

Negotiating tactics used by mid-career MBA students in the U.S., Taiwan, and China

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ABSTRACT

For a period of eight years, 226 mid-career MBA student teams in the U.S., Taiwan and China participated in a competitive negotiating exercise known as the "Red Team/Blue Team Negotiating Exercise". Teams were instructed to make decisions that would allow them to "get as many points as possible" but their approach to doing this would be entirely their own.

Previous research suggests that negotiators from individualistic cultures, such as the U.S., tend to take a more contentious approach, while negotiators from collectivist cultures, such as in Taiwan and China, are more concerned about maintaining positive relationships and are likely to use a collaborative approach to negotiations (Gelfand & Brett, 2004; Roy & Menasco, 2015)

Recognizing that a win/win (collaborative or cooperative) approach is more frequently desirable when dealing with various stakeholder groups. The results of this study of mid-career MBA professionals does not bode well for organizations managed by U.S. MBA graduates when compared to their Asian counterparts. The findings suggest that graduate programs in the U.S. may need to focus more effort on teaching collaborative negotiating and decision-making skills in the MBA curriculum since the global marketplace is here to stay.

Keywords: negotiation tactics, Asia, China, Taiwan, US, decision making

INTRODUCTION

Classic negotiating theory divides transactions into two categories, distributive or competitive (win-lose), and integrative or collaborative (win-win). Some researchers argue for a third category (lose/lose), which is a form of withdrawal. A popular negotiating or persuasion exercise conducted in an MBA course in Organizational Behavior is known as the Red team - Blue team Exercise, which is similar to the Prisoner's Dilemma exercise. In this exercise, the class is divided into pairs of equal teams, with one being a Red team and the other a Blue team. Each Red team member will negotiate with a Blue team member throughout the exercise. The teams are told that the purpose of the exercise is to get as many positive points as possible. They are not told that the purpose is to win or to beat the other team, although they frequently arrive at this conclusion. They are left to develop a strategy to receive as many points as possible.

The game is played in five rounds. The Red team has only one decision, X or Y, under their control. The Blue team has only one decision under their control, A or B. For each round, the only decision that gives both team positive points is an X/A decision. Both teams receive 3 points for that decision in a regular round. But if the Red team chooses Y rather than X and the Blue team still chooses A, then the Red team receives 6 points in a regular round and the Blue team loses 6 points. The opposite would be true if Red team chooses X and the Blue team chooses B. Each team selects a student to serve as a negotiator to meet and reach an agreement as to their decision. To produce a win/win result, Red team members will try to convince the Blue team to choose A, and the Blue team members will try to convince the Red team to choose X. This is the only way both teams can receive positive points. Regardless of what they promise and agree upon, the teams are NOT required to follow through with their promise. They may double-cross the opposing team to receive additional points. To make this exercise more intriguing we valued rounds two and four differently. Rounds one, three and five are regular valued rounds. In round two point values double and in round four the point values are tripled. This change forces the teams to develop some type of strategy depending upon what the team goals are.

Having used this exercise in a graduate Organizational Behavior class for over 25 years in the U.S., the results are somewhat predictable. The majority of American MBA students are competitive so there is a great deal of double crossing and negative points. The objective on most American teams is to win because that is how business should work. Overall the team members are fine with this approach and follow the adage, "it's not personal, just business". Invariably when one team chooses the win/lose approach for their advantage, the future rounds are frequently lose/lose as the other team will retaliate. Rarely do two teams work together throughout the exercise with each team receiving 24 positive with the two teams together receiving 48 points. It is mathematically impossible for two teams to receive more than 48 points in the five-round exercise. The maximization of points is possible only when they follow a collaborative or win/win approach. Rarely does this happen. In numerous cases, the two teams end up with negative numbers even though they started with zero. This occurs even though each team realizes that the probable end result is that both teams will lose. The possibility of winning keeps this "winner takes all" strategy in play for American teams. This tendency does not bode well for future American business leaders who are called on to create value for all stakeholders via their decision-making. A win/lose strategy is rarely a good long run strategy as it invariably leads to a lose/lose outcome over time.

AN ASIAN/INTERNATIONAL PERSPECTIVE ON NEGOTIATING TACTICS

Previous research suggests that negotiators from individualistic cultures (such as the U.S.) tend to take a more contentious approach (a forcing or win/lose approach), while negotiators from collectivist cultures, such as Taiwan and China, are more concerned with maintaining positive relationships and are thus more likely to use a win/win approach in negotiations (Gelfand & Brett, 2004). This study is an attempt to test the previous generalized research findings among a specific group of current mid-career MBA students in the U.S., China and Taiwan. Before looking at the current study, it may be useful to review some elements of negotiating tactics that are influenced by cultural differences.

Much has been written about negotiating business deals in Asia. It is far from a simple process. There are even substantial cultural differences from one Asian culture to another. Several researchers point out that the biggest difference between Americans and the people of other countries in terms of negotiating is that Americans are preoccupied with the articles in a negotiation, whereas people in Asian countries focus on the relationship between them and their future business partners. Hong Kong is somewhat different from parts of China, but it has some of the same cultural aspects as the other metropolitan cities in Asia. These cultures tend to be generally group-oriented. Relationships are based on familiarity, respect, and personal trust making 'saving face' critical. Causing embarrassment to another person may cause a loss of face for all parties involved and can be a disaster for business negotiations (Graham & Lam, 2003); (Tinsley & Pilluta, 1998).

Additional factors which could impact upon the negotiating process include high/low context. The rank and position an individual holds in the hierarchy in many societies can be considered a critical component in negotiations. Gestures such as the giving of small gifts or tokens that reflect upon one's country or organization are routinely viewed as a courtesy and a sign of respect. The concept of power distance is also an important concept in negotiation relationships. The hierarchy system in India and in numerous Asian cultures suggest that discerning who the influencers and actual decision makers are is an important step in navigating the overall negotiation process (Akgunes, Asuman & Culpepper, Robert, 2012).

The teachings, ethics and thinking of Confucius, the ancient Chinese philosopher, continues to heavily influence many East Asian firms. Confucius was specific in many ways with regard to how a person should live, lead governments and manage a household. His principles placed an emphasis on a strong work ethic, filial piety, and respect for elders.

Jeswald W. Salacuse (2004) identified ten cultural factors that can affect negotiations. The first cultural factor is to determine the negotiating goal. Is the goal to develop a contract or to build a relationship? He found that almost 74 percent of Spanish respondents indicated that their primary goal was to obtain a contract in the negotiation process. In contrast, only 33 percent of Asian respondents identified that their primary goal in negotiations was to earn a contract. Their goals leaned more toward developing lasting relationships to allow future deals to be made in a more trusting environment. The second cultural factor is to determine the negotiating attitude. Are you seeking a win-lose or a win-win outcome? Negotiators using a win/win approach see deal making as a collaborative, problem-solving process. Negotiators using a win-lose approach view the same process as being confrontational resulting in a winner and a loser. Salacuse indicated that 100 percent of Japanese respondents claimed that they approached negotiations as a win-win process, while only 33 percent of Spanish executives took that approach. A third cultural factor to consider is the personal negotiating style. Is it informal

or formal? Germans have adopted a more formal style than Americans. In most Asian countries, it is best to use an appropriate level of formality so as not to show disrespect to the other side. The fourth cultural factor involves the use of direct or indirect communication. The American and Israeli cultures value directness. Many Asian cultures prefer a more indirect approach with regard to communications.

The fifth cultural factor to consider is the sensitivity to time. Is it high or low? It has been noted that Germans and Americans favor punctuality while Latin American cultures are less attentive to punctuality. Asians tend to negotiate slowly whereas Americans are willing to circumvent steps in the process in order to make a quick deal. A sixth cultural factor is the degree of emotionalism. Are the negotiators by nature high or low in terms of emotions shown? According to stereotype, Latin Americans show their emotions at the negotiating table, while the Germans, Japanese and many Asians hide their feelings. The seventh cultural factor is the form of the agreement. Is it general or specific? Americans tend to favor a specific contract. Japanese and many Asian cultures prefer a more general style of negotiating which results in a less specific contract agreement. The emphasis is placed on the relationship and not on the contract.

The eighth cultural factor involves how the agreement is built, from the bottom up or top down? Observers have indicated that Americans tend to favor the top-down approach, while the Japanese and other Asian cultures tend to prefer to utilize a more inclusive bottom-up approach when negotiating a contract. This is due primarily because they view the relationship more important than the contract. The ninth cultural factor involves how the negotiating team is organized. Is there one leader or a need for group consensus? Many American teams tend to allow one leader to have complete authority while other cultures, notably the Japanese and the Chinese, stress team negotiation and consensus decision making. The tenth and final cultural factor involves the degree of risk taking, is it high or low? Hofstede, (1980) supports that certain cultures are more risk averse than others. The Japanese, and to a lesser degree, other Asian cultures, tend to be more risk averse than do American and other western cultures.

Salacuse closes with five recommendations to consider when negotiating with Asian cultures:

1. The negotiating process should not be rushed. If the process is perceived as moving too fast for one party, their perceived risk of the proposed deal will increase.
2. Introduce language and other mechanisms into the negotiating process that will lessen the degree of risk in the overall deal to the other side.
3. Always be forthcoming and transparent with information about your organization, the process and the proposed deal that is being negotiated.
4. Remain mindful that nurturing a relationship and building trust between both sides is a key component in successfully closing the deal.
5. The negotiating process should be established in a step by step format and followed closely instead of presenting information all at one time.

This paper is not intended as a review of the hundreds of papers and books written about how to do business in Asia. But it is important to point out that Asian culture is quite different from American culture and many practices of American business people need to be reconsidered when working with Asian counterparts. This process of revamping or expanding American negotiation approaches needs to begin in college courses across the country at both the undergraduate and graduate levels.

The core question posed by this study focuses on the choice of the negotiating tactics of U.S. MBA students and MBA students from China and Taiwan. The authors of the paper are graduate faculty members at a regional university in the South that also has a strong presence in

Taiwan (Taipei) and China (Beijing and Suzhou). In both the U.S. and Asia, the students are typically working adults with several years of business experience.

RESEARCH DESIGN AND METHODOLOGY

This research was exploratory by design. The following hypotheses were addressed in this paper:

H1 U.S. MBA students will use a more aggressive strategy (win-lose) approach than their counterparts from China.

H2 U.S. MBA students will use a more aggressive strategy (win-lose) approach than their counterparts from Taiwan.

H3 Taiwanese MBA students will use a more aggressive strategy (win-lose) approach than their counterparts from China.

The sample for this study was obtained from MBA students from the U.S., Taiwan and China over an eight-year period. The students in Taiwan and China were taking classes in their home country and not in the U.S. The American students were slightly younger but with more formal education. Students in China were a few years older but with less formal education. Taiwanese students are much like American students in both educational background and age. The authors gathered data on the use of win-win, win-lose, and lose-lose strategies exhibited by American and Asian students over an eight-year period (2007 through 2015). This study did not test to determine if any demographic variables of the participants impacted their negotiating strategy approach. Chi-square analysis was used to test the hypotheses.

FINDINGS

Tables 1 through 3 show the results of the eight-year collection of data in the U.S., Taiwan and China. In Table 1, the results column shows the number of teams that pursued a win/win strategy, the number that pursued a win/lose strategy; and the number that ended up pursuing a lose/lose strategy. Table 2 shows the percentages of negotiation strategy choices by location. Table 3 indicates the Chi-Square results of the hypotheses testing.

Hypotheses 1 proposed that U.S. MBA students will use a more aggressive strategy (win-lose) than their counterparts from China. The Chi-Square results support this hypotheses with a finding there is a significant (.01 level of significance) difference in the use of win/win; win/lose; and lose/lose approaches of mid-career MBA students in the U.S. as compared to MBA students from China.

Hypotheses 2 proposed that U.S. MBA students will use a more aggressive strategy (win-lose) than their counterparts from Taiwan. The Chi-Square results support this hypotheses with a finding there is a significant (.01 level of significance) difference in the use of win/win; win/lose; and lose/lose approaches of mid-career MBA students in the U.S. as compared to MBA students from Taiwan.

Hypotheses 3 proposed that Taiwanese MBA students will use a more aggressive strategy (win-lose) than their counterparts from China. The Chi-Square results does not support this hypotheses but indicates that Taiwanese students being were more likely to use a win/win approach than were students from China. This is a surprising finding because Taiwanese MBA students are more closely aligned with U.S. MBA students in numerous demographics than are Chinese MBA students. It makes sense to assume that Taiwanese students would use more of a

win-lose approach rather than a win-win approach preferred by Chinese students but that was not the case. The Taiwanese students actually used a win-win approach more often than their Chinese counterparts. This finding suggests that further investigation needs to be done to more fully explain this result.

CONCLUSIONS AND RECOMMENDATIONS

Given that a collaborative win/win strategy is typically the more desirable tactic for creating value for all stakeholders in a negotiation and for maintaining a long-term business relationship, the performance of U.S. MBA students as compared to Asian MBA students can be viewed as troubling. This study suggests that graduate programs in the U.S. may need to focus more effort on teaching collaborative negotiating and decision-making skills in the MBA curriculum since several of our major trading partners are Asian. The mindset of U.S. MBA students to select the win-lose approach knowing that in the majority of cases this decision usually leads to a lose-lose outcome needs to be examined further. This model needs to be expanded to include numerous variables that may assist in explaining if culture or the desire to be more successful is the driving force behind negotiating strategy selection.

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APPENDIX

Table 1
Red Team / Blue Team Results (8 years)

Year	U.S. Main Campus: Teams	U.S. Main Campus: Results	Taiwan: Teams	Taiwan: Results	China: Teams	China: Results	Total
2014-2015	16	w/w = 4 w/l = 2	8	w/w = 4 w/l = 0 l/l = 4	8	w/w = 6 w/l = 0 l/l = 2	w/w = 14 w/l = 2 l/l = 16
2013-2014	16	w/w = 4 w/l = 2 l/l = 10	8	w/w = 2 w/l = 2 l/l = 4	8	w/w = 2 w/l = 2 l/l = 4	w/w = 8 w/l = 6 l/l = 18
2012-2013	16	w/w = 2 w/l = 2 l/l = 12	4	w/w = 2 w/l = 0	4	w/w = 2 w/l = 0 l/l = 2	w/w = 6 w/l = 2 l/l = 16
2011-2012	16	w/w = 6 w/l = 2 l/l = 8	6	w/w = 2 w/l = 0 l/l = 4	8	w/w = 4 w/l = 4	w/w = 12 w/l = 2 l/l = 16
2010-2011	16	w/w = 2 w/l = 0 l/l = 14	8	w/w = 4 w/l = 0 l/l = 4	4	w/w = 0 w/l = 2 l/l = 2	w/w = 6 w/l = 2 l/l = 20
2009-2010	16	w/w = 4 w/l = 2 l/l = 10	8	w/w = 4 w/l = 2 l/l = 2	6	w/w = 2 w/l = 2 l/l = 2	w/w = 10 w/l = 6 l/l = 14
2008-2009	16	w/w = 4 w/l = 2 l/l = 10	4	w/w = 2 w/l = 0 l/l = 2	6	w/w = 4 w/l = 0 l/l = 2	w/w = 10 w/l = 2 l/l = 14
2007-2008	16	w/w = 4 w/l = 2 l/l = 10	4	w/w = 4 w/l = 0 l/l = 0	6	w/w = 1 w/l = 0	w/w = 10 w/l = 2 l/l = 14
Totals		w/w = 30 w/l = 14 l/l = 84		w/w = 24 w/l = 4 l/l = 22		w/w = 22 w/l = 6 l/l = 22	w/w = 76 w/l = 24 l/l = 128

Note: lose/lose outcomes are not reflected in the table. These outcomes would simply be the total number of team less the win/win and win/lose outcomes.

Table 2
Percentages of Negotiation Approach by Location

Negotiation Approach	Total Observations (228)	Total Percentages	Campus Percentages	Taiwan Percentages	China Percentages
win/win	76	33.5%	23.4%	48%	44%
win/lose	24	10.5%	11.0%	8%	12%
lose/lose	128	56.0%	65.6%	44%	44%

Table 3
Chi-Square Calculation

Observation	Chi Square Statistic	P Value	Significant	Significance Level
Overall Results	169.6217	0.00001	Yes	.01
U.S. vs. Taiwan	132.0625	0.00001	Yes	.01
U.S. vs. China	105.9656	0.00001	Yes	.01
Taiwan vs. China	9.7391	0.007677	Yes	.01

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