describe persons, events or situations. Explanatory studies investigate causal relationships between variables (Saunders et al., 2009).

I wanted to learn something new regarding Norwegians doing business negotiations in China. As there is not much literature directed at Norwegian-Chinese business negotiations, my initial focus was wide. After conducting some research, I narrowed the problem down to focusing on critical incidents. The research design of this study is exploratory. Exploratory designs are useful to understand what is happening (Saunders et al., 2009), e.g. when Norwegian business representatives go to China to negotiate. There is research on negotiations between companies in China and delegated from western countries, but Norway is seldom included. An exploratory design will make it possible to investigate both similarities and differences in the Norwegian representatives, compared to those in other western countries.

3.3 Collection of Data

One of the principal ways of conducting exploratory research is by interviewing experts on the subject (Saunders et al., 2009). My data collection method is thus qualitative. Qualitative data are non-numerical or otherwise not quantified data. The alternative is quantitative data, which are quantifiable.

Qualitative interviews are semi-structured or unstructured. Their aim is to generate qualitative data (Saunders et al., 2009). As I hoped to discover problems Norwegian business representatives have experienced with a potential or current Chinese business partner, without

leading them to any conclusion, a structured survey could not give me the necessary results. I wanted in depth knowledge of how these individuals interpreted the negotiating process. I was depending on them mentioning their experiences, problems, solutions and recommendations. Therefore, semi-structured interviews were the most relevant.

Individual interviews are the main source of information, as I wished to understand the experiences and interpretations of the individual. I did not want to influence their report on which critical incidents they have experienced. Therefore I asked the respondents to tell me about their experiences first. Additionally, I questioned what they believed were the reasons behind the critical incidents. Finally, I asked for their advices for potential new entrants to the Chinese market. (See Appendix 1 for interview questions.)

Alternatively, I considered focus groups as a source of information. When using focus groups, the members may be influenced by the others' answers. Especially when asking their opinion as to why some happenings occurred, I do not wish the interviewees to be prejudiced by others' beliefs. Individual interviews were therefore my principal source of information.

I have contacted Norwegian companies, which are currently working with or have previously cooperated with a Chinese business partner for three years or more. I've also been in contact with one international company, where the Norwegian office has negotiated directly with China. Three companies offered interviews with a total of five individuals, each with relevant experience. Furthermore, some of the representatives have experienced the agreement going south, after the occurrence of several critical incidents. Some of the interviews were conducted face to face, others on telephone, mainly because the interviewees work abroad.

After asking the interviewees permission, I was allowed to record every interview. I transcribed the interviews shortly after, and deleted the tapes. The written files were labelled interview 1-5, and thus anonymised. All previous e-mails scheduling interviews and other written statements of which companies I worked with was also deleted. I had a database of code name, as I needed a way of knowing who said what, to maintain the possibility to check statements I may have misunderstood. The database was deleted after the completion of the paper.

Four of these individuals all have extensive experience in negotiating with a Chinese party. The fifth person is the main contact of the company's Chinese office, and provides a good understanding of communicating with a Chinese business partner.

3.3.1 What is being measured?

Through the interviews, I attempt to understand which incidents may be damaging for the future relationship between Norwegian and Chinese companies during negotiations. These critical incidents are the main focus of the study. How the interviewees managed these incidents, in which cases they were resolved and when they damaged the relationship is also important to make suggestions for future negotiators. Finally, I have asked why critical incidents occur. These answers are likely the most flawed, as they are based on individual perceptions. Individual perceptions may be influenced by several other factors, such as mood, family situation, perception of Chinese national culture, time of day, etc. Still, the answers result in a theory as to how one may attempt to avoid potentially harmful episodes in Norwegian-Chinese business negotiations.

As I only have five interviews, some incidents may only be valid for that one negotiation. Therefore, I focus my discussion on recurring events. Certain singular events will also be mentioned, if they appear in other research, and thus may have been recurring if I had interviewed more Norwegian negotiators.

All interviewees mentioned some recurring problems related to the period after an agreement has been made. As this will be relevant for companies looking to enter in an agreement with a Chinese partner, it will be included in both my results and subsequent discussion. All my interviewees were present in China before the Nobel Peace Prize was awarded an environmentalist opposing the Chinese government, and were thus not particularly affected by the situation. They did, however, offer their experiences as to certain aspects that may be different for companies entering China now.

3.3.2 Reliability

A study is reliable if it offers the same results as other, similar research. Transparency in the analysis is essential to create a reliability study. If possible, one may also compare results of similar studies (Saunders et al., 2009). To my knowledge, there are no other similar studies

conducted at the same time as my research. However, I am comparing results from my interviews with existing literature on negotiations and China.

Lack of standardization leads to several threats to the reliability of data collected through semi-structured interviews (Saunders et al., 2009). There are several factors I have considered to increase the reliability of my paper. The elements below are based on recommendations from Saunders et al. (2009):

- *Preparation*: I did some research on the companies before doing the interviews, to make sure I knew their situation
- *List of questions*: The respondents were given a list of themes for the interviews, so that they were able to prepare and be more comfortable with the general situation, a few specific questions were also sent in advance
- *Location*: The interviews were set in a location suitable for the interviewees, and free of disturbing noises; one interview was at the interviewees office, one in a conference room, and three by telephone
- *Appropriateness*: My appearance was suitable for the interviews in terms of clothing and such
- *Opening comments*: I opened the discussion by explaining a little about my thesis, and what the information was for. The respondents engaged in the conversation, and a couple had questions about the paper. I answered all questions, except those concerning the other respondents' identity, and they did not seem insecure in terms of sharing information
- *Approach to questioning*: I had sent the interviewees a few questions in advance, and in most cases they began by answering those. One participant had answered those questions by mail, in which case I started with another question. I would ask an open question, and probe for clarifications or elaborations when needed. Throughout the interviews I attempted to keep my voice neutral, and pose clear and open-ended questions. As mentioned above, three interviews were conducted by telephone, which presented certain difficulties. In order to record the interviews, I had the respondents on speaker, which in turn made it difficult for them to hear my questions, and sometimes the flow of the conversation was disrupted
- *Interviewers behaviour*: I attempted to limit issues related to interviewer and interviewee biases through my behaviour during the interviews. As some interviews were conducted by phone, I had to make short comments to show that I was paying attention. However,

as the respondents sometimes did not hear my comments properly, they stopped speaking and asked me to repeat. To limit this problem, I attempted to speak loudly and clearly. I also stopped making comments to avoid confusing the respondents

- *Test understanding*: Sometimes, during the interviews, I would summarize a response to check my understanding. Especially as the interviews were in Norwegian, and I myself have translated the responses, understanding is important
- *Recording data*: Every interview was recorded, and transcribed shortly after. I also took some notes for three of my interviews. Especially the records of the interviews conducted by telephone were faulty, and some words were unclear. After listening to them several times and checking my notes I am confident that my transcripts are correct. The interviews that I conducted in person were interrupted towards the end, however, the rooms were quiet up until that point, and the respondents did not appear to rush their final questions. All information concerning the time and place for interviews were located apart from the transcriptions. As I only conducted five interviews, remembering which was which was not difficult. Thus, only their contact information was saved separately

Furthermore, conducting interviews by telephone means I have no way of reading body language, which of course limits my ability to follow non-verbal cues. Therefore, my ability to understand and interpret my results, and potentially missing non-verbal signals as more than half my interviews were conducted by telephone are the main issues posing threats to the reliability of this study.

3.3.3 Validity

Research is valid when it measures what is supposed to be measured, and that the findings are about what they profess to be about. A major issue in my research should thus be: *is there truly a causal relationship between cultural differences and communicational difficulties, and problems in Norwegian-Chinese business negotiations?* My research design is developed in terms of minimizing such risk, however, there are always threats to the validity of research. There are several different types of validity, two of which (internal and external validity) are important to my research (Saunders et al., 2009).

High *internal validity* means that results are real, and not the effect of flaws in my research. Recent events pose a threat, as they may influence the interviewees' opinions (Saunders et al.,

2009). In my project, the recent awarding of the Nobel Peace Prize has caused a rift in Norwegian-Chinese relations, also affecting business related relationships. Potential problems connected to validity will occur if my interviewees base their information on impressions affected by that event. I do not think that is an issue, as most of the respondents claimed not to have experienced any change. However, another potential problem could be that the award ceremony has changed the future of Norwegian-Chinese business relation. Then, my results will not be valid for future negotiators, as the environment has changed.

External validity reflects the degree of generalizability of my results (Saunders et al., 2009). As my study only contains five interviews, it is unlikely that they are valid for all, or even most Norwegians business representatives. However, I do believe that issues my interviewees have encountered may happen to future Norwegian business delegates in China. Also, four of my respondents have many experiences in negotiations in China. Their answers reflect several different situations, with a variety of different people involved. Their experiences make their advice valuable, even if it does not cover the experiences of all Norwegian negotiators who have been to China. Furthermore, I hope my thesis may provide a basis for future research, to further investigate the critical incidents I have begun to discover.

3.3.4 Threats and biases

In addition to threats to the reliability and validity of my data, there are also biases that may affect the data quality. The first of which is the *interviewer bias*. The interviewer creates a bias through comments, tone or non-verbal behaviour. My interpretation of the interviewees' answers may also be biased (Saunders et al., 2009). Primarily, I have been aware of this bias prior to the interviews, and thus been able to do my best to avoid such behaviour. Also, all five interviewees have allowed me to contact them if I should have any more questions or be insecure of an answer. Thus, confusion is minimized. However, I am not an objective observer of my own comments, tone or non-verbal behaviour. Although, I have kept comments to a minimum, there may be issues related to my behaviour in the data I have collected.

Possibly related to the interviewer bias is the *interviewee* or *response bias*. Interviewees may be biased due to their perception of the interviewer or their sensitivity to the unstructured exploration of certain issues. Interviewees may initially be willing to do the interview, yet

wish to cast themselves in a better light when the questions begin. Other may wish to rush the interview due to time restrictions (Saunders et al., 2009). After ensuring the participants of their anonymity, all appeared willing to reveal both positive and negative experiences. I did not get the impression that any of them were rushing the interview, nor hiding any information. Although they all had busy weeks, and all but one had work related engagements immediately after my interviews, none tried to rush my questions. One interview had to be scheduled during a weekend, due to the participant's otherwise busy schedule.

Participants being difficult may also pose challenges. Saunders et al. (2009) mention five scenarios of potentially problematic situations, one of which applies to my interviews. As my questions often were open-ended, sometimes the respondents would talk for a long time. Most of the time, that was exactly what I wanted, as they elaborated on their experiences from negotiations, mentioning critical incidents without my having to lead them onto a certain path. One interviewee did not have much experience with negotiations, but had worked with the company's China Office for some time. The respondent would talk about working in China, which I found very interesting. However, in retrospect, I realise that I should have asked more about specific cultural differences and meeting with his Chinese employees, which could have resulted in more useful information from that interview.

4. Results

The interviews yielded two main results related to cultural differences. Every interviewee mentioned that the strong hierarchical structures in China posed problems when they communicated with the Chinese. Also, the importance of relations was emphasized. Communicational difficulties were not as strong, as the respondents all had interpreters working for them. However, difficulties in communicating did occur, possibly worsening problems related to cultural misunderstandings. The respondents all agreed that culture could create difficulties when negotiating in China.

“We had a very good collaboration. The project worked out excellently. The problems we faced along the way were related to culture. That is, different ways of thinking, and understanding arguments...”

(Respondent 4)

In this section, I will first present results related to cultural differences in Hofstede’s terms. Then I will have a closer look at cultural differences that relate to the importance of relationships. Further on, I intent to show the respondents’ comments on how they experience communicating through an interpreter, and discuss the other communicational difficulties they mentioned. Finally, I present the results regarding what the participants believe makes China challenging, and their advices for other negotiators.

4.1 Hofstede’s Cultural Differences

4.1.1 Hierarchy – Power Distance

Primarily, there were large differences in business related *hierarchy*. As a result of a large power distance in China, decisions are made at the top. When talking to the decision maker, choices may be made quickly. However, in Norway, certain decision must be discussed in larger groups. The differences in power distance were commented by all five of my respondents.

“...it is very clear that they have a strong hierarchy in their organisation. It is always clear who’s talking, what that person is talking about, and who’s not supposed to say anything. Normally, when someone from the top management is present in a meeting, he almost doesn’t

say anything at all. He might sum up the discussion at the end or welcome us at first... it's very different from what we're used to (in Norway), we have a flatter structure, and everybody talks about their own stuff..."

(Respondent 5)

One interviewee experienced the Chinese becoming frustrated at the long process in Norway:

"---the Chinese (...) thought this was going terribly slowly, and that there were many people involved in the process (...) (In China there is) one manager, it's a hierarchy, and he's making the decisions (...) Here (in Norway), we went through one committee after the other, and (the Chinese manager) was very frustrated by our lengthy process"

(Respondent 2).

However, as power structures in Norway are fairly flat, negotiators are often given mandates to reach an agreement. In China, if you are not negotiating with the proper manager, no decision can be made.

"My (European) colleagues and I had a mandate to reach an arrangement. Then, at the other side of the table, we met people who were not decision-makers. Sometimes we were under the impression that we had reached an agreement, but then there was another negotiating process, with the actual decision-makers. It could all be very confusing at the beginning."

(Respondent 3)

"We had a meeting with (a Chinese party), and assumed that would be it, but nothing was decided for another month. That was when they had spoken with each other, and gotten permission from someone higher up in the hierarchy."

(Respondent 4)

The large power distance does however not only create difficulties. Several of the respondents opened their own offices or departments in China, in which they wished to implement certain Norwegian practises. Safety routines, health benefits and vacation days were among the elements the companies decided to make more Norwegian. The unfamiliar procedures did not appear to cause any problems among the Chinese employees.

“They have a very yes sir-mentality”

(Respondent 1)

“No, that was not a problem. That is because of the hierarchy in China. When our top-manager said that these are the rules, this is how we do it, here, we all use protective goggles (...) there were no questions”

(Respondent 2)

Furthermore, if you manage to write a contract, and start working with the Chinese, you may notice that no decisions are made unless the manager is present. In Norway, employees are expected to make decision when the occasion demands it. That is unlikely to happen in China.

“ ...if you’re working with production, where there are no managers, don’t expect any decisions to be made, unless they get a hold of their supervisors. In a Norwegian company, we might need to make smaller adjustments. (...) You won’t get a Chinese engineer to take responsibility for anything like that. ...but they have a hierarchy, which makes them a lot more careful. I think the consequences of even a small mistake... Well, I don’t really know how serious the consequences would be.”

(Respondent 4)

Hierarchy differences are also obvious when a Norwegian company opens an office in China.

“... a few times I noticed that, when I gave them some instructions, and they actually would have been right to change them (...) but they never told me...”

(Respondent 1)

4.1.2 Individualism-Collectivism

According to theory, *collectivism* in China relates to them being very aware of their social roles. As mentioned above, many of the respondents have experienced non-decision makers’ inability to make a commitment. One respondent specifically mentioned differences in regards to individualism-collectivism.

“(The Chinese) are collectivistic, we (Norwegians) are individualistic. (...) Everything, from how we function, our concept of time, (...) there are a lot of differences. I think many mistakes can be made because of that...”

- Question: How do you believe we can solve these problems?

“I think the only thing we can do is learn (how things work in China). I also believe having a mentor and using your network is clever. The one thing one should not do is sending a new person to China every year (...) you have to use your networks”

(Respondent 2)

Specific roles in different situations relates to collective societies.

“...in China, seating arrangement is important. It is not like in Norway, (where there is) free seating and you just sit where there is space available. (In China) you wait until someone shows you where to sit. The Chinese manager has one specific placement, and, being the guests, we normally sit close to him (...) It is part of their culture.”

(Respondent 3)

“We were on our way to a meeting with a potential partner (...) The leader of our delegation (...) we had to carry his suit case. He was the manager, and he could not carry his own suit case.”

(Respondent 2)

4.1.3 Masculinity-Femininity

There were no direct comments to the *masculinity-femininity* differences between Norway and China. If one studies the institutional differences between the two countries, differences such as the Norwegian governments concern for people’s well-being appears stronger than the Chinese, when looking at health care, retirements conditions, etc. However, that is not my focus in this paper, and will thus be disregarded in the following discussion.

4.1.4 Uncertainty Avoidance

Both Norway and China are flexible countries, according to Hofstede's measures (The Hofstede Centre, 2013). One respondent mentioned the Chinese ability to be creative in negotiations and use integrative strategies to find a mutually beneficial agreement. Creativeness and abilities to negotiate were also mentioned.

“(The Chinese) have a very long history. They are good negotiators. They're good listeners, and good at sewing together a package that suits both parties well. They find agreements that are beneficial for both parties. (...)

Yes, they have lots of ideas. They're very creative (...) They love to negotiate (...) It's really a part of their culture”

(Respondent 3)

“...They are very interested in discussing different solutions...”

(Respondent 5)

Working with the Chinese also showed their adaptability.

“They are very fast, and good at taking opportunities. (...)

They had a big poster showing how the area was supposed to look in seven years. (...) and suddenly, (the factory) was there. And they were building another factory next to it. We (Norwegians) were thinking, “(There is a big mountain in the way,) what are you going to do with that?” Well, I have been there, and the mountain is gone, and the factory is there (...) the entire landscape is changed.”

(Respondent 2)

4.2 Cultural Differences Related to Relationships

The other major difference I found was the importance of building and maintaining relationships. Good connections may be crucial for entering the Chinese market on good terms. Respondent 5 first visited China three years before actually negotiating. The first visits

were to get to know the Chinese companies, and look for opportunities. New relations were also formed during these initial visits.

“... I have been visiting China on a regular basis ever since 2001. (...) Back then we weren't really there to negotiate, but it was when we first discovered that there were certain projects that may be of interest to us. (...) The first time we came to actually negotiate was in 2004. Then, I'd had some years to get to know my Chinese colleagues and China, even though I wasn't there very often... the social stuff, the meals, that's very important for building relationships”

(Respondent 5)

Without knowing the other party or sharing connections, respondent 2 had a bad experience when first entering China. The company started a joint venture, with the Norwegian and the Chinese party owning 50% each.

“The first few years it went very well, in terms of profitability (...) However, after a while everything just got worse, and we never really understood why. As it turned out, our partner was not happy with the way we were working together. (...) we think he established his own company, about one hour from our joint venture, and moved many of the best workers over there.”

(Respondent 2)

Respondent 3 hired an agent the company got in touch with at a conference for corporations in his industry, while respondent 5 used connections formed through another office of his company.

“...when we started looking at China as a potential area for doing business, we actually hired a local agent who could help us (...) enter (the Chinese market). The agent already had a working network in China. That was our gate in. It is impossible to start doing business (in China) from scratch, without any prior knowledge on China, without a Chinese network. We have been building such a network these past ten years, and it was that agent who introduced us to everything. (...)

In China, having a large network is very important”

(Respondent 3)

“...other branches in our company already had a network there (in China). ...you have to use any channel possible to try and get in touch with people who can help you... Without good people to help you, you don't have anything over there (in China).”

(Respondent 5)

Maintaining relationships is said to be important.

“I travel to China (...) typically two or three times every year. (...) Then I meet with five to ten different companies (...) to nurture our existing relations and look for new opportunities.”

(Respondent 3)

One respondent also mentioned the necessity of guanxi relationships.

“...when you're doing business in China, culture is very important, understanding each other's culture. (...) Our Chief Representative brought me home to her mother (...) who lived just outside the Forbidden City. (...) ...and (I) brought her to see my mother when she was in Norway. (...) She introduces me to her business connections. I do the same thing here (in Norway)... We travelled to several of our factories here (...) that's something the Chinese really appreciate. (...)

(The Chief Representatives in our China Office) have a large network. (...) and we get to meet these connections and other people in our industry, that's networking, guanxi. (...)

I associate guanxi with networking. Keeping your relationships warm. (...) (In order to keep your relations warm, you should) transfer competencies (...) introduce them to other people (...) it takes time...”

(Respondent 2)

As mentioned above, sending new people to China every time, might be a bad idea. Building relationships takes time, and is important in China. Relationships develop both before and after reaching an agreement.

“...building relationships take time. (...) It is a huge benefit if you have known someone over a longer time period, have traded with them in the past, and know that this has worked well. Then you have something to build on, which is much better than bringing in a new person...”
(Respondent 3)

“...when I talk to our Office Manager, we don't only discuss work (because) we want to create a good relation”
(Respondent 1)

Existing relationships have helped my respondents after the Nobel Peace Prize award limited help from the government. The prize mostly affected the respondents' relationships to the Chinese government. Their other relations seem to be unaffected.

“But again, we have noticed that things are more difficult now, after the Nobel Peace Prize award. (...) Earlier, there were never any problems talking to the different directorates (of the Chinese government), and the people in the (Chinese) Embassy, they could always help, they had their networks. Going to the Embassy now and ask for help, you can almost forget about it. (...)”

No (...) personally, I have not experienced (my other relationships being disturbed by the award). However, many of my co-workers have been affected. (...) One person was going to China (...) but the delegation cancelled the day before they were leaving.”
(Respondent 2)

“We arrived just when this famous Nobel Peace Prize was awarded. And that did affect us, because suddenly, our consultants only got to enter China twice per visa. My visa was unlimited, meaning that it lasted one year, and I could enter as many times as I'd like. (...) But we really didn't notice any change in the people in general.”
(Respondent 4)

“We had a Chinese delegation here, and we took them sightseeing and fishing... When I went back to China to see them, there was no problem for me to come meet the CEO of their company. ...and another top manager as well. (...) These people have high hierarchical

positions, they're often members of the Communist Party, and Norway is supposed to be a country you don't talk to, but that doesn't really mean anything at all. I haven't noticed anything about that whole thing with the Nobel Peace Prize. (...) We don't really notice it, but it is more difficult to get access to politicians. However, top managers in state owned companies, that's not different at all, at least not for the kind of work we do..."

(Respondent 5)

4.2.1 Face Value

During a negotiation process, it may be beneficial to give the other party face. Also, it is unlikely that delegates from a Chinese company will dress casually when meeting a potential business associate.

"... maintaining "face", that's very important in Chinese culture."

(Respondent 3)

"One time we visited a company in Southern China, and I'll never forget that day. (...) the entire executive branch of their company was present (...) I was wearing jeans, because, we were supposed to just meet them, and it was a Sunday (...) They were all wearing black suits and matching ties... I learned a lot from that meeting (...)

(Another time) I went to a meeting with someone I've gotten to know pretty well. (...) He really wanted us to reach an agreement. (...) That was almost exactly like a typical western meeting. (...) both extremes are possible."

(Respondent 2)

"...even if they've made a mistake, you won't win any negotiation or discussion by pointing that out. Making mistakes, that's the worst thing they can do. Especially when someone points that out in a meeting, where people of a lower hierarchical position are present. (...) You have to find a different angle. It's important to them that we always work together to find the solutions... You can always disagree... But you don't win any battles stating that they've made a mistake... that's losing face..."

(Respondent 5)

The Chinese seem to interpret the Norwegian party giving up something in a negotiation as them giving the Chinese face. For example, the Norwegian party can give the Chinese a higher level of quality.

“That’s part of their culture. Having face (...) When negotiating, they have to accomplish something, and maybe there is something we have no problem giving up, but it’s of great value for them. Maybe they ask for some specific level of quality in a product (...) it won’t cost us anything (therefore we can give them that). And then they have accomplished something. They get “face”.”

(Respondent 3)

“...sometimes you might get a little distressed by how incredibly difficult some things may be. Even the smallest things we disagree on, and I think that this would be so easy to just take care of. But (...) it’s just not possible. (...) They have strong culture for giving and taking in turn. (...) Both parties have to give something up. You have to establish that kind of negotiating positing...”

(Respondent 5)

Face value includes not wanting others to loose face.

“The Chinese don’t normally give any feedback, because they want to save face. (...) You have to know how to ask. Because, well, often they don’t say “no” at all. (...) If a manager says something really stupid, in Norway one might say “Are you sure this is really what you want to do?” (...) That would never happen in China.

(Respondent 2)

Respondent 3 mentioned that they initially often did not meet with the actual decision makers. The participant thinks face value might be a reason why the senior member of the Chinese organisation chose not to meet the Norwegian negotiators.

“I think maybe they wanted to test us, and also because it normally only is the younger generations who speak English (...)The real decision makers don’t speak any English. Maybe he felt that he would loose face if he sat in a room with another party who spoke a different

language (...) and he couldn't understand.

(Respondent 3)

4.2.2 Conflict

Avoiding conflict may help preserve face. Also, maintaining a good relationship in China could be related to their desire not to express conflict. Some respondent mentioned that they do not appreciate conflict.

“They want to keep the conflict within the room, that is, the people who are present (in the negotiation). If you have to discuss it with someone from the management, that's a defeat, because it means they were unable to sort it out themselves.”

(Respondent 5)

“The Chinese do not seek conflict (when negotiating)...”

(Respondent 3)

“...there has been conflict. (...) We declare that there is a conflict. Then they say that something will be done, and they promise that they will do something about it. Then we continue, and we try again one week later, but nothing has been done. They apologise, and we agree to wait another week. That is, we've been negotiation on the same thing for a month before getting a proper response...”

...they were attentive not to create a conflict, not much of a temperament.”

(Respondent 4)

When there is a conflict of interest, the Chinese appear to handle it professionally. They are able to separate professional and personal conflict.

“...next time we meet, we just continue the discussion as if nothing happened, even if you slam your hand in the table (...) and at least pretend to be angry. They're very professional.

(...)

(Respondent 5)

4.2.3 Time Management

Time management is important in China. They expect punctuality. However, starting on time does not automatically entail that meetings proceed quickly. Both being punctual and patient appears necessary.

“---it’s all very neat and tidy, the way they organize meetings. They’re always very punctual. If you’re invited to a meeting at 9:00 a.m., you should be there ten minutes early. When time is set to 9 a.m., the meeting starts at 9 a.m.. You can’t come stumbling in at 9:00 and start setting up. ...the meetings do not always proceed as efficiently as they begin...”

(Respondent 5)

“What is important, it’s taking the time necessary. You can’t just walk straight through China. That really applies to all of Asia. You can’t just show up and expect to make a deal and be on your way again tomorrow. (...) It is important to build trust and have many meetings. You have to show that you take it (the relationship) seriously.”

(Respondent 2)

“If you’re going (to China) for a meeting, you have to clear two days, at the very least. The first day goes to preparations (conversation with the other party, not actual negotiations). (...) They (the Chinese) are good at having plenty of time. That’s a standard trick when negotiating. If you’re in a hurry, you’ve given yourself a bad starting position. We’re almost always the ones who travel there (to China) (...) and there are limits to how long we can stay. They use that. And sometimes, if you don’t succeed, you have to leave, and then they expect you to come back...”

(Respondent 5)

4.2.4 Politeness and Welcoming Guests

My respondents found the Chinese to be very polite. When negotiating, their language and presentations were appropriate. They appear to take great pride in providing their guests with good and memorable experiences.

“In China, culture dictates that the guest should feel welcome.”

(Respondent 3)

“They were always very accommodating. They remembered us, and we got a relationship to these people, which was all right. They were very polite...”

(Respondent 4)

“...they have always been very friendly, and very good at welcoming guests.”

(Respondent 3)

“...you must know about their code of conducts, politeness, that is essential. Also, (you should know about) their negotiating culture. One has to be observant when one is (negotiating in China), but I don’t think that should be a problem. “

(Respondent 4)

During a negotiation process, the welcoming, Chinese party bring their guests to lunch, dinner and frequently also a bar or other locations. Respondent 5 experienced that the Chinese drink heavily at the dinners, while respondent 4 never has seen any of them actually affected by the alcohol.

“During the actual negotiations or meetings, there is some professional distance. However, afterwards, you dine together and you often go out drinking together as well. (...) especially when the negotiations are finished (and you’ve reached an agreement), you celebrate, and you drink quite a lot of alcohol. ... But while you’re still negotiating, during the lunch, you don’t drink. (...) it’s all very comfortable and innocent. You go to dinner, and then you go get a foot massage or to a bar. I’ve often experiences that at the dinner, spirits are high, and there is a lot of alcohol. Afterwards, we go our separate ways.”

(Respondent 5)

“After some of the larger meetings, we normally have dinner together, sometime in the afternoon. (...) These meetings often finish at 7 or 8 p.m., so we finish fairly early. Then, we sit together for three or four hours, with Mao Tai, beer and good food. After, we go each to our own, pretty early.

(Respondent 4)

4.2.5 Gift Giving

Related to maintaining relationships, is the necessity of *gift giving* in China. When visiting relations, one has to bring a present.

“... that is important. You can’t visit someone in China, and not bring anything for them. It doesn’t have to be expensive. Sometimes, I just bring them a small bag of candy. That’s enough.”

(Respondent 2)

“...it’s normal to bring a small present when you meet someone (...) when there is a negotiation process, where you meet the same people four, five times, you don’t bring them something every time. The first time you meet them, you do (bring a present). (...) We have given crystal from Hadeland (...), giving alcohol is also appreciated. (...) It doesn’t have to be anything expensive.”

(Respondent 5)

Gifts are a local custom, which is also affected by the large power distance.

“...because of the hierarchical values in China (...) the managers should get a different gift than the others...”

(Respondent 2)

As gift giving is not an appropriate aspect of business relations in Norway, some might feel awkward giving gifts, or believe it is no longer necessary after establishing initial relations. However, an interviewee advises us to continue giving gifts, and ask a Chinese local if one is uncertain.

“Maybe someone wonders why we should continue giving gifts, after knowing (the Chinese party) for a long time (...) so when I’m in doubt, I talk to our Chief Representative, and she says “yes, we should still give them a present.””

(Respondent 2)

4.2.6 Intellectual Property

Three of my respondents had particular technology, which they did not want to share with another party. They were all aware of the Chinese' reputation regarding theft of intellectual property. Although both respondents remark that mutually beneficial relationships are important to the Chinese, they agreed that trusting the Chinese party with that information could be dangerous. Furthermore, respondent 2 had a negative experience related to intellectual property. Respondent 4 however, did not experience any situations he would not expect

“Our cooperation was based on him (the Chinese partner) wanting new technology, and wanting to learn from us. We wanted to know we could trust him first, before transferring the knowledge, because we were afraid of copying. (...) After a while we found out that our partner was displeased with the way we were working together. Anyway, we think that he established another company, about one hour away from our joint venture, and he brought many of the best people over there. We were never able to prove what really happened. (...)”
(Respondent 2)

Reflecting on the experience:

“We didn't handle it as well as we should have, and we should have brought some people who spoke Chinese. That way we could have communicated better.”
(Respondent 2)

“There was a certain fear of that (intellectual property being stolen), and the Chinese always said that if you bring your car, and drive it through China, a few years later, China will be producing it. But, we really didn't experience much copying. (...) I don't think industrial property theft is worse in China than elsewhere, at least not in my experience”
(Respondent 4)

“...they are very open, but naturally, their openness is due to a curiosity, and a desire to learn how to produce the products themselves. That's always a problem when you're working in China...”
(Respondent 5)

4.2.7 Writing a Contract

Unlike in Norway, the Chinese do not necessarily consider a negotiated contract to be a binding agreement. A contract must be mutually beneficial.

“Even if you have the agreement signed, next time we meet, they want to discuss it again, just the same. And it can be very difficult to just refuse them. (...) You can use it to your advantage, that we already agreed on this, so if you’re to give something up, they have to give you something else in return.”

(Respondent 5)

“Business culture in China is different (...) We (Norwegians) believe that an agreement is an agreement. If we have a written agreement (with another company), we live by that agreement, even though the market may change one way or the other... In China, there is a culture for renegotiating such agreements (...) so what we do is we make them sign warranties. If they want to renegotiate, we can use the warranties.”

(Respondent 3)

“Written agreements are not really worth anything in China, unless it is beneficial to both parties. (...) We feel that a contract is something one abides, and that is normal in the western countries. (If a contract is no longer beneficial for the Chinese) they would just trade with someone else, and say “sorry, they sold it cheaper, so we won’t live by our agreement anymore”.

(Respondent 2)

“They were very nice and accommodating, and told us what they were going to do. We trusted them. Then, when we started actually working together, we were surprised, because the things they said they would do (in the contract) weren’t done. You have to follow up (on the agreement). (...) You should have a progress plan.”

(Respondent 4)

“We always make sure that we are the ones writing the contract. And they never seem to have a problem with that.”

(Respondent 3)

Also, the final contract may not be written at the negotiation table.

“The final agreement might just as well be written at the dinner table as in the office...”

(Respondent 2)

The Chinese may be fond of renegotiating, however, they know what is written in the original contract.

“They practically learn the contract by heart... When a situation does occur (...) you have to know what’s in the contract”

(Respondent 5)

To make sure both parties agree on what has been said, respondent 4 offered some advice:

“...the Chinese rarely wanted to write the minutes from a meeting. Normally we wrote the minutes, and put it on a screen on the wall. As we were discussing the different elements (of the deal), and reached a conclusion, we would write the conclusion down, and that we all agreed on what was written. When the meeting was over, we all signed a paper, saying that the written conclusion was correct. We were very clear on what consensus had been made. Sometimes, the minutes were written in both Chinese and English.”

(Respondent 4)

4.3 Communication

Difficulties in communicating further complicate negotiations in China. As mentioned above, respondent 2 believes better communication could have helped their Norwegian-Chinese joint venture sustain profitability. All respondents normally chose to use their own interpreters, when an interpreter was needed. One respondent experienced there being an interpreter hired for one particular project, however, they still brought a Chinese native to their side of the

table to be sure the interpretation was correct. In most cases, bringing an interpreter will be absolutely necessary.

“They did a lot of research to find the perfect place for our office and understand how things work (in China), because it’s not like opening a new office in Norway. It is defiantly a little more complicated. Also, there is the language barrier. There are many people in China who do not speak English, and of course that creates certain difficulties. (...) at first, we hired (Chinese) people who spoke English, and interpreted for the rest of us.”

(Respondent 1)

“We always have an interpreter. Absolutely always, even when we understand some things in Chinese (...) and I believe that, when we’re in a meeting with them (a Chinese party), they understand what is being said in English. But still, we pretend, they don’t really want to speak English, so they wait until the interpreter has translated, and then they reply. It takes a long time.

...there is always someone working for us who’s interpreting (...) When they come to Norway we usually rent an interpreter.”

(Respondent 2)

“...when you meet with the bigger companies in China, they speak English, so there are no problems there. However, in many of the smaller companies (...) they only speak Chinese. (...) Then we bring a local representative who interprets. (The interpreter) always works for us.

(Respondent 3)

“...there are benefits to bringing your own interpreter, or both parties can bring one each. Then, you just decide who’s to be the official interpreter for the meeting... You have to have someone on each side who understand, to make sure you’re not being cheated... that the interpretations are correct, for both parties.”

(Respondent 5)

Communicating through an interpreter presents certain difficulties, mostly related to time.

“...you can't speak with them directly, because you have to communicate through an interpreter. You say what you want to say, and then (the interpreter) translates (...) if we're giving a presentation; we only say one or two phrases, and then the interpreter translates, and then there are questions. A one hour long presentation might take several hours. (...) We try to always send the agenda, it is sent to the interpreter before the meetings...”

(Respondent 4)

“You have to have a Chinese person on your side of the negotiation table. Otherwise, it's almost impossible. Sometimes, they interpret, because very often discussions have to be through an interpreter. It's very seldom we negotiate directly in English. (...) Normally, there is no word by word-translation. (...) If I say something that takes about half a minute, there may be a 15 minutes long discussion before I'm back in the conversation. Then, the interpreter tells me “Now we've agreed on this and that.” Therefore, it's very important to bring someone you trust, someone who knows what we're doing.”

(Respondent 5)

There may also be difficulties when formulating the contract.

“It may be difficult to change the contract text. Normally there is a common contract written in English. ...the language is often very legal, kind of difficult English. And you know that they have to translate it to Chinese to really understand it. And then you sit there and try to discuss the phrasing of the text. You try to simplify it as much as possible, to make sure that they really do understand it. Still, you can never truly be sure that they understand the meaning. And they use that against you, later. Because they work on interpreting (the contract) in their favour. It is important to make the wording clear, and to be absolutely sure that they understand what they're agreeing on. (...)”

Sometimes (when negotiating), we feel that we've really accomplished something. (...) Then you really have to make sure that they realise what we've agreed to do. It's not like in Norway. Here, if you've “won” something (...) you can be sure that the other party knows what the agreement is. That's not necessarily the case (in China). And it can be really difficult, because, when you've won something, you don't really want to elaborate on it, because you don't want to make the other party sceptical.”

(Respondent 5)

Understanding the language appears to have a positive effect on projects in China.

“..that part has worked out very well (...) I think it is because (the international employees involved in that project) speak Chinese. They have worked in China before, and understand the culture and the language well.”

(Respondent 2)

Non-verbal communication is also part of negotiations. Respondent 5 explains that it is difficult to read the Chinese.

“They’re good with facial expressions, not very easy to read. In many ways, I think we’re simpler to read than they are. They have probably worked more on their poker face. They don’t use any hand gestures...”

(Respondent 5)

4.4 What is so special about China

The respondents offered advice both for the negotiation process, and things that should be considered after opening an office in China.

If you want to enter China, two respondents feel one should offer something the Chinese are interested in:

“If you’re going to China today, and want your products to be interesting, then you have to bring something they don’t already know, and they know more every day. (...) environmental compatibility, focusing on energy efficiency, those are areas where they feel they still have much to learn (...) and they are interested in health, safety and environmental activities.”

(Respondent 2)

“I would say that what I recommend (a Norwegian company hoping to enter China) is that you do your homework. That you decide what kind of company you want to start, and that you don’t try to do too much. You should start doing some transactions, make a few experiences,

and then build on that. We started with one or two connections. I think it is like with all other things; you start slowly, and build on your experience.”

(Respondent 3)

While negotiating, the following was mentioned:

“...it is terribly important, if you want to succeed in China, you have to have good relations with the government and with the people around you”

(Respondent 2)

“...or if they come to Norway, take them sightseeing. Don't think that you'll solve anything by just spending two days in meetings. If you're negotiating, that's ok, but they want to do something before they start negotiating.”

(Respondent 5)

“Sometimes, we would separate into groups of people with the same competencies. Then I would talk with the Chinese people who would be working on the same part of the project as me. (We separated into smaller groups) because there were so many of us. When they were 40 people on one side of the table, and we were four on the other, you'll never finish. (...)

But you have to be careful, because there is a lot of corruption. (...) You have to check the prices you are offered... You must be careful and make sure nothing is going on outside of what should be happening. There must be transparency (...) if not, you could get involved in messy situations. (...) You have to follow up everything (to make sure things are done according to what you have agreed upon)”

(Respondent 4)

“Well, what is typical for a negotiation process, the thing that surprises you the most at first is that there are so many Chinese people... Even though there are only three or four people engaged in the discussion, there might be 25 (Chinese) people present, while we're two or three from Norway...”

And I remember one meeting... it was just before we were to start (working on the project), therefore we needed some answers from the Chinese part. There were four things, in which

they had not done what they said they would. (...) They just came to the meeting, and they hadn't given us an agenda or anything, but there was one person who was taking notes throughout the meeting. And at the end, he had four complaints on us. Trivialities, but as there were four things we were displeased with, they also had to have four... There is always a balance. That's important. They call it harmony"

(Respondent 5)

Regardless of where you are, respondent 3 mentioned that being more than one delegate from Norway when negotiating is beneficial.

"We're always two (delegated from Norway), because it is very tiresome to negotiate alone for several hours. And you don't always know if you've understood all the different nuances, they can be difficult to perceive."

(Respondent 3)

After reaching an agreement, there are certain aspects of working in China that should be considered:

"We had to get to know the people we were working with, and they had to learn about our culture and how we work. (...) We actually had our Chinese managers flown to Norway, just to show them how we were working here and to acquaint them with our culture. (...) We believe that was very helpful... and that we really got to know each other."

(Respondent 1)

"Another thing you have to be aware of is that all the projects we have worked on in China, they're all financed by the government. So you might say that this will cost around 50 000 dollars, but after working on it for a while, you realise that some of the conditions were not as you expected. Because there is more work to be done, you might need more money. In China they say "Oh no, you said 50 000, then it is 50 000." You can't estimate prices with (the Chinese), they won't have it."

(Respondent 4)

The respondents who had an office in China all commented that the turnover rate among their Chinese employees was low. They credit the loyalty to Norwegian inspired working conditions, in terms of safety procedures, vacation time, insurance, and so on.

“...they have been very loyal. Few people have quit, and that’s always good. (...) I think it is because they are fairly happy working for us. We do not necessarily pay the highest salaries, but we provide other benefits to make their working situation as good as possible.”

(Respondent 1)

“...when we built that company, we built it according to Norwegian practices. Among other things, the safety procedures, collaboration, quality assurance (...) this has resulted in the Chinese employees staying with us. Often, turnover is high (...) but they like it here (...) like the way they are treated.”

(Respondent 2)

5. Discussion

In this part of my thesis, I will discuss my results in light of existing theory. My findings show that there are cultural differences in the following:

Power Distance, Individualism-Collectivism, how we value relationships, face value, conflict, time management, politeness and welcoming guests, gift giving, intellectual property and writing a contract.

The differences above are based on the recurring results of my interviews. My initial design was to see how these cultural differences could result in critical incidents. Based on the discussion below, these incidents are probably, possibly or unlikely critical to the negotiated result. This table summarizes the results:

Cultural Difference	Incident	Is the Incident critical?		
		Probably	Possibly	Unlikely
Power Distance	Not meeting decision makers	X		
	Lengthy discussions i Norway	X		
	Not recognizing the manager		X	
Individualism-Collectivism	Not acting according to your role	X		
	Misunderstanding others			X
Masculinity-Femininity			X	
Uncertainty Avoidance				X
Relationships	Agreement without network	X		
	Not maintaining relationships		X	
	Avoiding social events	X		
	Short-term interest		X	
Face Value	Not understanding the importance		X	
	Pointing out mistakes	X		
	Lack of preparation for integrated solutions		X	
Conflict	Bringing the conflict to the managers	X		
Time Management	Punctuality		X	
	Lack of time		X	
	Perceived time pressure	X		
Politeness and Welcoming Guests	Acting wrongly		X	
Gift giving	Not bringing any present		X	
	Not respecting the hierarchy		X	
Intellectual Property		-	-	-
Writing a Contract	Unprepared for renegotiation	X		

Below, I will first discuss the recurring critical incidents in negotiations. The reasons why I believe they are probably, possibly or unlikely to be critical will also be presented. Furthermore, I will look at how communicational difficulties may affect whether or not cultural differences result in critical incidents. Finally, I will discuss my respondents' comments that are mentioned in section 4.4 of the results. This part is mainly included because it contains advices for companies seeking to enter China.

5.1 Hofstede's Cultural Differences

5.1.1 Hierarchy – Power Distance

According to theory, Power Distance is prominent in China. Norwegian companies, however, normally have a flat structure and large hierarchical differences are normally not tolerated. My respondents did not only notice the Chinese being different from us, one also experienced the Chinese party expressing frustration over lengthy discussions in Norway.

Large differences in how we practice hierarchical positions are one of the most important results from my interviews. All respondents commented on this particular element of Chinese culture. As there is such a great difference between the two countries, I believe it could be an important source of great conflict. Critical incidents may for example be as follows:

1. The Norwegian party may leave China believing they have reached an agreement. The Chinese negotiators then have to discuss the terms with their supervisors. These actual decision makers may not approve of the terms, therefore no agreement has actually been made. If the Norwegian party has left, they may not be able to get a new meeting with the company
2. A request from the Chinese party goes beyond the Norwegian negotiators mandates. They bring the request home, where all the affected parties may take part in the subsequent discussion. The Chinese party may interpret the lengthy process as a lack of interest, and negotiations come to an end
3. In my readings, I also came across the possibility of the Norwegian party failing to recognize the managers among the Chinese negotiators, thus causing him or her to loose face. Loss of face could result in the Chinese not wanting to reach an agreement. However, none of my respondents had such an experience

The critical incidents mentioned above, are based on the parties poor understanding of the other's culture. Respondent 3 explained that not meeting the decision makers in their negotiations was confusing at first. However, as the company learned more about China, this ceased to be an issue. When knowing that decision makers may not be present for negotiations, Norwegian negotiators may prepare for the actual situation. They can treat the meeting as a presentation, and not expect a decision to be made. Otherwise, Norwegians may use their network to communicate that they are interested in meeting decision makers right away.

If communicating with a decision maker, a decision may be made quickly. However, this does present certain problems for new companies wishing to enter China. If the Norwegian party really does leave China without talking to the actual decision makers, it might be difficult to return later and pick up the discussion exactly where they left off. Therefore, I consider this incident to probably be critical.

In the second scenario, the Norwegian party might need to inform the Chinese in advance, that such discussions are lengthy in Norway. Also, it might be wise to keep them up to date at what has been discussed, and by whom. Then, the Chinese might understand that the Norwegian company still is interested. Furthermore, Norwegian companies may try to prioritise these discussions, and thus reach a conclusion as fast as possible.

For the third potential critical incident, I can imagine that the only way to avoid insulting the Chinese manager would be to be aware of his or her presence. However, none of my respondents particularly mentioned this. Other theories, such as Kristoffersen (2010), also explain that the Chinese generally are forgiving when foreigners make cultural mistakes. Therefore, I perceive this incident as less critical than the others. Still, it is likely better to attempt to give the Chinese manager the respect local hierarchy demands. Also, this may have been an issue in my respondents' negotiations without them being made aware of the situation. Without understanding the Chinese point of view, I cannot be certain to what extent they care about local code of conduct.

In addition to creating critical incidents when negotiating, differences in Power Distance might cause problems when working with a Chinese partner or running an office in China.

Chinese employees are not likely to question their managers' directions. This may be a problem if the directions are wrong, for instance because the managers lack some information. Foreign companies may not fully understand local legislation. Furthermore, the employees may be aware that the instructions are ill advised; yet they will not speak up. Norwegian managers would likely expect their employees to be more vocal about their opinions, than what is normal in China. Those of my respondents, who had an office in China, also employed Chinese Office Managers. This seems to be helpful, as these managers know how things are done in China and are in frequent dialogue with the Norwegian management. The Office Managers advised the Norwegians. My respondents all had great confidence in their Office Managers, and I assume they could ask them when in doubt of the upper managements' actions.

Also, when working on a project with a Chinese company, Norwegians and Chinese personnel may work together. One should not expect Chinese employees to make any decision without consulting their supervisor. Needless to say, this might cause delays.

While large power distance might be challenging for the Norwegians in China, it also makes certain aspects of working life more efficient. When my respondents implemented Norwegian-inspired procedures, such as safety routines, the employees accepted the new rules without protest.

There are critical incidents related to large differences in Power Distance between Norway and China. However, the differences appear to be manageable. In negotiations, awareness is important. One should, for instance, expect the first negotiation to be without decision makers, and rather remain in China for a longer time period. Then, one might first have introductory meetings, and then signal the need to speak with someone higher in the hierarchy. An alternative would be to use one's network to signal and reach the decision makers.

5.1.2 Individualism-Collectivism

Chinese society has a collective mentality, whereas Norwegians are more individualistic. Respondent 2 offers some advice for Norwegian companies who wish to enter the Chinese market. The interviewee explains that one should take the necessary time to understand the Chinese. The use of networks is emphasized.

As China is a collective society, people are considered members of groups. In a group, people have certain roles to fulfil. When a Norwegian party visits China, they might experience fixed seating arrangements and having to tend to their managers needs. One respondent mentioned having to carry her managers' suitcase. Most likely, the Chinese would more easily understand who the manager is when he is the one person not carrying his own bag. Also, this would correspond with their notion of roles. People in groups have different roles, and for the Chinese, it may be simpler when the other party enters the negotiation room on Chinese terms. Potential critical incidents are:

1. Not acting according to your role, thus confusing the Chinese party
2. Misunderstanding the actions of the other party

The first potential critical incident may not sound severe. However, if one considers this event in relations to the Chinese' desire to not loose face, it may present a critical problem. When the Norwegian party does not carry the managers' suitcase, the Chinese may not understand who is in charge of the visiting party. If the Chinese greet or address the wrong person, they may experience a loss of face. Thus, they may not want to negotiate with the Norwegian party at all.

Misunderstanding the Chinese might not be as problematic. Several of my respondents commented that China is experiencing increasing globalization. Many, especially among the larger companies, have negotiated with western companies before. Two of my respondents experienced meetings much like what they would expect in a European country. Therefore, I do not assume that failing to sit at the designated spot would destroy all hopes of reaching an agreement. However, to behave as the Chinese while in China cannot be a disadvantage. To

the contrary, I would assume that behaving properly shows an interest in Chinese culture. Such an interest can help convince the other party that your commitment to China is long-term.

Norwegian companies wishing to enter China should make sure their representatives know Chinese culture. Relevant literature and talking to others who have been to China is valuable. Based on my interviews and the presented literature, I would assume it is important to help the Chinese understand roles in your group. That they understand your group is likely more important than fully understanding who is who in the Chinese party. My assumption is based on the perceived importance of saving face, which will be elaborated further on in the discussion. However, as mentioned above, recognizing the Chinese leader is also important.

5.1.3 Masculinity-Femininity

Theory suggests that the Chinese being more assertive, competitive and materialistic than us Norwegians might cause issues in Norwegian-Chinese negotiations. Nevertheless, none of my respondents mentioned any such experience. My sample is very small, therefore differences in Masculinity-Femininity might present challenges to other Norwegians negotiating in China. As I have no data to further discuss such issues, I will not elaborate any further on the topic.

5.1.4 Uncertainty Avoidance

Both Norway and China have low Uncertainty Avoidance (The Hofstede Centre, 2013). In accordance with that, respondents 2 and 3 both commented on the Chinese being both flexible and creative when negotiating. As our countries generally are similar, I would not assume this is a challenge for negotiating business representatives. On the contrary, there may be certain advantages related to the Uncertainty Avoidance being low. First, the parties may take advantage of possibly negotiating towards an integrated agreement. Creativity in searching for potential packages and flexibility to accept discussing other topics than one initially expected facilitate integrative negotiations. Respondent 3 mentioned that the Chinese are good negotiators, because of their ability to create beneficial packages.

Low Uncertainty Avoidance thus presents a possibility for beneficial packages when Norwegians negotiate business contracts with a Chinese company. However, negotiating such an agreement is challenging, as mentioned in the literature review. Preparations, motivation

and competence are necessary qualities to succeed in integrative negotiations. Negotiating in teams, which is also recommended by respondent 3, facilitates the process. The respondent also mentions that it generally is less tiresome to negotiate in pairs than to do so alone. Furthermore, one is less likely to misunderstand the other negotiating party when there is more than one person present. Also, one can discuss, evaluate and plan between meetings.

When negotiating in China, Norwegians should attempt to take advantage of the Chinese' creativity. Preparing for integrative negotiations is time consuming, yet, in many situations they are worth the extra work. Especially as the Chinese will not complete a contract unless it is beneficial to them, I would advise the Norwegians to look for packages when it is possible.

5.2 Cultural Differences Related to Relationships

My respondents also emphasized the importance of building and maintaining relationships in China. When you enter an alliance without sharing any connections with your partner, the risk is likely to be greater than if you use your network. Respondent 2 experienced a relationship not developing well, when the company first entered China without a proper network.

Respondent 3 hired a local agent, and used the agent's relations when reaching potential new business partners in China, while respondent 5 used connections from another part of the company. All respondents agree with theory, that a network is crucial to functional co-operations in China. I see the following as potential pit-falls:

1. The Norwegian company tries to make an agreement without first establishing a network
2. The Norwegian company works hard to establish a network, but does not maintain the relationships
3. The Norwegian delegates do not participate in social events, such as dinners and lunches
4. The Norwegian company fails to see the necessity of long-term connections, thus assuming that a short-term interest in a Chinese business partner may suffice when creating an agreement

Respondent 2 experienced a joint venture falling apart, likely, but not necessarily, because of an initial lack of connections. The parties did not trust each other, and to my knowledge, they did not build any close relations when the collaboration started. I believe failing to enter through a network may not only cause actual agreements to eventually go sour, but also result in no agreement being made at all. Going through your networks, and finding relations seems to be beneficial, even though it is time consuming, and relations are weak. Respondent 5 travelled to China three years before actually negotiating. Having a strong network will limit the need to travel, as you can learn from your relations and use their network. Using an agent, like respondent 3 did, seems the most efficient entry. However, trust is necessary. The agent must know you, in order to present you in his or her network. Also, you must be able to trust that this person can do a better job introducing your company, than yourself.

Also, when one has worked hard to create a local network in China, one should remember to keep the relationships warm. My respondents all visited China on a regular basis, both to meet potential new business partners, and visit existing relations. Of course, if a company has finished all their projects in China, and doubt they will ever re-enter the market, it may be wasteful to keep sending employees over there. However, if they do wish to re-enter it may still be beneficial to maintain some relations. Furthermore, the Chinese company may have connections in several other companies. Also maintaining some close relations may facilitate knowledge sharing in the future. Bringing the Chinese partner to Norway may also be rewarding. Many of my respondents mentioned doing just that.

The third potential critical incident is not likely to happen if the Norwegian party knows how important long-term commitments are to the Chinese. Also, it would be important to both join the other party for lunch, dinner, and celebrations when they are due. If for some reason the Norwegian party does not join the meals and festivities, the Chinese may interpret that as them not having a long-term interest in the relationship. According to theory, that will incline them to not move further towards an agreement.

When the Chinese understand that the other party's interest only is short term, that will likely end negotiations. That does not mean that one may not participate in a shorter project in China. To my knowledge, projects may be short-term, but relationships cannot. One may continue the relationship by meeting when possible and introducing each other to potential new business interests, even after work on a project is completed.

Following the advices and actions of my respondents, one should form some strong connections when working or hoping to work with a Chinese company. They appreciate being part of a network, and may help you get access to the people or other resources you need when you are in China. If they do come to Norway, you should not simply bring them to your company and talk business. Showing them Norway, such as the fjords, fishing, mountains and valleys appears to mean a great deal to them. Also, bringing them home to your family might benefit your relationship. Furthermore, a network in China involves being introduced to other members of your network. One may do so when they visit Norway, or introduce them to your other connections in China.

5.2.1 Face Value

The Chinese want to avoid any loss of face. Both theory and my interviews concur on this point. The following critical incidents may occur:

1. The Norwegian party does not understand the implications of face value, and therefore do not dress appropriately for a meeting
2. The Norwegian party point out a mistake done by one or more of the Chinese negotiators
3. The Norwegian party does not prepare for integrative negotiations

Although not dressing appropriately may be one of the discretions a Chinese party would chose to ignore, the Norwegian party would likely feel uncomfortable. Power could shift slightly towards the Chinese party. Also, if there are more than one company wanting to work with the Chinese, the Norwegians may not be considered as an alternative, as they may not be professional enough. One can avoid these situations by dressing professionally, regardless of what kind of meeting you are going to. There is no need to assume the Chinese will dress more casually for a Sunday meeting, than any other.

Pointing out the mistake of one or more of the Chinese negotiators is likely to damage the relationship. According to respondent 5, you will not gain anything by mentioning their mistakes. Theory corresponds, claiming that the loss of face is the source of dishonour. Trust is damaged when one party causes the other group to loose face. If this has already occurred, I

do not believe there is an easy way of resolving the situation. Naturally, one may try to explain the Norwegian way of viewing mistakes, or possibly moderating the statement that they have made a mistake. Still, the relationship may be damaged forever.

As the Chinese appear to prefer integrative negotiations, not preparing appropriately affects the result of negotiations. Although in itself this is not a critical incident, it might create a variety of incidents of which the Norwegians are not sufficiently prepared. Also, if the Norwegian company is expecting a strictly distributive negotiation process, they may be unable to see a wider range of possibilities. Furthermore, not giving in on any or several of the requests from the Chinese means that the Norwegians are not giving their potential partner face. It is unlikely that the Chinese would work with someone that does not give them face value. Their culture values reciprocity. Even when it appears difficult, preparations should contain looking for integrated packages.

5.2.2 Conflict

When negotiating in China, the locals are unlikely to seek conflict. That does not mean one cannot disagree. There seems to be a desire to keep any conflict from leaving the negotiation room. Also, the Chinese are professionals. If there is a conflict, one may take a break, and later return to negotiate calmly. According to theory, Norwegians are not as fond of conflict as certain other western countries. Furthermore, none of my respondents mentioned any incidents related to our two countries viewing the usefulness of conflict differently. Thus, I do not think this particular cultural difference has a strong effect on negotiations. However, there is one scenario the Chinese will not appreciate, which could prevent negotiations of moving any further:

1. The Norwegian party moves to bring a conflict of interest before the Chinese negotiators' manager

When a conflict is brought before the managers, it is because the negotiators are unable to resolve it. This might relate to the Chinese fear of making mistakes, and losing face. I believe the only thing a Norwegian delegation may do to avoid problems related to such a situation is the following:

- Do not contact the Chinese management

- Do not demand that the question is brought before the management

In doing so, the Norwegian representatives are not the cause of a potential loss of face. If the Chinese feel the problem must be solved at a higher hierarchical position, they are likely to bring the situation up there themselves.

5.2.3 Time Management

Time management in China embodies two important aspects; punctuality and not rushing the process. Consequently, there are two potential critical incidents that may occur.

1. The Norwegian party is not sufficiently punctual
2. The Norwegian party does not have enough time to complete negotiations
3. Perceived time pressure among the Norwegian representatives result in competitive behaviour

First, being actually late in China and Norway appears to be different. If a meeting were set to 9:00 a.m., Norwegians would likely accept to wait a few more minutes while the speaker is setting up. In China, that should be avoided.

Second, not having enough time to conclude negotiations is likely to be a problem for most western companies in China. As westerns more frequently travel to them, there is bound to be some limit as to how long the business representatives may stay. It is expensive sending people to China, both in terms of actual costs and loss of work they could have performed elsewhere. When entering a negotiation process, the Chinese know the other party often is more pressed on time than they are. Time pressure shifts some negotiating power towards the Chinese, already before the negotiations have started. According to respondent 5, if the Norwegians run out of time and must return home, the Chinese party simply assumes they will return.

Third, perceived time pressure could create problems. However, the Norwegians are not necessarily the most pressured. Sometimes, when the agreement is more important to the Chinese party, they wish to make an agreement before the Norwegians leave. Also, there may be other factors pressuring the Chinese company, such as the conclusion of another contract.

Being short on time is always a disadvantage. When both parties are interested in reaching an agreement, neither profits from not completing negotiations before one party leaves the country. I do however believe, that the party with the most time available will have advantages when negotiating. Problems are most likely to arise if the Norwegians feel time pressure, and are pushed into making demands, thus damaging trust and the likeliness of creating a long-term relationship. As neither the Norwegians nor the Chinese favour distributive negotiations, I will not assume this is a frequent problem. However, as my respondents mentioned having less time than the Chinese representatives, and theory states time pressure could create competition, I believe it is a possible event. Furthermore, as lifelong relationships are important to the Chinese, the third event is probably critical if it occurs.

5.2.4 Politeness and Welcoming Guests

The Chinese are polite and friendly. According to Gao (1998), one should decline an invitation to dinner once before accepting it. None of my interviews gave the same results, thus I assume it is not expected in business negotiations. Like I mentioned when discussing the importance of relationships, it is important to participate in social arrangements (lunch, dinner, etc.). One respondent also mentioned that it is essential to know the Chinese code of conduct if you are to do business there. I would thus assume that the following incident could cause problems when negotiating:

1. The Norwegian party does not act in accordance with the Chinese standards related to politeness

Although this may create an awkward situation, in general, I believe the Chinese are willing to forgive indiscretions in this aspect. Several of my respondents explained that the Chinese are increasingly familiar with western culture. Therefore, I will not assume this is a critical incident. However, not acting in accordance with local etiquette may create unintended insults, or cause the Norwegian party to loose face. Furthermore, not knowing how to behave could cause misunderstandings.

5.2.5 Gift Giving

In Norway, gift giving is easily mistaken for bribery. However, in China, giving gifts is necessary to reach an agreement. My respondents advise Norwegian companies to always bring gifts. Asking advice from Chinese employees whom you trust is a good way of determining what to give, and when. Respondent 5 mentioned that if you are in a negotiation process, where you meet the same people several times, you do not need to bring a present for more than the first meeting. Potential critical incidents are:

1. The Norwegians do not bring any present
2. The Norwegians do not distinguish between the different hierarchical positions when giving gifts

According to theory, you give gifts to show respect and how much you value the relationship. Norwegian gifts, such as glass from Hadeland, may be especially appreciated. However, you do not need to spend a fortune on this part of the relationship. A small bag of candy may suffice. If you do not give any gift at all, it may be a sign that you have not bothered to learn much about Chinese culture.

As mentioned above, not respecting the local hierarchy could result in problems when negotiating. However, as none of my respondents mentioned such a scenario, I will not elaborate on the possibilities.

5.2.6 Intellectual Property

There is a difference in the understanding of intellectual property in Norway compared to China. My respondents generally agree that, although protecting one's competencies is important in China, business agreements are normally profitable and can be very safe. Respondent 4 mentioned that industrial property theft is no worse in China than elsewhere. When first entering China, respondent 2's company did experience a Chinese partner attempting to learn their technology and use it for another project. The respondent advises that you bring at least one Chinese person you trust, to improve communication and understand the situation better. Respondent 5 also mentioned that always having a local on your side of the negotiation table is necessary.

Challenges related to intellectual property are mainly a concern when working with a Chinese company, after negotiations are completed. Thus, there are no explicit critical incidents to be mentioned. Still, being aware of what knowledge you are willing to share, and what you are not is essential when formulating a contract. According to Sheer and Chen (2003), taking time to formulate the contract precisely may be advantageous.

5.2.7 Writing a Contract

Even if the contract is signed, the Chinese might want to renegotiate it. Furthermore, having a contract does not necessarily mean they will follow it. According to respondent 5, you should expect renegotiations, and use it to your advantage. For instance, if you write down what has been agreed upon before lunch, and they wish to revisit the problems, you should demand something in return for changing the written statement. Respondent 3 agreed that renegotiations are frequent. The respondent's company uses warranties, making sure they are compensated if the Chinese party should wish to change a contract. Writing the minutes from every meeting and following up on agreements are recommended. The following incident may be critical:

1. The Norwegian party has been pushed to its limits on every subject, and are thus unable to give any more when renegotiations occur

If renegotiations do occur, and the Norwegians are unable, or unwilling to give the Chinese any more within the negotiated aspects of the agreement, the Chinese may choose not to follow the contract at all. It seems wise to either have some assurance that if the agreement is broken you will be compensated, or to prepare for renegotiations. I would say that this incident is critical, because if not managed the right way, there may not be any actual cooperation regardless of whether or not a contract has been signed.

5.3 Communication

My research has hopefully served to uncover whether or not communicational difficulties affect the cultural differences' effect on critical incidents. In general, my respondents were happy with their interpreters, though one mentioned that not everything the Chinese party discussed was translated. A good interpreter knows the situation well, and understands specific terms and phrases used in the industry where the companies operate. Most recommend bringing someone who normally works for the company to interpret at meetings and negotiations. Respondent 1 mentions that, when his company was trying to open an office in China, they first hired Chinese people. Then, someone could translate at the subsequent meetings. Respondent 5 adds that even when the other party brings an interpreter, someone on your side of the table should be a Chinese native.

As my respondents were happy with their interpreters' knowledge, they have not experienced many situations in which they believed communicational difficulties caused a critical event. The exception is respondent 2, who was involved in her company's joint venture in China. She believes better communication could have resolved the situation without their partner trying to exploit the situation. Better communication could have made it obvious that the partner was unhappy with the collaboration, before he decided to form another company.

Although the respondents did not mention that communicational differences had a direct effect on the extent to which cultural differences affected critical incidents, they mentioned dialogues being slow. As the Chinese sometimes use the visiting party's' relative lack of time to their advantage, lengthy discussions and presentations may worsen the situation. When statements from the Norwegians are followed by 15 minutes long discussions on the other side of the table, time pressure increases and frustration may arise. Expecting discussion and presentations to last much longer than usual and not hoping to leave China shortly after arriving will limit the pressure.

Difficulties in communicating may be critical when you are formulating a contract. The contract is normally written in English however; it is translated to Chinese to make sure everyone in the Chinese company will understand it. Language in a contract is often complicated, and according to respondent 5, it should be simplified to make sure nothing gets

lost in translation. Also, when the Chinese party agrees to something, it could be wise to truly explain what has been settled. When negotiating, some parts of the agreement may feel like a victory to one of the parties. If you manage such a victory, you might not want to elaborate on what you have agreed on, because you don't want to risk the other party changing their mind. However, respondent 5 argues it may be advantageous in China. When a contract is completed, the Chinese sends it to other branches in their company. New people read and interpret the agreement, and if misinterpretations are beneficial to them, they will probably misinterpret the written statement. If you win an argument, and do not make sure it is understood and formulated to perfection, you must be prepared for misunderstandings and possible renegotiations later on.

If you do speak some words of Chinese, saying them might lighten the mood. Respondent 2 mentions that when they have people who know the Chinese culture and language working on projects, the results have been positive. Hiring locals and using Chinese relations seems important in China. If you don't know any Chinese, you should use your network to find someone willing to help.

Respondent 5 mentioned that in negotiations, the Chinese do not use hand gestures, and maintain a strict face. He believes we Norwegians are much simpler to read than the Chinese are. Related theory suggests that what is implied is equally important as what is said aloud in China. When one part has a stronger understanding of the opponents' true motives than the other that is a huge advantage in a negotiation process. However, Norwegian facial expressions and reactions may be as difficult for the Chinese to understand as their lack of mimic is for us. Regardless of what they are able to deduce, bringing a local to the negotiations seems advantageous.

Theory mentions several potential difficulties when communicating with the Chinese. Them never saying no is one of several problems. My respondents did not mention experiencing this, however certain issues discussed in the above could be related this particular difference. For example, non-decision makers in China may say "yes" to a proposition from the Norwegian representative, even though they are in no position to agree. This problem is more closely related to differences in Power Distance, and the Norwegian representatives being unable to understand the subtleties of Chinese body language. If you are negotiating with non-decision makers, there may be non-verbal signs showing the true nature of their

positions. Bringing a Chinese local to the table, and asking that person to help understand the negotiating situation, and not just translate what is being said, might help you understand.

Communicational difficulties may increase the likelihood of cultural difficulties causing critical incidents, when Norwegian business representatives negotiate in China. All of my respondents had interpreters they trusted, and several mentioned the importance of communication. Based on my research, I therefore conclude that communicational difficulties do affect the likelihood of critical incidents.

5.4 What is so special about China

A big question is what makes China so different? Quick economic growth and fast learning has made Chinese companies attractive business partners, and the growing internal market keeps the trend growing. My interviews yielded several advices, where the respondents explain what they believe is necessary to reach an agreement with the Chinese, and what will surprise you the most when first entering negotiations. They also made some comments as to what to expect after reaching an agreement.

When entering China, my respondents have two recommendations. You should do your homework, start slowly, and try to build a network. Also, offering something the Chinese do not know how to make or do is advised. Respondent 2 explains that they are currently interested in production without damaging the environment. Safe working conditions is also of interest, especially in industries where damages can be severe.

Having built a network before entering negotiations seems to be important. Respondent 2 also emphasises the need of having good connections with the government. That may be more difficult after the Nobel Peace Prize ceremony than before. However, one may still attempt to reach politicians or other members of the communist party. Related to the importance of networking, one should spend some time talking to the Chinese before negotiating. If they visit Norway, taking them sightseeing might be beneficial to the subsequent discussion. In China, having a meeting before making an offer may have a similar effect. One does normally not work with people without knowing them.

When you enter the negotiation room in China, you may be surprised to see quite a few people from the other party. Respondent 4 mentioned there being up to 40 individuals from the other party, while respondent 5 had met with about 25 Chinese. In these larger meetings, they would sometimes split up to discuss different matters in smaller groups. Being more than one representative from the Norwegian company is usually beneficial, to increase understanding, limit problems with the one person being very tired and facilitate integrative negotiations. Negotiating with 40 people is likely to be somewhat intimidating if you are alone.

Furthermore, corruption is a problem in China, and respondent 4 urges Norwegian negotiators to demand some transparency when working with them. You should also follow up the agreement you make, to ensure that everything is legal.

Harmony is important in China. They do not welcome another person pointing out their mistakes, and complaints raised in negotiations are no different. Respondent 5 explains that if you raise some complaints on their work, they will find the same number of faults in you. The only way I believe one may handle such a situation, would be to accept their criticisms. If both parties agree that mistakes have been made on their side, loss of face could be avoided, and the cooperation may continue.

When concluding on a price for a project you are selling in China, you should be aware the price is non-renegotiable. Chinese companies often get their funding from the government, as many are state owned. Therefore, it could be difficult to increase the sum later on. In Norway, you might be able to renegotiate a price, if for instance weather conditions make the labour more challenging than expected. However, in China, that would be very difficult. The Norwegian party could attempt to explain to the Chinese that the price is depending on some aspects of the work being of a certain nature. Then, if the conditions are not met, the Norwegian company will have a concrete reason to increase the price. Otherwise, making assumptions on the conditions that may affect the price, and giving the Chinese a price, which is higher than what you normally would expect is an alternative. However, giving a higher price than what is necessary might be unwise, as there may be more than one company competing for the contract.

If your Norwegian company has opened an office in China, flying the Chinese management to Norway may be beneficial. Relationships are built and maintained, and the visiting party could learn more about Norwegian culture. Norwegian safety procedures and other goods appear to be appreciated among Chinese employees. Both respondents 1 and 2 explain that turnover is low, and the employees seem to be happy with how the Norwegians run their companies.

6. Conclusion

To make a general conclusion based on five interviews is impossible. I will however, draw some conclusive remarks.

There appears to be a connection between the cultural differences and critical incidents when Norwegian business representatives negotiate with the Chinese. In the figure presented at the beginning of my discussion, I mention the recurrent events and the likeliness of then causing critical problems to the negotiated result. Based on my discussion, nine recurring incidents will probably be critical. Additionally, eleven incidents might possibly be damaging to the negotiated result. There is thus a need to understand Chinese culture before entering in a negotiation with a Chinese company.

In addition to the recurring events, my respondents have some advice for Norwegian companies wanting to work with the Chinese. Your company should offer something they do not already have, in terms of competencies and procedures. Environmentally friendly practices and procedures related to occupational safety have been mentioned as areas that interest Chinese firms. There are also a few incidents mentioned in sections 4.4 and 4.5, which may have been recurring if I had interviewed more than five people.

Communicational difficulties may affect the effect cultural differences have on critical incidents. My respondents advise Norwegian negotiators to bring a trusted Chinese individual to the negotiations. This person may help interpret the spoken discussion and understand the implications of body language and other actions.

How Norwegian negotiators handle the critical incidents will in most cases determine their effect on the negotiated result. For instance, if a Norwegian party discovers some mistake on the Chinese side, pointing that out in front of others is likely to destroy all hopes of reaching an agreement. However, should the Norwegians be able to resolve the situation in a different manner negotiation may continue as before. Furthermore, as long-term relationships are important in China, making long-term commitments could help continue negotiations in spite of the occurrence of other critical incidents.

Opposed to what theory suggests, my results did not offer any examples as to how differences in masculinity-femininity affect Norwegian-Chinese business negotiations. Although the Chinese value assertiveness and competitiveness, the importance of long-term mutually beneficial relationships and desire to save face by avoiding conflict diminished the masculine values in negotiations. Consequently, both Norwegian and Chinese business representatives seem to favour integrated solutions. In all other aspects, my results are consistent with existing theory.

As my results are not generalizable, I hope my thesis might inspire further research. Surveys or other quantifiable methods should be used to understand whether or not the incidents I discovered are critical and caused by cultural differences. Because of the limits of my research, I hope future research includes the events mentioned in sections 4.4 and 4.5 in addition to the recurring results. There may also be reasons to conduct a study strictly related to communicational differences and how they may affect negotiations.

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8. Appendix

Appendix 1: Interview Questions

When were you involved in Negotiations in China?

Did you go there more than once? (How many times?)

Did you have any knowledge on China prior to your first visit?

Did the negotiations change over time?

Where were you wanting to cooperate long-term?

How did you establish the first contact with a Chinese company? (Any common relations?)

What were the challenges related to reaching them?

Were there any difficulties in the first meeting?

Why?

How did you handle them?

Were you expecting any conflict? (How do the Chinese react to conflict?)

Was it difficult to create new relations?

How was it to share information with the other party?

How many people were involved in the negotiations?

Did you use an interpreter?

Who was the interpreter (Whom did he/she work for?)

How was it, communicating through an interpreter?

Who was the decision maker with the other party?

Were there any differences in terms of time you had available?

Was it important for you and your company that an agreement was made?

How do you think Chinese culture affected the process?

Do you think Norwegian culture had any effect?

Did the Chinese party know much about Norway?

Did you succeed in making an agreement?

Was it complete and detailed when you signed it?

Was it similar to an agreement you would make with another European company?

Was anything changed after the agreement was signed?

What do you think most frequently creates problems when a Norwegian company negotiates in China?

Do you have anything you would like to add? Do you have any advice for new companies?