

**STANDARD FRONTPAGE  
FOR  
EXAMINATION PAPERS**

To be filled in by the student(s). Please use capital letters.

Subjects: (tick box)	Project	Synopsis	Portfolio	Thesis X	Written Assignment
----------------------	---------	----------	-----------	----------	--------------------

Study programme:	CULTURE, COMMUNICATION AND GLOBALIZATION	
Semester:	10TH	
Exam Title:	Master Thesis	
Name and date of birth/ Names and dates of birth of group members:	Name(s)	Date(s) of birth
	Laura Buitkute Studienr. 20131026	03-05-1989
Hand in date:	29-05-2015	
Project title /Synopsis Title/Thesis Title	The importance of the Chinese cultural values of guanxi, renqing, mianzi, and the 36 stratagems in international negotiations: the Danish perspective	
According to the study regulations, the maximum number of keystrokes of the paper is:	192.000	
Number of keystrokes (one standard page = 2400 keystrokes, including spaces) (table of contents, bibliography and appendix do not count)*	91.020	
Supervisor (project/synopsis/thesis):	Susan Baca	

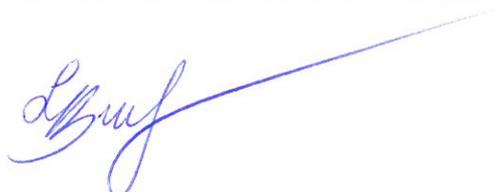
I/we hereby declare that the work submitted is my/our own work. I/we understand that plagiarism is defined as presenting someone else's work as one's own without crediting the original source. I/we are aware that plagiarism is a serious offense, and that anyone committing it is liable to academic sanctions.

Rules regarding Disciplinary Measures towards Students at Aalborg University (PDF):

<http://plagiat.aau.dk/GetAsset.action?contentId=4117331&assetId=4171389>

Date and signature(s):

29-05-2015



\* Please note that you are not allowed to hand in the paper if it exceeds the maximum number of keystrokes indicated in the study regulations. Handing in the paper means using an exam attempt.

## ABSTRACT

China's impressive economic growth and enormous market is attracting more and more foreign companies to do business in this country. Denmark is no exception. China is one of the most important foreign export markets to Denmark. Chinese entrepreneurs are also expanding their range of activities abroad and they are quite interested to do it in Denmark. This signifies the increasing business interactions and negotiation is a crucial factor when doing business, especially internationally. When negotiating internationally, the attention to cross-cultural differences is also essential. The concept of culture and its values are fundamental to the cross-cultural discussions. However, nothing is static. Culture as well. China's opening up to the world and letting in foreign businesses and lifestyles puts its culture in the risk to be globalised and more emancipated.

In this thesis the possible cultural change in Chinese culture has been taken into account and the importance of stereotypical cultural values of *guanxi*, *renqing* and *mianzi*, and the thirty-six stratagems in today's Sino-Danish negotiations has been analysed.

This study show that while cultural values of *guanxi* and *renqing* are not of a significant importance, *mianzi* is quite important and is considered with cautiousness in Sino-Danish negotiations in the case of participating companies. On the other hand, the decrease of importance of the thirty-six stratagems in the negotiations with the Chinese has been proven.

**Keywords:** *culture, cultural change, guanxi, renqing, mianzi, negotiation, the thirty-six stratagems.*

## Table of Contents

1. INTRODUCTION .....	3
2. A THEORETICAL FRAMEWORK .....	6
2.1. Negotiation Theory .....	6
2.1.1. Negotiation .....	6
2.1.2. A Framework for International Business Negotiations.....	7
2.2. Culture Defined .....	9
2.2.1. Concept of Culture .....	10
2.2.2. Culture: Yin Yang perspective .....	11
2.2.3. The Impact of Culture on International Business Negotiations.....	12
2.3. Chinese Culture and Chinese Negotiation Style .....	13
2.3.1. Understanding Chinese Culture .....	13
2.3.1.1. Confucianism: guanxi, renqing, mianzi.....	14
Guanxi .....	14
Renqing .....	15
“Face” (mianzi and lian) .....	16
2.3.1.2. Chinese Stratagems .....	17
2.3.1.3. Changes in Chinese Culture.....	20
2.3.1.4. Generational and Regional Differences in the Chinese Values .....	22
2.3.1.4.1. Generational Differences in the Chinese Values.....	23
2.3.1.4.2. Regional Differences in the Chinese Values.....	24
3. METHODOLOGY .....	25
3.1. Paradigm .....	25
3.2. Research Design .....	26
4. ANALYSIS .....	28
4.1. <i>Guanxi</i> and <i>Renqing</i> .....	28
4.2. Face (or <i>Mianzi</i> ).....	30

4.3. The Thirty-six Stratagems.....	32
4.4. Generational and Regional differences in Cultural Values.....	34
5. DISCUSSION .....	36
6. CONCLUSION .....	38
7. REFERENCES.....	39
Articles and Internet Sources .....	39
Textbooks.....	41
APPENDIX.....	45
Appendix 1. The Framework of the Questionnaire.....	45
Appendix 2. The Answers of the Participants of the Questionnaire.....	45
Appendix 3. The Interview .....	57

# 1. INTRODUCTION

In 1978 Third Plenary Session of the 11th Communist Party of China (CPC) Central Committee implemented a crucial economic reform “*Reform and Opening up*” (or “Open Door Policy”). It has been a beginning of the gradual change of People’s Republic of China (further – China) economic structure from planned towards market economy and country’s opening up to foreign investors (Worm, 1997: 16; *Daily China*, 2013). Liberalization of the planned economy and the breaking the walls of isolation from the outside world not only have resulted in China’s impressive economic growth into the World’s second largest economy, but also in emancipation of Chinese people minds and update of their ideas (*China.org.cn*, 2008).

During the 30 years of these reforms China has witnessed the abolishment of old ideas and systems and the establishment of the new ones. Together with the positive outcomes of “*Reform and Opening up*” reforms, in the process of adjustment of these reforms some unresolved problems and contradictions have appeared, for example, the environmental pollution, aging society, low domestic consumption etc. (ibid.; Zhang and Stening, 2010: 34-37). In the shadow of these unresolved problems China is entering a new era in which there is an increasing need for economic and social development – *China 2.0*<sup>1</sup> (Randau and Medinskaya, 2015: 5).

In order to rebalance economy and to solve social challenges the leaders of China have implemented a *12<sup>th</sup> Five Year Plan* (2011-2015) period (CCTV, 2011; ibid., p. 31). Together with the new policies of the current *Five Year Plan* China is encouraging further a more determined opening-up to the world and “going global” of its own local enterprises. As China’s Minister of Commerce Chen Deming said at the China Development Forum 2011, “*China will continue to strengthen its engagement with the world with greater courage and determination as the country's opening-up policy in the past decades has generated huge opportunities for both China and the rest of the world.*” (CCTV, 2011) The continuing opening-up policy of China leads to the growing international business relations between China and the countries of the rest of the world and accordingly to negotiations between them.

Negotiation as a process of reaching agreement in decision making or problem solving (Kochan, Verma, 1984: 14; Fang, 1999: 15; Cheney et al., 2004: 293) is essential and unavoidable in any form of social interaction. When negotiating across borders and cultures, negotiating parties interact with each other in the background of different cultural contexts, which involve diverse conceptualizations of social interactions, economic interests etc. (Brett, 2007: xii). Culture, being a system of shared meanings of which people communicate and create knowledge (Geertz, 1973: 89), is an important

---

<sup>1</sup> The term 2.0 marks the increasingly used concept of the Web 2.0 – a “*service-oriented architecture that encourages, explicitly or implicitly, human interactions and participations, through which knowledge and content are generated, disseminated, shared and used over network applications.*” (Zhang and Stening, 2010: 1).

factor in international business, which operates in intercultural context, and in negotiation, which is the means through which the business transactions are agreed to be carried out.

Culture and cultural intelligence has been in the centre of attention in relation to international negotiation process for some time and a number of studies focusing on culture's impact on international/ cross-cultural negotiations could be found. However, when investigating culture-related issues, former studies may not be relevant to the present situation (whenever this present exist). Values determine the behaviour (Fang, 2005: 72) of a particular group of people and in a current era of global interaction, intensified with information and communication technologies when enormous flows of information are available with a single click of a mouse, it is naïve to believe that these values will remain unchanged. Knowledge shapes people's worldview and their values, thus changes in national cultures can appear after quite short periods of time. What is more, Zhang and Stening (2010: xxiv) suggest that “*dramatic rise in technological innovations and consumer power will seriously challenge traditional Chinese cultural values rooted in Confucianism.*”

Tony Fang (2005; 2008; 2011) interprets culture and cultural values using the concept of paradox through the lens of *yin-yang* philosophy to which “[e]mbracing paradoxes or holding that opposite forces exist simultaneously and accepting that opposites coexist and can reverse their positions at a given time in history” is fundamental (2005: 76). Hence, “[c]ulture is “both/ and” (ibid.). In accordance with this *yin-yang* interpretation of culture, there are always opposite cultural values that compete with each other and in a particular moment in history one of these values changes one another (ibid., p. 81). The paper embraces Fang's *yin-yang* interpretation of culture believing that culture is not static, and since the focus of the paper is China and its culture, it is believed that *yin-yang* philosophy would be more suitable to the research than other interpretations about culture based on Western thinking.

In discussions about Chinese culture concepts of *Guanxi*, *Renqing* and *Mianzi* that are dominant in Chinese social relationships and social exchange rules (Buttery and Leung, 1998; Faure and Fang, 2008; Tung et al., 2008; Leung et al., 2011 etc.) prevail. Meanwhile the historical 36 stratagems (Fang, 1995; Brahm, 1996) from the famous ancient *Sun Tzu* (The Art of War) book on military strategies appear in intercultural negotiation theory when having in mind China and its unique ancient culture. Following this, it would be interesting to see whether these prevailing elements of Chinese culture like *guanxi*, *renqing* and *mianzi* and also these 36 Chinese stratagems are still important in international negotiations with China having in mind the changing social atmosphere in China, which may have an impact on the shift of current values to their opposites.

The galloping growth of China's economy has caught eyes of a number of entrepreneurs around the world. Denmark is one of the many countries that saw opportunities in China's enormous market with a billion of consumers. According to *EU-China Business Association*, China is one of the most important export markets outside the European Union to Danish business. What is more, Denmark itself is an attractive investment target for China. Denmark is considered one of the best countries to do business in. In yearly China Going Global Investment Index Report (EIU) launched by the Economist, Denmark is listed as a high-opportunity and low-risk country and as 12<sup>th</sup> most attractive country globally for Chinese investors (Reib, 2014). Hence, as China is an important target for Danish investments and China is also interested in doing business with Denmark, this country is chosen as the culture, from which perspective Chinese values of *guanxi*, *renqing*, *mianzi* and 36 stratagems of *Sun Tzu* are studied in international negotiations.

All in all, having in mind that China is facing various economic and social changes together with opening the walls not only at the frontier but also at home with the increasing use of information and communication technologies, the Chinese cultural values can change and not be as important as they have been before, the thesis raises the question:

**How important are the Chinese cultural values of *guanxi*, *renqing*, *mianzi* and the 36 stratagems in Sino-Danish negotiations today?**

Culture is an important actor that a negotiator has to take into account before sitting at the international negotiation table. When searching information on Chinese culture the concepts of *guanxi*, *renqing* and *mianzi* are the main cultural values met on the covers of various books and journals. Meanwhile the literature on negotiations with China also offers the concept of the thirty-six stratagems. These concepts are stereotypical. As literature review (Fang, Faure and Fang, Zhang and Wu, Zhang and Stening) suggests that Chinese cultural values are or will be soon changing. Having this in mind, a glance at these cultural values and their importance in international negotiations is relevant to the current business setting which is continuously affected by processes of globalisation. The study is relevant to people interested in cultures or international business with China.

The purpose of the study is find out whether Chinese cultural values of *guanxi*, *renqing* and *mianzi* and the thirty-six stratagems are still important when negotiating with the Chinese from Denmark's perspective. Following this, the paper raises hypothesis: *Chinese cultural values of guanxi, renqing and mianzi and the 36 stratagems are less common and significant in international negotiations between Denmark and China today.*

## 2. A THEORETICAL FRAMEWORK

This section will present the concepts and theories pertaining to the research question presented in the Introduction. General concepts, i.e. Chinese culture, *guanxi*, *renqing*, *mianzi*, the thirty-six stratagems, negotiation, international negotiation, Chinese negotiation style, and theories related to the research question will be presented in order to understand the context of the research question. The research is based on the section “Chinese Culture and Negotiation Style” where Chinese culture, cultural values and their presumable change and Chinese negotiation style influenced by the thirty-six stratagems are presented. It also includes theories on generational change among Chinese and cultural diversity between different regions of China. When discussing the possible change of Chinese cultural values it is important to take into account that the results may vary among older and younger generations since the sociocultural and political contexts they grew up in were different; and among different regions of China which is an enormous country. Other theories, i.e. theories on negotiation, international negotiation, will only facilitate research for a better understanding about the research question itself and its context.

### 2.1. Negotiation Theory

Here a simplified presentation of theory on negotiation will be presented in order to understand its concept and the process. The framework of international negotiation will be presented for the understanding of the context of the research question, i.e. international negotiation area.

#### 2.1.1. Negotiation

Negotiation is a basic human activity (Lewicki et al., 1996: 1; Fang, 1999: 15; Ghauri, 2003: 3), i.e. we daily negotiate when interacting with other people in order to manage our relationships. Kochan and Verma (1984: 14) defines negotiation as “*a special form of social interaction or decision making that (1) involves more than one party, (2) who hold some potentially conflicting interests as well as sufficient common interests or interdependence to motivate each to remain within the relationship or complete the exchange, and (3) involves reciprocity.*”

The outcomes of negotiation could be classified into these categories (Hilligsøe and Jakobsen, 2009: 21-22):

- Lose-Lose, i.e. all parties participating in negotiation process lose. This kind of outcome is not only the undesirable result of negotiation, but it also could be the only solution in conflicts that require such solutions as divorces, separation or creation of boundaries, for example.
- Win-Lose, or Lose-Win (also called *zero-sum*). One negotiating party must win and the other loses, as one of them is, or believes to be, in a position that enables to act like this.

- Win-Win, when all parties win.
- Win more-Win more, when it is possible for negotiating parties to gain more than expected.

In the negotiation theory literature negotiation is approached in various ways and the main two are competitive (or distributive) negotiation (or the so-called “bargaining”) and integrative negotiation (Ghuri, 2003: 3-4; Hilligsøe and Jakobsen, 2009: 22). The “bargaining” is more like dealing in “bazaar” setting, when the objective is maximize one’s own benefit leading to a typical “win-lose” negotiation. According to Ghauri (2003: 4) this approach to negotiation is out-dated and not suitable to business negotiation.

The integrative negotiation approach to negotiation is more valuable in negotiating business. This type of negotiation refers to “win-win” negotiation “*where both or all parties involved can end up with equally beneficial or attractive outcomes.*” (ibid.) It is based on social exchange or interaction approach, i.e. negotiation is seen as a social exchange process by which negotiating parties interact in a problem-solving manner to achieve the objectives of negotiators to satisfaction of all parties (Fang, 1999: 15; Ghauri, 2003: 4; Hilligsøe and Jakobsen, 2009: 22).

In addition to this, some of the characteristics of integrative (cooperative) negotiation are (Ghuri, 2003: 4):

- Open information flow between the parties participating in negotiation process. Both sides disclose their objectives and listen to the other party’s objectives in order to reach “win-win” agreement beneficial to both parties.
- A search of for a solution that meets the objectives of both parties.
- Parties understand that they have both common and conflicting objectives and that they have to find a way to achieve as much as possible common and complementary objectives that are acceptable and satisfactory to both sides.
- In order to achieve the above, both parties try to understand each other’s point of view.

The relationships between the negotiating parties are perceived as cooperative in nature in this type of approach to negotiation.

### 2.1.2. A Framework for International Business Negotiations

According to Ghauri (2003: 5-15), a framework for international business negotiation has three groups of variables: background factors, the process and the atmosphere (see figure 3).

#### **Background Factors.**

Background factors forms the background to the process of negotiation. This group of variables influences negotiation process and the atmosphere. The impact of these variables on the process and its

different stages might have a positive and negative influence. A positive influence – the process of negotiation saves time and continues smoothly, meanwhile a negative influence causes delay and hindrances (ibid., p. 5). Background factors include objectives, environment, market position, third parties and negotiators.

- *Objectives*, i.e. the end stage each party desires to achieve.
- *Environment*, i.e. political, social and structural factors relevant to both parties (ibid., p. 6).
- *Partie's market position*. The number of buyers and sellers in the market determines the number of alternatives available to each party.
- *Third parties*, i.e. parties other than buyer and seller (governments, agents, consultants, subcontractors) (ibid.).

### **Atmosphere.**

Atmosphere is the context around the interaction between the two parties, affecting the perception of how the parties regard each other's behaviour and thus is essentially important in the negotiation process as a whole. The characteristics of atmosphere include *conflict/ cooperation*, *power/ dependence* (related to the actual power relation, which is influenced by the value of relationship to the parties and their available alternatives), and *expectations* (i.e. long-term expectations, regarding the possibilities and values of future business and short-term expectations – for the present deal) (ibid., p. 6-7).

### **Negotiation Process.**

Negotiation process is divided into *pre-negotiation* (i.e. parties attempt to understand each other's needs and demands through information gathering and informal meetings), *face-to-face negotiation* (i.e. negotiation stage) and *post-negotiation* (i.e. parties have agreed to most of the issues and are to agree on contract language, format, and signing it) stages. What is more, besides these three stages, international business negotiation process has also a *cultural dimension* and a *strategic dimension*. These dimensions are present in each of the three stages of the process (ibid., p. 8-13).

#### *Factors in cultural dimension.*

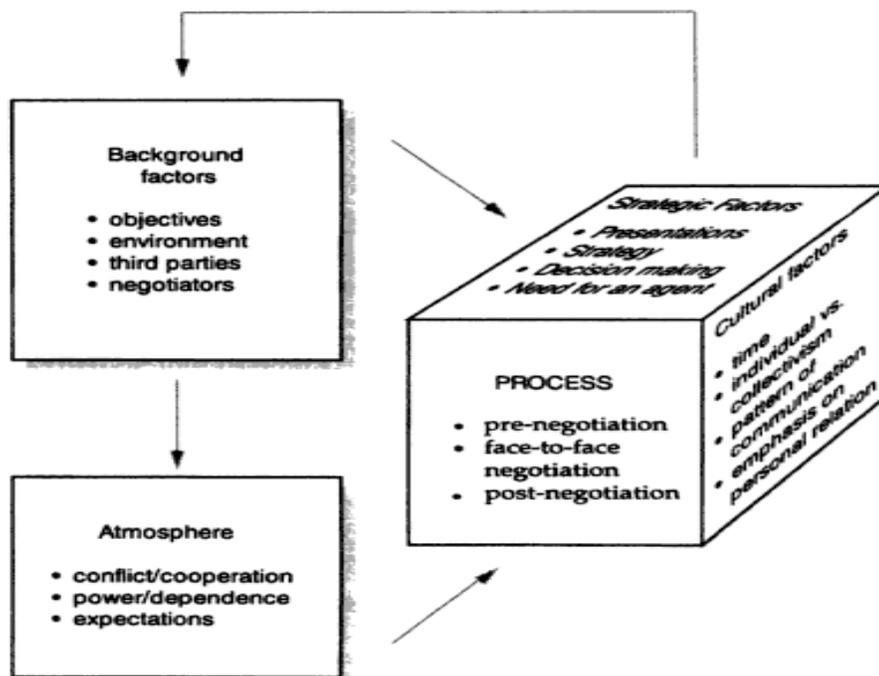
Ghuri states that cultural factors are important in international business negotiation and that the following factors are most important in this respect:

- *Time*, i.e. it has different meanings among cultures and it influences the pace of negotiations and punctuality in the meetings.
- *Individual vs. Collective Behaviour*

- *Pattern of Communication*, e.g. direct vs. indirect, explicit vs. implicit communication and contextual background of languages.
- *Emphasis on Personal Relations*, i.e. different cultures differently perceive the importance of personal relations in negotiation (ibid., p. 13-14).

*Factors in strategic dimension.*

When negotiating in an international business setting, the participants have to prepare for it regarding *presentations*, i.e. how to present things, *strategy*, i.e. which strategy to use, and *decision-making*, i.e. which type of decision-making process is used by the other party (ibid., p. 14).



**Figure 3. The Process of International Business Negotiation by Ghauri (2003: 9).**

## 2.2. Culture Defined

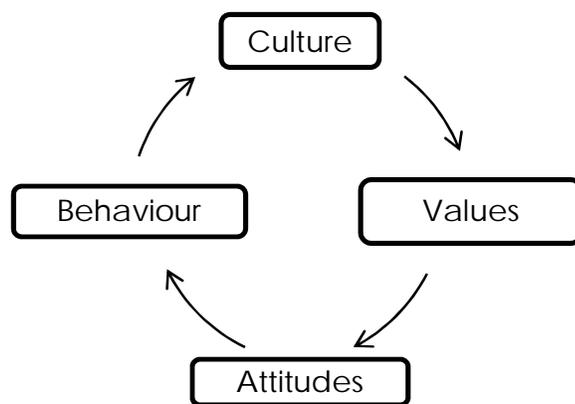
Here the concept of culture will be presented as the paper focuses on Chinese culture and its values. Before discussing one particular culture, it is important to apprehend the concept of culture in general. The *yin-yang* approach to culture as a set of paradoxes and cultural change in accordance with this philosophical thought are also presented because the change of Chinese cultural values based on this approach is discussed in the other section of the paper. The influence of culture on international negotiation is also presented since the research question emphasizes cultural aspects in the context of international negotiations.

### 2.2.1. Concept of Culture

The paper emphasizes the cultural aspect of international negotiations thereby the concept of culture is critical in the research. There are many various definitions of culture and some of them are:

- *"By culture we mean all those historically created designs for living, explicit and implicit, rational, irrational, and nonrational, which exist at any given time as potential guides for the behavior of men."* (Kluckhohn and Kelly, 1945: 97)
- *"The culture concept denotes... an historically transmitted pattern of meanings embodied in symbols, a system of inherited, conceptions expressed in symbolic form by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life."* (Geertz, 1973: 89)
- *"Culture: learned and shared human patterns or models for living; day- to-day living patterns. These patterns and models pervade all aspects of human social interaction. Culture is mankind's primary adaptive mechanism"* (Damen, 1987: 367);
- *"Culture is the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them"* (Lederach, 1995: 9).

Based on various definitions of culture, Adler together with Gundersen (2008: 19) state that culture is "[s]omething shared by all or almost all members of a given social group; [s]omething older members of a group pass on to younger members, [s]omething (as in the case of morals, laws, and customs) that shapes behaviour, or... structures one's perception of the world". Moreover, they claim (ibid., p.19-20) that people express culture and its normative 'components' through the values they hold, which in turn affect their attitudes and behaviour, which eventually impacts culture (figure 1).



**Figure 1. Influence of Culture on Behaviour and vice versa (Adler and Gundersen, 2008: 19).**

### 2.2.2. Culture: Yin Yang perspective

*“Winter becomes summer, and summer becomes winter. Night becomes day, and day becomes night. Birth becomes death, and death becomes birth. Friends become enemies, and enemies become friends.”* (in Bloch, 2012: 69)

In accordance with Adler’s (2008: 19) cycle of cultural change, Fang’s (2005; 2008; 2011, Fang and Faur, 2011) *yin-yang* approach towards dynamics of culture is used in discussion about the change in culture and its values. First of all, it is important to understand the Chinese philosophical thought of *ying-yang*. *Yin* and *yang* are “*the two opposite but complementary forces that form the universe.*” (Chen, 2007: 104) *Yin* signifies “*the shady north side of a river or a mountain*”, meanwhile *yang* – “*the sunny south side of a river or a mountain.*” (ibid.) Following this, the universe is a well-coordinated system, where everything is connected and relevant in the world. The holistic system of the universe, formed of *yin-yang* interaction, is a constant movement of these two forces in which *yin* and *yang* are “*mutually arising, interdependent and continuously transforming, one into the other.*” (Judah-El, 2013: 33) And “[*o*]ne could not exist without the other, for each contains the essence of the other.” (ibid.)



**Figure 2. *Taijitu* (*yin-yang*) symbol and its continuous transformation cycle.**

According to Fang (2005: 85), culture is becoming more and more transparent, fluid, elastic, virtual and mobile as a result of globalisation, embodying the spread of capital, technologies, information and people across borders. All this requires to approach culture in new ways and to search for the new identity of the national culture. National culture has a life of its own and it never stops learning from “*its forebears as an extension of old traditions but also from its dynamic interactions with other cultures*” (ibid.) which in turn result in the birth of new traditions, values and behaviours. In relation to the learning process of culture, its continuous transformation and *yin-yang* philosophy, Fang (ibid., p. 82; Faure and Fang, 2008: 196) proposes that if there exist “ $+V_1$ ”, “ $+V_2$ ”,... “ $+V_n$ ” values and behaviours in culture, then there also must coexist “ $-V_1$ ”, “ $-V_2$ ”,... “ $-V_n$ ” values and behaviours in that

culture depending on situation, context, and time. On the bases of Fang's (2005; 2008; 2011) approach to culture, the paper suggests that culture is in a continuous process of learning and transformation.

### 2.2.3. The Impact of Culture on International Business Negotiations

*“...the essence of culture is not what is visible on surface. It is the shared ways groups of people understand and interpret the world. These differing interpretations that cultures give to their environments are critical influences on interactions between people working and managing across cultures.”* (Hoecklin, 1995: 4).

According to Hall (1980: 23) culture affects the way people organize their lives, think, make underlying assumptions about family, the state, the economic system, and person himself. He (ibid., p. 25) continues that culture controls people's behaviour “*in deep and persisting ways, many of which are outside of awareness and therefore beyond conscious control of the individual.*” Since perceptions about the surrounding world differ among cultures, cultural intelligence is essential in cross-cultural interactions, in this case in international business negotiations. Kale (2003: 76) and Usunier (2003: 97) state that cultural background of business counterparts affects international business interactions, therefore the possession of cultural knowledge and skills in intercultural communication are critical in international negotiation.

Culture has mainly an indirect effect on the outcome of negotiation (Usunier, 2003: 103). Usunier (ibid., p. 103) claims that it “*works through two basic groups of mediating variables*” i.e. situational aspects of the negotiation (time and time pressure, power and exercise of power, number of participants, location, etc.) and the characteristics of the negotiators (i.e. personality variables, cultural variables, etc.), which in turn influence negotiation process and its outcomes. However, culture also impacts the outcome orientation in negotiation process, i.e. some cultures are more deal/ contract oriented, while others favour relationship development. Jiang (2013: 110) adds that “negotiating style has deep cultural imprint” and that culture affect negotiator's thinking, personality, behavioural pattern and also determines the ethical code of the negotiator. Besides, the scholar (ibid., p. 110) claims that different cultures have diverse views on “*the concept of time, willingness to take risks, communication process, understanding, ethics, and the rule of the law.*”

Moreover, Usunier (ibid., p. 100-102) distinguishes the following elements of culture, which according to him have an impact on international business negotiations:

- *Language and communication.* The way in which people communicate and the extent to which their native language frames their perception about the world and attitudes directly impacts international negotiations.

- *Institutional and legal systems.* When negotiating in international setting it is important to understand that there might be differences in how other societies are organised in terms of rules and decision-making systems.
- *Value systems.* Prevailing values in a particular society affect the willingness to take risks, leadership style and the superior-subordinate relationships.
- *Time orientations.* Time perception and how it affects people's manner of structuring their actions has also an impact on negotiation process. It includes not only differences in punctuality but also how a particular party assumes the future in relation to business relations, which impacts decision-making process regarding long-term business deals.
- *Mindsets,* i.e. the way people reflect on issues. It influences the way how issues are addressed, information gathered and how relevant pieces of information are chosen and assessed.
- *Relationship pattern,* i.e. how people relate to group(s), how relationships are framed.

People from different cultural backgrounds do not share the same cultural codes, which in turn may result in misunderstandings that can negatively influence the process and eventually the outcomes of negotiation.

### 2.3. Chinese Culture and Chinese Negotiation Style

It is suggested that Chinese business culture and Chinese negotiating style have been affected by traditional Chinese cultural values, *guo qing* (i.e. “special national circumstances” caused by frequent institutional and political turnovers) and international exposure/ exchange (Fang, 1999: 9; Sebenius and Qian, 2008: 1). Since the paper stresses culture's importance in negotiation process, it is significant to understand Chinese culture and its main cultural values.

#### 2.3.1. Understanding Chinese Culture

China is the world's oldest civilization with five thousand years of history (Worm, 1997: 33; Fang, 1999: 12; 2008: 194). It has never been totally dissolved nor occupied by Western civilizations, leading to its continual, homogeneous, strong culture, what makes China unique from all other countries (Worm, 1997: 33). Chinese cultural values have been shaped by three philosophical traditions, i.e. Confucianism, Taoism and Buddhism (Worm, 1997: 40; Fang, 1999: 12; Fang, 2006: 52; Sebenius and Qian, 2008: 1). Confucianism deals with human relationships, Taoism – with life in harmony with nature, and Buddhism – with the immortal world (Fang, 2006: 52). However, fundamentals of traditional Chinese culture lie in philosophies of Confucianism and Taoism (Fang, 1999: 12). Furthermore, essentials of Chinese business culture are considered to reside in

Confucianism, Taoism<sup>2</sup> and war strategies (*Sun Tzu*) (Sebenius and Qian, 2008: 1). Fang's (Ghauri and Fang, 2003: 416) Chinese business culture framework besides the latter also includes PRC condition (*guoqing*), i.e. a contemporary social and institutional factor (politics, economic planning, legal framework, etc.). Since the paper focuses on Chinese cultural aspect, namely on cultural values of *guanxi*, *renqing* and *mianzi*, in international negotiation setting with Denmark, the emphasis is put on Confucianism and the 36 stratagems (or the 36 *ji*'s).

### 2.3.1.1. Confucianism: *guanxi*, *renqing*, *mianzi*.

Confucianism (*rujia* or *rujiao*) is a 2,500 years old Chinese philosophy that is fundamental in Chinese culture. It has influenced the ways of thinking and behaving of Chinese people (Worm, 1997: 34-34; Ghauri and Fang, 2003: 417; Fang 2006: 53). There are six basic Confucian values (Ghauri and Fang, 2003: 417-418; Fang, 2006: 53):

- 1) moral cultivation,
- 2) importance of interpersonal relationships (concepts of trust, ***guanxi*** (relationships, connections), ***renqing*** (favour) and *li* (etiquette, rules of conduct)),
- 3) family orientation and group orientation,
- 4) respect for age and hierarchy,
- 5) avoidance of conflict and need for harmony,
- 6) the concept of face (***mianzi***, *lian*).

The basis of traditional Chinese cultural system is constituted of the main three ideas, i.e. *guanxi*, *renqing* and "face" (*mianzi* and *lian*) (Worm, 1997: 124). These three values are interrelated and all of them are important in social interaction processes in China.

### Guanxi

The concept of *guanxi* refers to interpersonal relationships, connections or networks. Guanxi is defined "as the personal relationship networks of informal social bonds in which individuals carry expectations and obligations to facilitate favour exchanges." (Leung et al., 2011: 1197). The term of *guanxi* is composed of the characters of "*guan*" meaning a gate or a hurdle and "*xi*" referring a tie, a relationship, or a connection (ibid.). Consequently, Lee and Dawes (2005: 29) present literal translation of *guanxi*, i.e. "pass the gate and get connected". *Guanxi* is "a major mechanism in the Chinese social psychology" (Ghauri and Fang, 2003: 417) and it is thereby crucial in facilitating smooth business transactions in China (Kiong and Kee, 1998: 76).

---

<sup>2</sup> Taoism presents *Yin-Yang* principle of dualism (Fang, 2006: 52) (see section 2.2.2. Culture: Yin Yang Perspective).

*Guanxi* can be established on the bases of common ground, i.e. when interacting parties share something in common (ibid., p. 77). However, according to Kiong and Kee (ibid.), “[t]he existence of a shared *guanxi* base does not imply the existence of a *guanxi*.” They also add that the *guanxi* base (irrespective of whether it is ascriptive, i.e. is based on kinship, or achieved via shared experience) only facilitates the development of *guanxi*, but does not pre-determine it. Besides, there are six main *guanxi* bases (ibid., p. 77-79):

- *Locality/ dialect*, i.e. relationships of mutual help are based on share locality or dialect.
- *Fictive kinship*, i.e. based on common surnames. People sharing the same surname were considered as *qin ren* (or kinsmen) and were assumed that they have descended from the same
- *Kinship*. This principle can be categorized in terms of agnates and affines. Affinal *guanxi* bases are important in helping a businessman develop a network of dependable *guanxi*.
- *Work place*, i.e. relationships with colleagues.
- *Trade associations/ social clubs*. Belonging to a trade association or social club provide opportunities to meet and establish relationships and *guanxi* with important people, for example, potential buyers, suppliers etc.
- *Friendship*.

The importance of particular *guanxi* bases varies over time, as it is depending on the social, political and economic situation in a setting it is expected to be used in a particular moment of time.

Even though Chinese *guanxi* is quite similar to the Western networking, they are also remarkably different. According to Worm (1997: 130), the main differences between the Chinese and Western networking are “*the pervasiveness of Chinese guanxis and the degree of reciprocity.*” Furthermore, as networks are more tied to the companies in the West, they are rather tied to the particular people in China (ibid., p. 131).

## Renqing

The concept of *renqing* from Chinese into English is translated as a favour (Ghauri and Fang, 2003: 417; Leung et al., 2011: 1197). It is defined as “*physical or non-physical social favours that are exchanged in the form of money, goods, information, status, and affection*” (Leung et al., 2011: 1197). *Renqing* together with *ganqing* (affection) are very important in managing *guanxi* in Chinese society (Kiong and Kee, 1998: 80; Leung et al., 2011: 1197). Hence, *guanxi* is intertwined with *renqing* without which it might be difficult to maintain positive *guanxi*. *Guanxi* is about creating and sustaining long lasting relationship that is partly based on doing favours (*renqing*) to others and getting them back. It should be also emphasized that it does not mean that it is only giving and returning back instantly. *Renqing* can involve constant doing of favours without getting them back instantly, but when

one will need it. *Renqing* helps to build trust between the interrelated parties by doing or giving favours and it also shows that one trusts another, i.e. one gives with assurance that this favour will be returned when needed (Buttery and Leung, 1998: 382). *Renqing* involves giving *mianzi* and gifting (ibid., p. 382). Giving proper gifts enhances *mianzi* and establishes *renqing* (Leung et al., 2011: 1201). *Renqing* is essential in business, since *guanxi* is built firstly from establishing relationships and trust through exchange of affection or *renqing* (ibid., p. 1202).

#### “Face” (*mianzi* and *lian*)

The Chinese culture is often referred to as a culture of shame in comparison to the Western cultures. The cultural value of “face” embodies this “shame” in Chinese culture (Worm, 1997: 50). Leung et al. (2011: 1198) defines the concept of “face” as “*respect, pride, and dignity that an individual possesses in Chinese society*”. Keeping one’s “face” intact therefore is important in Chinese culture. Moreover, “face” has two meanings in China, i.e. the concepts of *lian* and *mianzi* (Worm, 1997: 50; 149; Leung et al., 2011: 1198). According to Leung et al. (2011: 1198), every person has these two faces.

*Lian* represents the ethical aspect of a person’s behaviour (Worm, 1997: 50; 149). Through the process of socialization an individual develops a norm of shame that is afterwards transformed to “*an intimate virtue or an internal face, i.e. lian.*” (Leung et al., 2011: 1198). It is considered to be the most severe social judgement to which an individual can be subjected (Worm, 1997: 149). To lose one’s *lian* equals to not having integrity (ibid., p. 50). Everyone starts out having *lian*, it almost cannot be gained again, but one can easily lose it depending on one’s ethical qualities (Worm, 1997: 149; Leung et al., 2011: 1198). When *lian* is lost it is difficult to regain it (Worm, 1997: 149).

*Mianzi* refers to a person’s reputation which is gained by one’s efforts. Not having *mianzi* means that the person has failed to achieve success (Worm, 1997: 50). According to Leung et al. (2011: 1198), *mianzi* “*is the external face and represents an individual’s prestige in society: a reputation achieved through getting on in life, through achieving success, and through ostentation.*” It is an evaluation of status (Cardon and Scott, 2003: 11). It also can be gained (*zengjia mianzi*) or lost (*diu mianzi*) (Worm, 1997: 149; Cardon and Scott, 2003: 12). One can gain *mianzi* through developing relationships with others that have a higher status in society or by one’s own achievements (Cardon and Scott, 2003: 12). In the case of lost *mianzi*, it can be restored or returned to previous levels (ibid., p. 12). What is more, the “face” both *mianzi* and *lian* can be lost not individually but also collectively, i.e. the family, group can lose “face”. It means that family’s or group’s behaviour has a direct influence on one’s “face” and vice versa (ibid., p.149).

*Mianzi* is considered as a social asset and it can be banked or exchanged for favours (Leung et al., 2011: 1198). It is regarded as a form of social currency. It can be borrowed (*jie mianzi*) and bought

(*mai mianzi*) (Cardon and Scott, 2003: 13). Particularly, one can ask a person of a higher status to help, for example, in business transactions by intervening in this deal in the form of recommendation or other. Following this, in contrast to *lian*, *mianzi* is the “face” that plays an important role in business transactions; it is thereby an important Chinese cultural value that has to be considered when doing business with Chinese people. In business setting it is essential to understand how *mianzi* affects person’s behaviour.

Firstly, *mianzi* forms part of the hierarchical relationships, i.e. people in higher hierarchical level can give a greater significance to the “face” (Worm, 1997: 150). A person standing on higher hierarchical steps (being of a higher status) is considered to have more *mianzi*, meanwhile a person at a lower hierarchical status is considered to have less “face” or no “face” (Cardon and Scott, 2003: 12). In addition to this, *Mianzi* can also be measured. A person can have a lot of “face” (*mianzi da*), not so much “face” (*mianzi xiao*) and “no face” (*mei mianzi*) (ibid., p. 12). Secondly, because of fear to lose one’s face or to make the others to lose their face, Chinese are reluctant to refuse something openly or to say something that the other party would not want to hear (Worm, 1997: 150).

The concepts of *guanxi*, *renqing* and *mianzi* are interrelated with each other and they present personal interdependence in Chinese culture and society. Building and sustaining of *guanxi* is impossible without *renqing* which is a component of *guanxi* and helps to build and ensure the existence of trust in relationships through exchanging favours and without *mianzi* that can help enhance one’s *guanxi* by borrowing *mianzi* etc.

### 2.3.1.2. Chinese Stratagems

*“To win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill.”* (Sun Tzu, 1982: 77)

Chinese stratagems (*Ji*) is a strategic component in Chinese culture. It has been influenced and shaped by Chinese cultural tradition that lies in a 2,300 years-old treatise on military strategy (i.e. Sun Tzu’s *Art of War*) (Ghauri and Fang, 2003: 418). Chinese stratagems refer to the traditional, carefully devised Chinese schemes “*used deliberately or inadvertently by the Chinese to cope with various kinds of situation and gain psychological and material advantage*” over one’s adversary (Fang, 1999: 14; Ghauri and Fang, 2003: 418). The stratagems emphasize the superiority of one’s wisdom and indirect means, instead of engaging in pitched battle in order to defeat the opponent (Fang, 2006: 53).

*The thirty-six stratagems (Jis)* (Fang, 1995: 1384-1394; 2006: 53) are:

---

Ji 1      Cross the sea without Heaven's knowledge - *Man Tian Guo Hai* (Hide the deepest secrets in the most obvious situations)

- Ji 2 Besiege Wei to rescue Zhao - *Wei Wei Jiu Zhao* (Avoid the strong to attack the weak)
- Ji 3 Kill with a borrowed knife - *Jie Dao Sha Ren* (Make use of external resources for one's own gain)
- Ji 4 Await leisurely the exhausted enemy - *Yi Yi Dai Lao* (Relax and preserve your strength while watching the enemy exhaust himself)
- Ji 5 Loot a burning house - *Chen Huo Da Jie* (Take advantage of the opponent's trouble or crisis)
- Ji 6 Clamour in the east but attack in the west - *Sheng Dong Ji* (Devise a feint eastward but launch an attack westward)
- Ji 7 Create something out of nothing - *Wu Zhong Sheng You* (Make the unreal seem real. Gain advantage by conjuring illusion)
- Ji 8 Openly repair the walkway but secretly march to Chen Cang - *An Du Chen Cang* (Play overt, predictable, and public maneuvers (the walkway) against covert, surprising, and secretive ones)
- Ji 9 Watch the fire burning from across the river - *Ge An Guan Huo* (Master the art of delay. Wait for favorable conditions to emerge)
- Ji 10 Hide a knife in a smile - *Xiao Li Cang Dao* (Hide a strong will under a compliant appearance, win the opponent's trust and act only after his guard is down)
- Ji 11 Let the plum tree wither in place of the peach tree - *Li Dai Tao Jiang* (Make a small sacrifice in order to gain a major profit)
- Ji 12 Lead away a goat in passing - *Shun Shou Qian Yang* (Take advantage of opportunities when they appear)
- Ji 13 Beat the grass to startle the snake - *Da Cao Jing She* (Use direct or indirect warning and agitation)
- Ji 14 Borrow a corpse to return the soul - *Jie Shi Huan Hu* (Revive something "dead" by decorating or expressing it in a new face)
- Ji 15 Lure the tiger to leave the mountains - *Diao Hu Li Shan* (Draw the opponent out of his natural environment from which his source of power comes to make him more vulnerable to attack)
- Ji 16 In order to capture, first let it go - *Yu Qin Gu Zong* (The enemy should be given room to retreat so that he is not forced to act out of desperation)
- Ji 17 Toss out a brick to attract a piece of jade - *Pao Zhuan Yin Yu* (Trade something of minor value for something of major value in exchange)
- Ji 18 To capture bandits, first capture the ringleader - *Qin Zei Qin Wang* (Deal with the most important issues first)
- Ji 19 Remove the firewood from under the cooking pot - *Fu Di Chou Xin* (Avoid confronting your opponent's strong points and remove the source of his strength)
- Ji 20 Muddle the water to catch the fish - *Hun Shui Mo Yu* (Take advantage of the opponent's inability to resist when they are put in a difficult and complicated situation)
- Ji 21 The golden cicada sheds its shell - *Jin Chan Tuo Qiao* (Create an illusion by appearing to present the original "shape" to the opponent while secretly withdrawing the real "body" from danger)
- Ji 22 Shut the door to catch the thief - *Guan Men Zhuo Zei* (Create a favorable enveloping environment to encircle the opponent and close off all his escape)

routes)

- Ji 23 Befriend the distant states while attacking the nearby ones - *Yuan Jiao Jin Gong* (Deal with the “enemies” one by one. After the neighboring state is conquered, one can then attack the distant state)
- Ji 24 Borrow the road to conquer Guo - *Jia Dao Fa Guo* (Deal with the enemies one by one. Use the nearby state as a springboard to reach the distant state. Then remove the nearby state)
- Ji 25 Steal the beams and change the pillars - *Tou Liang Huan Zhu* (In a broader sense the stratagem refers to the use of various replacement tactics to achieve one’s masked purposes)
- Ji 26 Point at the mulberry tree but curse the locust tree - *Zhi Sang Ma Huai* (Convey one’s intention, opinions in an indirect way)
- Ji 27 Play a sober-minded fool - *Jia Chi Bu Dian* (Hide one’s ambition in order to win by total surprise)
- Ji 28 Lure the enemy onto the roof then take away the ladder - *Shang Wu Chou Ti* (Lure the enemy into a trap and then cut off his escape route)
- Ji 29 Flowers bloom in the tree - *Shu Shang Kai Hua* (One who lacks internal strength may resort to external forces to achieve his goal)
- Ji 30 The guest becomes the host - *Fan Ke Wei Zhu* (Turn one’s defensive and passive position to an offensive and active one)
- Ji 31 The beautiful woman stratagem - *Mei Ren Ji* (Use women, temptation and espionage to overpower the enemy; Attach importance to espionage, intelligence and information collecting)
- Ji 32 The empty city stratagem - *Kong Cheng Ji* (A deliberate display of weakness can conceal the true vulnerability and thus confuse the enemy. The stratagem can also be used to mean something with a grand exterior but a void interior)
- Ji 33 The counter-espionage stratagem - *Fan Jian Ji* (When the enemy’s spy is detected, do not “beat the grass to startle the snake, but furnish him with false information to sow discord in his camp. Maintain high intelligence and alertness)
- Ji 34 The self-torture stratagem - *Ku Rou Ji* (Display one’s own suffering in order to win sympathy from others)
- Ji 35 The stratagem of interrelated stratagems - *Liam Huan Ji* (A stratagem combining various stratagems into one interconnected arrangement. Deliberately planning a series of stratagems)
- Ji 36 Running away is the best stratagem - *Zhou Wei Shang Ji* (Run away, when all else fails. Put up with temporary disgrace and losses to win ultimate victory. Running away to gain more bargaining power)
- 

Besides, these *thirty-six stratagems* can theoretically be grouped into the following categories (Ghauri and Fang, 2006: 419):

- Being superior, i.e. having a stronger position compared with the other party – stratagems 1-6;
- Confrontation, when negotiating parties possess similar strengths – stratagems 7-12;
- Attack – stratagems 13-18;

- Confused and chaotic situations – stratagems 19-24;
- Gaining ground – stratagems 25-30;
- Being put in inferior and desperate situation – stratagems 31-36.

However, in practice they can be used in any possible situation (ibid., p. 419). The relevance of the use of the thirty six stratagems in negotiations in modern times is presumed by the fact that Chinese still believe that “*the market is like a battle field*”, therefore, military stratagems can be used as a tool for winning (ibid., p. 419). Chinese are also referred as game-oriented people (Fang, 1995: 1381). What is more, Chinese people can use these stratagems both intentionally and unintentionally. It is therefore important to have knowledge and understanding about these stratagems because they can be used during business transactions even without Chinese partners realizing about it.

### 2.3.1.3. Changes in Chinese Culture

*“As the physical and sociocultural environments continually change, it is inevitable that people will adjust, or at least attempt to do so. With contacts between of different cultures, it is inevitable that change will occur as they adjust and accommodate to each other. In situations of contacts between vastly different types of culture, new ideas and changing aspirations will insure that change will occur.”*

(Naylor, 1996: 1)

It is suggested that economic growth, globalisation, the Internet and information and communications technologies have triggered the shift in Chinese values (Faure and Fang, 2008: 194; Fang and Faure, 2011: 321). Increasing interconnectedness as the result of globalisation and the possibility to reach information from the utmost ends of the Earth via the Internet have affected how people interact and coexist. This means that Chinese people are exposed to foreign concepts, technologies, cultures and lifestyles (Fang et al., 2008: 143). Besides, economic growth gives an impetus to the rise of such values as freedom, self-expression and quality of life (Fang and Faure, 2011: 321; Zhang and Wu, 2014: 319). Having this in mind, Fang and Faure (2011: 321) have raised the question whether Chinese cultural values are starting to change in the presence of economic, social, legal and political development (Luo, 2008: 189) that China is witnessing now.

Zhang and Wu (2014: 318-319) have re-evaluated Chinese national culture and have concluded that its profile has changed dramatically since 1994. Luo (2008: 188) also states that “*the Chinese traditions and cultural values that shape business behaviours are most notoriously changing*”, for example, the increasing interconnectedness between *guanxi* and corruption. The scholar (ibid., p. 192) follows that “*dishonouring oral promises, breaking reciprocity, and violating trust-building among wai ren [the guanxi of so-called “outsiders”, i.e. non-family members] will no longer be considered as*

*embarrassing and face losing*". This accordingly leads to unstable and untrustworthy *guanxi*. Oral promises may not be honoured anymore.

Scholars Faure and Fang (2008; 2011) also discuss the changing values and communication characteristics in nowadays China through the lens of *yin-yang* philosophy. It is important to note that these two scholars talk about change in infirm manner considering this "change" more like the co-existence of new and old values in nowadays society (Faure and Fang, 2008: 195-196; Fang and Faure, 2011: 324). However, in this co-existence model, one culture may shift to being "brighter" than the other at a particular time in history and become the prevalent one (Fang, 2005: 80-81). That is, the co-existent values can reverse each other at a particular moment in time.

Faure and Fang (2008: 196) present eight pairs of paradoxical Chinese values that coexist in nowadays China:

- *Guanxi* vs. Professionalism;
- Importance of face vs. Self-expression and directness;
- Thrift vs. Materialism and ostentatious consumption;
- Family and group orientation vs. Individuation;
- Aversion to law vs. Respect for legal practices;
- Respect for etiquette, age and hierarchy vs. Respect for simplicity, creativity and competence;
- Long-term orientation vs. Short-term orientation;
- Traditional creeds vs. Modern approaches.

The co-existence of *guanxi* vs. professionalism and importance of face vs. self-expression and directness are discussed further in more detail.

### Guanxi vs. Professionalism

*Guanxi* and *renqing* have to be balanced together with professional competence (*nengli*) becomes increasingly important in Chinese business setting, which accordingly is becoming more and more competitive (Faure and Fang, 2008: 197; Leung, 2008: 185). Hence, neither the companies that want to enter the marketplace nor people, who are searching for a job or are seeking higher positions, cannot entirely rely on *guanxi* (Faure and Fang, 2008: 197). It is suggested that it is possible to do things based on professionalism rather than on *guanxi*, especially in the developed regions of China. However, when information, goods or services are not possible to acquire in the open market, *guanxi* is still widely practiced (*ibid.*, p. 197). Both *guanxi* and professionalism are important and used in current Chinese business life, but the increasing importance of professional competence implies that

Chinese business culture is slightly changing. In this transformation, *guanxi* is, presumably, getting reversed by professionalism.

### Importance of face vs. Self-expression and directness

*Mianzi* comes with controlling of feelings, appearing humble, conflict avoidance, hiding competitiveness and other in order not to lose or negatively affect one's "face" (ibid., p. 198; Fang and Faure, 2011: 330). But the attitudes that are attributed to *mianzi* concept are receding in Chinese society, especially in larger cities. Self-effacement is considered more like a social handicap rather than a virtue or a value (Faure and Fang, 2008: 198). According to Faure and Fang (ibid., p. 198) "*there is [also] a growing attitudinal change concerning body, sex and gender issues.*" Following this, self-expression, creativity and individualism are becoming more and more crucial in the current context of China witnessing economic and social development. Growing individualism (Leung, 2008: 185) followed by expressing one's thoughts more directly, changing attitudes to the issues that traditionally were considered as losing of face if talked openly, shows that a more direct communication style is taking place in China (Fang and Faure, 2011: 330). In addition to this, it all suggests that something significant is happening in current Chinese society taking into account cultural change.

China is currently embracing modernization and interaction with numerous foreign cultures, and is thereby experiencing cultural development. However, Chinese culture is not simply copying Western values and pasting them in its own value system. China is learning, understanding foreign values and consequently creating a new Chinese reality (Faure and Fang, 2008: 206). Hence, even though more "Western" realities are met in Chinese cultural system, they should not be simply referred to the same meaning they have in foreign countries and cultures.

#### 2.3.1.4. Generational and Regional Differences in the Chinese Values

When discussing the attitudes, perceptions and behaviours of human beings the contextual factor of generational differences must be taken into account. Thus the generational differences in China will be presented in this section, since it is presumed that the values shared by the Chinese may vary depending on generation that they 'belong'. Moreover, China is an enormous country with diverse languages, contrasting habits and customs in its regions (Randau and Medinskaya, 2015: 214). People living in the different regions of the country thereby have different characteristics and presumably values. It is thus important to have in mind these differences in order to properly evaluate the validity of the data.

#### 2.3.1.4.1. Generational Differences in the Chinese Values

The concept of generation is defined as a group of people who share “*a common habitus, nexis, and culture... a collective memory that serves to integrate*” (Manheim, 1928 in Yi et al., 2010: 602). It is suggested that “[t]he collective field of emotions and attitudes stems from a group of people sharing a common birth period, which is cemented by significant events and social changes during their formative period.” (Yi et al., 2010: 602). The defining moments of the particular time, place and culture in history that a group of people share capture their emotions and attitudes and thereby is a part of their personality (ibid., p. 602; O’Hara-Devereaux, 2013a). Hence, the context in which a person has grown up impacts his identity.

These groups of people who share particular birth years, history and collective memory are called generational cohorts (Sherman, 2006; Yi et al., 2010: 602). The term generational cohorts “*defines subcultures in a society whose value orientations reflect the cultural, political, and economic developments that occurred during their generation’s pre-adult years.*” (Yi et al., 2010: 602). In addition to this, it is suggested that different generational cohorts that have grown up in contrasting socioeconomic contexts not only will develop distinctive value orientations (ibid., p. 602), but also will display diverse behaviours (Randau and Medinskaya, 2015: 213). Following this, it is important to overview different generational cohorts of the Chinese and their values because the data of the research may vary among the participants of the diverse age groups.

There are various categorizations of the generational cohorts of the Chinese in the literature. First, according to Ding and Xu (2015: 133), there are currently the five most important generations in the current Chinese society: *post-50* (i.e. born between 1950 and 1959), *post-60*, *post-70*, *post-80*, and *post-90*. Randau and Medinskaya (2015: 213-214) similarly diversify the Chinese society into the three generations of the *1950s and older*, *1960s and 1970s*, and *1980s and younger*. Furthermore, O’Hara-Devereaux uses the following categorization: *the War and PRC generation* (born before 1945) (2013b), *the Cultural Revolution generation* (1946-1955) (2013c), *the Recovery generation* (1956-1967) (2013d), *the Sandwich generation* (1968-1979) (2013e), and *the ‘Me’ generation* (or generation Y) (1980-2000) (2013f). Finally, Yi et al. (2010: 603) distinguish namely the following three generations that are currently important in today’s Chinese society: *Cultural Revolution* (1961-1966), *Social Reform* (1971-1976), and *the Millennials* (1981-present) generations. The latter categorization is used to discuss the generational values.

##### *Values of Cultural Revolution (1961-1966) generation.*

This generation is characterized as materialistic (Yi et al., 2010: 604; O’Hara-Devereaux, 2013c, 2013d) and giving the great importance to traditional and Confucianism values (Randau and

Medinskaya, 2015: 2013). In addition to this, *guanxi*, *renqing* and *mianzi* values should be important when negotiating with the people of this generation.

#### *Values of Social Reform (1971-1976) generation.*

This generation is characterized as interested more in economic success rather than in political aspirations. They are more realistic, pragmatic and also more silent, peaceful and optimistic compared to the Cultural Revolution cohort (Yi et al., 2010: 604). Moreover, the members of this generational cohort are also more competitive and individualistic in career development conversely to the preceding generation (ibid., p. 605). This generation had also the possibility to leave the country and to study overseas accordingly bringing more Western views on work and lifestyle (ibid., p. 605). However, generation of Social Reform is also quite traditional with strong influence of Confucian values in their lives (Randau and Medinskaya, 2015: 2014). Subsequently, the importance of *guanxi*, *renqing* and *mianzi* can be high in this generation as well.

#### *Values of the Millennials (1981-present) generation.*

Born under the one-child policy this generation display completely different behavioural patterns and promotes self-centered attitudes (Yi et al., 2010: 605; Randau and Medinskaya, 2015: 214). This generation was more exposed to the outside world of China, and their lifestyles are similar to their Western counterparts (ibid., p. 605; p. 2014). The members of this generation are distinguished by their self-confidence, self-expression, higher tolerance compared to older generations, diverse interests, strong need of self-improvement, and individualism (Yi et al., 2010: 605-606). However, the the Millennials also holds on core traditional values too (Randau and Medinskaya, 2015: 214). Even though traditional family values are important to this generational cohort, they are less likely to accept ingrained hierarchies; they are prone to challenge the status of hierarchy (ibid., p. 214). What is more, the research of Yi et al. (2010: 614) has shown that younger generations of the Chinese society have moved towards more Western lifestyles and values. The importance of *guanxi*, *renqing* and *mianzi* therefore may be less important or seen differently by the Millennials compared to older generations.

#### **2.3.1.4.2. Regional Differences in the Chinese Values**

As stated by Hu and Scott (2014: 8), there is an increasing alienation between the highly developed urban areas in the east and the rural and western regions of China. Regarding Talhelm's 'rice theory' (Samarrai, 2014), there are main differences between Northern and Southern regions of China. It is suggested that people in Southern China are more cooperative, loyal to friends and interdependent; meanwhile the Northerners are more outgoing, aggressive, direct and individualistic (ibid.). Consequently, cultural values of *guanxi*, *renqing* and *mianzi* can be more important in Southern China than in the Northern.

### 3. METHODOLOGY

In this section the methodology, i.e. a researcher's mode of thinking and steps of acting (Arbnor and Bjerke, 2009: 3), of the study will be presented. The purpose of the methodology is, thus, to describe how the investigated problem, in this case *How important are the Chinese cultural values of guanxi, renqing, mianzi and the 36 stratagems in Sino-Danish negotiations today?*, will be studied. Following this, paradigm (researcher's mode of thinking) and research design (actions taken to investigate the problem) including procedure of data collection and methods for data analysis will be discussed.

#### 3.1. Paradigm

The concept of paradigm is considered as a set of fundamental philosophical assumptions and beliefs on how the researcher perceives the world, reality and what is his/her role in this reality (ibid., p. 9; Wahyuni, 2012: 69). The assumptions that a researcher holds determine the researcher's behaviour and as follows the research design, because his presumptions on the investigated research phenomenon influences his views and mode of choosing particular steps to explore it (Guba and Lincoln, 1994: 105).

According to Wahyuni (2012: 69) there are “[t]he two main philosophical dimensions to distinguish the existing research paradigms are ontology and epistemology.” Ontology is defined as “[o]ne's philosophical beliefs about what constitutes social reality, and especially whether realities are singular or multiple.” (Yin, 2011: 311). Meanwhile, epistemology is defined as “[t]he philosophical underpinnings of researchers' beliefs regarding the nature of knowledge and how it is derived or created.” (ibid., p. 309). Hence, the concepts of ontology and epistemology determine the nature of knowledge and the development of this knowledge (Wahyuni, 2012: 69).

Scholars (Saunders et al., 2009: 119; Wahyuni, 2012: 70-71) distinguish the following research paradigms in social sciences: positivism (naïve realism), postpositivism (critical realism), interpretivism (constructivism) and pragmatism. Research of the paper is conducted based on constructivist (interpretivist), i.e. “[t]he view that social reality is a joint product, created by the nature of the external conditions but also by the person observing and reporting about these conditions” (Yin, 2011: 308), ontological and epistemological stances in relation to the standpoint that there is neither objective reality, nor objective truth and that the focus is put on subjective meanings and social phenomenon and motivational actions (Sarantakos, 2005: 37-39; Saunders et al., 2009: 119; Wahyuni, 2012: 71). Regarding this, it is believed that reality is an on-going process and is created by social interaction of individuals with their own varied backgrounds, assumptions and experiences; and, therefore, knowledge is subjective and multiple as each individual views the world differently (Wahyuni, 2012: 71). Based on this view, paper considers an individual as an essential source of

knowledge, since the social world is understood through his/hers experiences and subjective meanings that the individual attaches to the investigated phenomenon (ibid., p. 71).

### 3.2. Research Design

In order to conduct a research qualitative research methodology is chosen. The choice is based on in-depth nature of qualitative research as it focuses on informative and detailed understanding of researched phenomenon and attempts to make sense of it, interprets it in conformity with the meanings that people attribute to researched objects (Sarantakos, 2005: 36-52; Jha, 2008: 45). Research is carried out with deductive approach, i.e. knowledge is created starting with theory (the general) and then going to the facts (the specific), as firstly literature review is conducted in order to get in-depth understanding of investigated field and phenomenon (Willis et al., 2007: 213; Arbnor and Bjerke, 2009: 91). Additionally, the literature review of the main concepts, theories and studies related to the research question is conducted in order to get an understanding about the investigated issue, its context and what has been done by other scholars. Based on this literature review the section of “theoretical framework” is presented in the paper. What is more, hypotheses are also established in accordance with the literature review.

Furthermore, descriptive, i.e. portraying of the investigated phenomenon and actors related to it, and explanatory, i.e. explanation of the investigated phenomenon and relations between particular variables related to the explored problem, research methods (Saunders et al., 2009: 140) are applied to the research of the paper. In this regard, survey research strategy, i.e. a research strategy used to generate knowledge answering the question “*what is*” by using question based surveys or interviews to gather data on how people think and act, is used (ibid., p. 144-145). This strategy is used because “*is both comparatively easy to explain and to understand*” (ibid., p. 144). In conformity with survey research strategy a survey and structured interview have been chosen as methods of data collection. These methods are used since it is easier to compare the gathered data, allows collecting a more considerable quantity of data and gives more control over the research process (ibid., p. 144).

Moreover, this type of research strategy also allows gathering primary data. Consequently, primary data are chosen because they are ‘new’ data, used to answer specific question and as researcher has a direct contact with the data source and he/ she is responsible for their production and analysis, researcher can judge their quality, i.e. primary data are more precise and probably of better quality (Blaikie, 2010: 160).

The “time horizon” of the study is cross-sectional, i.e. the research is investigating the particular phenomenon at a specific time in history (Saunders et al., 2009: 155). That means that the study

focuses on Chinese cultural value on international negotiations from Danish perspective today, i.e. the year of 2015, the year that the thesis is conducted.

Additionally, the study takes an international angle of investigated issue. Chinese culture is the main focus of the study; meanwhile Denmark is used only as a secondary actor to facilitate the research, i.e. to provide the Danish perspective on importance of particular Chinese cultural features on international negotiation process. Danish companies, thus, have been chosen as the sources for data collection. The participants of the research are various international Danish companies that perform/performed/ intend to perform in China or have business relations with Chinese entrepreneurs here in Denmark. Or in more concrete, the participants are the people of these companies that have been involved in the negotiation process with the Chinese counterparts. *Danish-Chinese Business Forum* has been the main source to find information on these companies in order to contact them for participation in the study. *Linked in* website, namely the groups of Danish-Chinese business forums have also been used as sources to share the survey and contact the participants.

Besides, research is carried out applying descriptive and content methods of analysis. Descriptive method is used to observe and to describe the research object i.e., using this method the observed data of the analysis are described as they are found to exist in the research area (McArthur, 1998:162). This method is chosen in order to be able to present data in written form. Content analysis is chosen in order to analyse the texts of questionnaire and interviews and to interpret them by giving meanings in relation to the objects of the research, i.e. *guanxi*, *renqing*, *mianzi*, and *the thirty-six stratagems* (Sarantakos, 2005: 309).

## 4. ANALYSIS

In this section analysis of empirical data that have been collected for this research will be presented. The data is gathered in the form of a questionnaire and structured interview based on the same questions as the questionnaire.

Even though the questionnaire has been distributed to a wide range of companies as possible respondents only 10 answers have been collected. Meanwhile one company offering international negotiation mediator's services has agreed to participate in the research in the interview form. Due the intention to be able to put the gathered data in similar categories and participant's busy schedule and geographical distance the structured interview has been chosen and conducted via help of Skype programme. Besides, the respondents of the study are named as participants (P<sub>1-10</sub>), i.e. the ones that have answered the questionnaire and as an interviewee (I).

### 4.1. Guanxi and Renqing

Firstly, participants of the research have been asked *how cultural values of guanxi and renqing are important in negotiations with the Chinese partners today*. It has been presumed that they are not as common in today's Danish-Chinese negotiation setting as they have been some years, for example 5-15 years, ago.

The data results regarding the opinions of the participants of the study on the importance of the cultural values of *guanxi* and *renqing* in negotiations with China can be categorized mainly into the following groups: important, not so much important and not important. What is more, one of the respondents, P8, has stated that “[b]oth [*guanxi and renqing*] important in doing business with state-owned companies and not important with private ones.”

#### *Guanxi*

The opinions about the importance of *guanxi* in Danish-Chinese negotiations have distributed like this:

- it is important (four respondents, i.e. P<sub>2</sub>, P<sub>5</sub>, P<sub>9</sub>, P<sub>7</sub>);
- not so much important (four respondents, i.e. P<sub>3</sub>, P<sub>4</sub>, P<sub>6</sub>, P<sub>10</sub>, I);
- not important (one respondent, i.e. P<sub>1</sub>).

Hence, some participants claim that *guanxi* is still important in negotiations with China, stating that it is impossible to do a successful business in China without having a good *guanxi* (P<sub>2</sub>), since it is “*the unique way to create the conditions for business activity*” (P<sub>5</sub>). However, other participants say that *guanxi* is not so much important as it might be suggested or it is even not important. Respondent P<sub>3</sub>, for instance, claims that one must be aware of this cultural feature, but it does not impose any

misunderstandings and issues in negotiations because the negotiation process is conducted with consideration in any setting. Respondents P<sub>4</sub> and P<sub>6</sub> add that *guanxi* is quite important but mainly between the local Chinese entrepreneurs, while with Western partners *guanxi* is considered much less as important factor. Besides, respondent P<sub>1</sub> claims that the importance of *guanxi* is “over-hyped” in international negotiations and that Westerners “*can only very rarely achieve guanxi*”.

Altogether, *guanxi* in some cases is important, but mostly it has not a significant importance when negotiating with China and its importance is often overrated.

### *Renqing*

Regarding the importance of *renqing* the expressed views by the respondents of the study follow into these categories:

- important (five respondents, i.e. P<sub>2</sub>, P<sub>4</sub>, P<sub>5</sub>, P<sub>7</sub> and P<sub>9</sub>);
- not so much important (three respondents, i.e. P<sub>3</sub>, P<sub>6</sub>, and I);
- not important (two respondents, i.e. P<sub>1</sub> and P<sub>10</sub>).

As *renqing* is intertwined with *guanxi* the results are also almost the same. Respondents that has claimed that *guanxi* is important in Danish-Chinese negotiations, also has stated that *renqing* is important too. It proves that *renqing* is inseparable from *guanxi*, and if *guanxi* is considered as important, *renqing* is also important since favourism is the means used to build trust and relations between the business counterparts. However, compared to *guanxi*, *renqing* is considered as less important by the respondents. They claim that *renqing* is not anymore what it used to be perceived as. *Renqing* is related to bribery today (P<sub>6</sub> and P<sub>10</sub>) rather than a cultural feature, which had a slightly different meaning in traditional China.

E.g. P<sub>6</sub>: “*Renqing is becoming less and less important due to bribery law*”.

P<sub>10</sub>: “*Renqing is important more like bribery nowadays in business*”.

Thus, *renqing* can be assumed to have some importance in negotiations with China and therefore one should still take consideration into it when negotiating with the Chinese. However it is becoming less important as *guanxi* is not a significant factor in negotiation process and Government is putting its efforts to fight corruption. Moreover, it suggested (P<sub>8</sub>) that *guanxi* and *renqing* are important when negotiating with state-owned companies and much less needed and valued when negotiating with the privately-owned companies. The intertwining of *guanxi* and *renqing* and the decreasing value of *renqing* may also suggest that as *renqing* is losing its importance it will negatively affect the importance of *guanxi* even more.

Secondly, respondents also have been asked to share their opinions whether they have noticed any changes in perception of importance of *guanxi* and *renqing* comparing its importance with the time when they have started to participate in negotiations with China and now. Two respondents (P<sub>2</sub> and P<sub>9</sub>) have said that these cultural values are equally important today as it has been at the very beginning of participating in negotiations with China. The interviewee could not make any comparison because of lack of years in negotiation field to be able to make such observation. In the meantime, the rest eight respondents (P<sub>3</sub>, P<sub>4</sub>, P<sub>5</sub>, P<sub>6</sub>, P<sub>7</sub>, P<sub>8</sub> and P<sub>10</sub>) have acknowledged that there is a slight change regarding *guanxi* and *renqing* whether there is a change in their perception compared to traditional concept definitions, or change in their importance:

P4: “[*guanxi*] is becoming more institutionalized and overt. Online services like Ushi.com and Weibo have modernized it”.

P6: “Both values have changed in their previous ‘conception’, and not as important doing business in China, especially in *renqing*”.

P7: “*guanxi* is something different today”; “*renqing* is not important anymore”.

P8: “*guanxi* and *renqing* are less important because doing mistake in consideration to these cultural features does not affect the economic preference” etc.

The shift in the importance of *guanxi* and *renqing* is thus experienced by the respondents.

To sum up, it can be suggested that even though *guanxi* and *renqing* are a part of Chinese business culture, their importance is decreasing in international negotiations with China from Denmark’s perspective.

#### 4.2. Face (or Mianzi)

The participants of the research have been also asked *how cultural values of guanxi and renqing are important in negotiations with the Chinese partners today*. The data of opinions of respondents considering face importance in negotiations with China provides different results in comparison with *guanxi* and *renqing*. The distribution of results is as follows:

- *mianzi* is important – 8 respondents (P<sub>1</sub>, P<sub>2</sub>, P<sub>3</sub>, P<sub>5</sub>, P<sub>6</sub>, P<sub>9</sub>, P<sub>10</sub> and I);
- *mianzi* is important, but is not equally significant as it used to be – two respondents (P<sub>4</sub> and P<sub>8</sub>);
- and *mianzi* is not important – one respondent (P<sub>7</sub>).

The importance of *mianzi* is hence significant in the Danish-Chinese negotiations. According to respondent P<sub>1</sub>, one has to be aware about *mianzi* and be more careful when dealing with the Chinese businessmen: “[s]aving face is big in China and can present a problem to the Danish who tend to be more challenging and also accept it when they make mistakes.” Following this, respondent P<sub>2</sub> has shared a story how his friend’s lack of respect to the *mianzi* has cost him a loss of an important partner and connection in China. Making one loose his/ hers *mianzi*, thus, can result not only the negative outcomes of the negotiation but also in negative affect on one’s own *guanxi* and consequently successful business execution in/ with China.

Meanwhile other respondents (I, P<sub>6</sub>, P<sub>7</sub> and P<sub>10</sub>) claim that *mianzi* in negotiations with the Chinese are the same important as respect in negotiations with any other country. According to them, respect is important, but they do not give importance to the concept of *mianzi* as if it would be something Chinese and different.

E.g. P<sub>10</sub>: “[r]espect to another person is always and everywhere important.”

P<sub>7</sub>: “[i]mportant to the extent where the respect to the hierarchy is necessary.”

Additionally, according to the interviewee, he would not suggest that “loosing or keeping face is considerably more important to Chinese parties compared to other parties. No one would feel comfortable to lose ground in negotiations.”

The respondent P<sub>8</sub> has stated that *mianzi*, the same as *guanxi* and *renqing* differs in importance depending on whether negotiations are carried out with state-owned companies or private ones. According to the respondent, *mianzi* is more important doing business with the state-owned companies, but a more careful consideration to the concept is applied negotiating with both types of organizations. Furthermore, participant P<sub>4</sub>, *mianzi* is not very important in the current context of China: “[s]omewhat less than it used to be. The internet has made life in China much more public and visible, and *mianzi* does best in tighter, more limited networks.”

So *mianzi* is very important and one must take into account it when negotiating with China. It is suggested that *mianzi* is not something ‘Chinese’ rather something common in any interaction where giving respect is natural. Despite that, it is proposed to be more sensitive in regard of face saving when dealing with the Chinese.

Moreover, the respondents of the study were asked to share their experiences whether there is any change in the importance of *mianzi* today compared to the beginning of their performance in negotiations. The respondents have claimed that there is almost no change in the importance of *mianzi*, i.e. it is equally important as it has been before (P<sub>2</sub>, P<sub>3</sub>, P<sub>4</sub> and P<sub>9</sub>), equally not particularly important (I)

and that it is important but different from what it has been before (P<sub>6</sub>, P<sub>7</sub>, P<sub>8</sub> and P<sub>10</sub>). There is hence no significant change in the perception and usage of the *mianzi* in negotiations with China.

All in all, *mianzi* is still important in negotiations between the Danish and the Chinese companies. The remarkable change in the importance of this value is not also experienced by the participants of the study.

### 4.3. The Thirty-six Stratagems

First of all, the participants have been asked *whether they are aware about the thirty-six stratagems*. Ten out of eleven have been aware of these stratagems. Following this, these respondents have been asked to share their opinions how these stratagems are important in negotiations with China. The answers can be categorized into the following categories:

- the thirty-six stratagems are important (one respondent, P<sub>3</sub>);
- partly the thirty-six stratagems are important (four respondents, i.e. P<sub>1</sub>, P<sub>4</sub>, P<sub>5</sub> and P<sub>9</sub>);
- and the thirty-six stratagems are not important (five respondents, i.e. I, P<sub>6</sub>, P<sub>7</sub>, P<sub>8</sub> and P<sub>10</sub>) negotiating with China.

Only one out of ten respondents has claimed that the thirty-six stratagems are important in negotiations with the Chinese. P<sub>3</sub> claims that being aware of these stratagems can help to understand the Chinese partners. While other respondents have stated that the stratagems may not have a direct impact or importance on negotiations but they can be met in process. As participant P<sub>4</sub> has said, the thirty-six stratagems are not a constraint on negotiation process. However, they can be used by the Chinese negotiator: *“the 36 an Art of War were always used to mean whatever the Chinese negotiator wanted them to mean. Never a serious constraint on Chinese behavior, nor a source of competitive advantage.”* Respondent P<sub>5</sub> has stated that the stratagems are important and often used in China, but internationally their usage and thus importance is not so significant: *“Chinese like warriors tend in some part to use their “way” of doing business. However, in international negotiations it is not very common.”* Respondent P<sub>9</sub> also has claimed that the stratagems might be important in some cases, but not entirely in every business transaction: *“[m]aybe in some cases important, but in general not so much. Some attribute particular Chinese behaviour to these strategies, but this behaviour is common not only to the Chinese so I would not say that these behaviours are only a trait of Chinese culture, especially result of the strategies.”*

In contrast, respondents P<sub>6</sub>, P<sub>7</sub>, P<sub>8</sub>, P<sub>10</sub> and I have expressed the opinions that the thirty-six stratagems are not important in international negotiations.

P<sub>6</sub>: “[s]ome recognize them in the behaviour of the Chinese but I cannot exclude any of the specificities related to them. Some ‘tactics’ are common to most of people I had a chance to negotiate. Maybe some ten or more years it might be the case.”

P<sub>7</sub>: “in real life I could not say I had met these stratagems. Cultural values are more important than these ancient tactics.”

I: “[i]n practice, however, I never had the feeling that any of these were directly applied, or, in others words, that they were applied in the consciousness of them being one of the stratagems [nor unconsciously].”

The thirty-six stratagems, thus, is not remarkably important in international negotiations with China from Denmark’s perspective.

What is more, the respondents have been also invited to share their opinions *whether, in their experience, there was a change in importance of these stratagems in negotiations*. Five respondents (P<sub>1</sub>, P<sub>3</sub>, P<sub>4</sub>, P<sub>5</sub> and P<sub>6</sub>) have answered that there is a change, since due to changing business environment and increasing need to do business in conformity with more international ethics; the thirty-six stratagems are decreasing in importance.

P<sub>1</sub>: “[i]n the Art of War many of the points made are still valid today however flexibility is much more important. <...>To be successful today each side needs to understand that both need to have a successful outcome. It should not be seen as one side winning and the other losing. Nowadays win win situations are much stronger.”

P<sub>3</sub>: “[i]n general the style of negotiation has changed and different tactics are used to suit the changed environment.”

P<sub>4</sub>: “[a]s China becomes more wealthy and influential, traditional 36 stratagem techniques become less effective. These were useful for negotiating from a position of weakness when you didn't have to worry about reputation, brand, or long term relationship. As China becomes a more stable partner with established brands to cultivate, old-school tactics relying on misdirection or manipulation begin to be counterproductive.”

Meanwhile, respondents P<sub>7</sub>, P<sub>8</sub>, P<sub>9</sub>, and P<sub>10</sub> have stated that they have not witnessed the change in importance of the thirty-six stratagems since they never were important in their case: “[n]o since they never were important.”(P<sub>7</sub>)

Furthermore, respondent P<sub>1</sub> has expressed the following thoughts about the importance of the thirty-six stratagems and also *guanxi* in negotiations with China which are similar to the paper's research question and hypothesis:

***“[i]n international business it is important not to buy into too many of the stereotypes. Guanxi and the 36 strategies are often quoted by academic experts who write about Chinese business culture, but how many of these guys are actually genuinely successful in business.”***

According to the respondent, some attributes of the Chinese culture are/ can be overrated.

Hence, the famous thirty-six stratagems are not significant in today's negotiations with the Chinese in Denmark and their importance continuously decreasing together with changing business environment.

#### 4.4. Generational and Regional differences in Cultural Values

The thesis takes into account the presumption that the change in cultural values and negotiating behaviour might be more vivid among different age groups and between less and more developed, rural and urban areas. The research is concerned about these possible differences because they might affect the outcomes of the analysis and they are also important for the validity of the paper, i.e. the generalizations of the results should be made cautiously. What is common in a particular region or age group may not always be applied to the other.

Accordingly, the participants have been asked whether they have observed such variation of differences in their experience. Most of the participants have not observed that there would be any differences regarding cultural values of *guanxi*, *renqing* and *mianzi* in negotiations that they have participated since the most managers have been in their 40s or 50s. However, in general according to them one can witness the distinguishing behaviours and viewpoints among the younger generations that are currently in universities or just left them versus the older ones. The interviewee of the research has stated that younger age value *mianzi* much less compared to older generations. Moreover, he said that “*on a recent trip to Shanghai I saw an ad for a party series called "Lose face" (面子), which to me seemed like the younger generation is even poking fun on this concept*”.

In regard to varying values in different regions, most of the participants have stated that they are doing business and negotiating in one particular region and they are not able to properly evaluate these probable differences. But they have shared the same assumptions that some behavioural features may be different in developed vs undeveloped, rural vs urban regions. The activities of respondents are performed in big and developed cities; therefore, one may presume that in less developed and rural areas the cultural values of *mianzi*, *guanxi* and *renqing* are more valued among people. Hence, the paper is not able to generalize the results for all China.

To sum up, the data reveals that the values of *guanxi* and *renqing* are not significantly important in negotiations with China. Quite conversely is with *mianzi*, which is remarkably important when negotiating with the Chinese. Meanwhile, the thirty-six stratagems are also considered to be not important in international negotiations today. It can be suggested that *guanxi* and *renqing* and the thirty-six stratagems are becoming less and less relevant in international negotiation setting with China.

## 5. DISCUSSION

The purpose of the research is to check how stereotypical cultural values of *guanxi*, *renqing* and *mianzi* and the thirty-six stratagems are important in negotiations with the Chinese from the Danish perspective. Having in mind the increasingly globalised world and the mixture of foreign lifestyles and values it is assumed that the stereotypical objects, i.e. *guanxi*, *renqing*, *mianzi* and the thirty-six stratagems, of most literature related to the Chinese business culture may not be an issue today. Hence, the thesis tries to prove or disprove the following hypothesis:

*Chinese cultural values of guanxi, renqing and mianzi and the 36 stratagems are less common and significant in international negotiations between Denmark and China today.*

In order to answer the research question *how important are the Chinese cultural values of guanxi, renqing, mianzi and the 36 stratagems in Sino-Danish negotiations today?* the theoretical framework has been presented, where the main concepts and theories related to the research question have been introduced. The purpose of the theoretical framework is to introduce the reader with the concepts of the research question and to present approaches to the problem. Accordingly, the concepts of culture, *guanxi*, *renqing* and *mianzi*, negotiation, the thirty-six stratagems and the yin-yang approach to cultural change have been presented. Literature regarding cultural change in China has been also presented in order to show that Chinese culture is experiencing changes in its values. This is done to relate the thesis to current cultural context of China and partially base the relevance of the paper, i.e. if Chinese culture is changing, then it is relevant to check what could have changed/ is changing.

The other objective of the thesis has been to gather data necessary to answer the research question and to conduct analysis of this data. The data has been gathered using survey method using a questionnaire and one structured interview has also been conducted. The intention has been to gather as much as possible data with the questionnaires and in this way to get qualitative data through open-ended questions and in rich in quantity by distributing the questionnaire to a wide range of Danish companies doing business in/ with China. However, since the answering of the questionnaire took more than ten minutes it was not successful resulting in 0 answers. Following this, the questionnaire has been reduced to the very main questions in order to get less information but of a higher quality. But response rate has also not been as expected. The reduction of questions used in the questionnaire has resulted in the loss of some data that could have been used in the analysis together with the Fang's yin-yang approach. Thus, yin-yang approach to cultural change is only used partially, i.e. as theoretical base that there is a slight change in Chinese cultural values that is currently seen as co-existence of paradoxical values. Furthermore, the choice of gathering data using a questionnaire has limited the

credibility of the outcomes of the thesis as the quality of data is not as good as it could be using other methods.

What is more, the results of the analysis have proved the hypothesis that *Chinese cultural values of guanxi, renqing and mianzi and the 36 stratagems are less common and significant in international negotiations between Denmark and China today* only partially. The presumption that *guanxi* and *renqing* are not remarkably important is proved partially since they are important. However, there is a tendency that these values are decreasing in importance. The presumption that *mianzi* is not very important in the international negotiations with the Chinese has been proved as invalid. The importance of *mianzi* is still considered very important by some participants. But the results have shown that *mianzi* is seen not as the Chinese peculiarity but simply as respect in the Western cultures by half of the respondents. The presumption that the thirty-six stratagems are decreasing in importance in negotiations with China has been proved entirely. On the other hand, it has not been assumed that the cultural values of *guanxi*, *renqing* and *mianzi* will be entirely unimportant in the negotiation process with the Chinese.

However, in order to fully answer the question it is necessary to have a wider range of data. Data gathered only from eleven participants is not considered as very credible. In addition to this, the future research could increase the quantity of empirical data and of better quality in order to increase the credibility and validity of the current thesis.

## 6. CONCLUSION

The conclusion of the thesis comes as the answer to the research question

*“How important are the Chinese cultural values of guanxi, renqing, mianzi and the 36 stratagems in Sino-Danish negotiations today?”*

The thesis has been investigating whether one has to pay attention to *guanxi*, *renqing* and *mianzi* and the thirty-six stratagems when negotiating with the Chinese. The problem has been investigated taking the perspective of the Danish companies. In the case of the participating Danish companies, the assumed decrease of *guanxi*, *renqing*, *mianzi* and the thirty-six stratagems is proven not entirely. The results of analysis of gathered data suggest that the cultural values of *guanxi* and *renqing* are still acknowledged and important in negotiations with China. The importance of *renqing* is continuously decreasing due to both decreasing importance of *guanxi* in international area and Government’s establishment of laws controlling gift giving as briberies. Meanwhile, the thirty-six stratagems are not important in Sino-Danish negotiations today. Conversely to the values of *guanxi* and *renqing*, the results of thesis’ analysis suggest that *mianzi* is quite important in the negotiation process with the Chinese. It was suggested by some participants that it is not important somehow more than general respect for people in the Western countries, but Danish companies are still reluctant to be more straightforward and direct and in this way to risk to damage Chinese counterparts face. The thesis also suggests that the traditional values of *guanxi*, *renqing* and *mianzi* are getting new meanings.

Hence, the thesis suggest to be aware of possible behaviours of the Chinese negotiators in relation to the traditional values of *guanxi*, *renqing* and *mianzi*, but at the same time not to be restricted by them as they may be not important in the particular setting of negotiations.

## 7. REFERENCES

### Articles and Internet Sources

Buttery, E. A., Leung, T.K.P. (1998). The Difference Between Chinese and Western Negotiations. In *European Journal of Marketing*, vol. 32, No. 3/4, pp. 374-389.

Cardon, P.W., Scott, J.C. (2003). Chinese Business Face: Communication Behaviors and Teaching Approaches. In *Business Communication Quarterly*, Vol. 66, No. 4, pp. 9-22.

Chen, G.M. (2007). The Impact of Feng Shui on Chinese Communication. In *China Media Research*, vol. 3(4), pp. 102-109.

China's Opening Up 2.0. In *China Daily*. Cited 19<sup>th</sup> of April 2015 [Online access: [http://usa.chinadaily.com.cn/china/2013-12/25/content\\_17196090.htm](http://usa.chinadaily.com.cn/china/2013-12/25/content_17196090.htm)]

China's Opening-up Policy Impetus to World Economy: Commerce Minister. In *CCTV.com English*. Cited 19<sup>th</sup> of April 2015 [Online access: <http://english.cntv.cn/20110320/101740.shtml>]

Denmark. In *EU-China Business Association*. Cited 19<sup>th</sup> of April 2015 [Online access: <http://www.eucba.org/en/members/denmark>]

Fang, T. (1995). Chinese Stratagem and Chinese Business Negotiating Behaviour: an Introduction to Ji. In *IMP International Conference*.

Fang, T. (2005). From "Onion" to "Ocean": Paradox and Change in National Cultures. In *International Studies of Management & Organization*, vol. 35:4, pp. 71-90.

Fang, T. (2006). Negotiation: the Chinese style. In *Journal of Business & Industrial Marketing*, Vol. 21 Iss 1 pp. 50 - 60

Fang, T. et al. (2008). The Changing Chinese Culture and Business Behaviour. In *International Business Review*. Editorial. Vol. 17, pp. 141-145.

Fang, T. (2011). Yin Yang: A New Perspective on Culture. In *Management and Organization Review*, vol. 8:1, pp. 25–50.

Fang, T., Faure, O.G. (2011). Chinese Communication Characteristics: a Yin Yang Perspective. In *International Journal of Intercultural Relations*, vol. 35, pp. 320-333.

Faure, O.G., Fang, T. (2008). Changing Chinese Values: Keeping up with Paradoxes. In *International Business Review* 17, pp. 194–207.

- Hu, Y., Scott, J. (2014). Family and Gender Values in China: Generational, Geographic, and Gender Differences. In *Journal of Family Issues*, pp. 1-27. DOI: 10.1177/0192513X14528710.
- Jiang, Y. (2013). Business Negotiation Culture in China: A Game Theoretic Approach. In *International Business Research*, vol. 6, No. 3, pp. 109-116. E-ISSN 1913-9012
- Kiong, T.Ch., Kee, Y.P. (1998). Guanxi bases, Xinyong and Chinese Business Networks. In *British Journal of Sociology*, No. 49, issue No.1. ISSN: 0007-1315.
- Lee, D. Y., Dawes, P. L. (2005). Guanxi, Trust, and Long-term Orientation in Chinese Business Markets. In *Journal of International Marketing*, vol. 13, pp. 28–56.
- Leung, K. (2008). Chinese Culture, Modernization, and International Business. In *International Business Review*, vol. 17, pp. 184-187.
- Leung, T.K.P. et al. (2011). An Examination of the Influence of Guanxi and Xinyong (Utilization of Personal Trust) on Negotiation Outcome in China: an Old Friend Approach. In *Industrial Marketing Management*, vol. 40, pp. 1193–1205.
- Luo, Y. (2008). The Changing Chinese Culture and Business Behaviour: the Perspective of Intertwinement Between Guanxi and Corruption. In *International Business Review*, vol. 17, pp. 188-193.
- O’Hara-Devereaux, M. (2013a). China’s 5 Generations: Diverging Lifestyles. In *Future of China and Emerging Markets*, *global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://goo.gl/8XuKnv>]
- O’Hara-Devereaux, M. (2013b). China’s War & PRC Generation. In *Future of China and Emerging Markets*, *global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://china-forecast.com/future-of-china-emerging-markets/the-war-prc-generation/>]
- O’Hara-Devereaux, M. (2013c). China’s Cultural Revolution Generation. In *Future of China and Emerging Markets*, *global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://china-forecast.com/future-of-china-emerging-markets/the-cultural-revolution-generation/>]
- O’Hara-Devereaux, M. (2013d). China’s Recovery Generation. In *Future of China and Emerging Markets*, *global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://china-forecast.com/future-of-china-emerging-markets/the-recovery-generation/>]

O'Hara-Devereaux, M. (2013e). China's Sandwich Generation. In *Future of China and Emerging Markets, global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://china-forecast.com/future-of-china-emerging-markets/the-sandwich-generation/>]

O'Hara-Devereaux, M. (2013f). China's ME (Gen Y) Generation. In *Future of China and Emerging Markets, global-foresight.net*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://china-forecast.com/future-of-china-emerging-markets/the-me-gen-y-generation/>]

Reib, M. (2014). Chinese Investments in Denmark. In *Danish-Chinese Business Forum*. Cited 10<sup>th</sup> of May 2015 [Online access: <http://dcbf.dk/news/281-chinese-investments-in-den>]

Samarrai, F. (2014). 'Rice Theory' Explains North-South China Cultural Differences, Study Shows. In *UVA Today*. Cited 12<sup>th</sup> of May 2015 [Online access: <https://goo.gl/eGf8Ab>]

Sebenius, J.K., Qian, Ch.J. (2008). Cultural Notes on Chinese Negotiating Behavior. Harvard Business School, Boston, Working Paper 09-076, pp. 1-10.

Sherman, R.O. (2006). Leading a Multigenerational Nursing Workforce: Issues, Challenges and Strategies. In *Online Journal of Issues in Nursing*. EBSCO Industries, Inc. Cited 10<sup>th</sup> of May 2015 [Online access: <http://goo.gl/xTkWLe>]

The Reforms in Retrospect. In *China.org.cn*. Cited 19<sup>th</sup> of April 2015 [Online access: [http://www.china.org.cn/china/reform-opening-up/2008-10/27/content\\_16672205.htm](http://www.china.org.cn/china/reform-opening-up/2008-10/27/content_16672205.htm)]

Tung, L.R. et al. (2008). Sino-Western Business Negotiations Revisited – 30 Years after China's Open Door Policy. In *Organizational Dynamics*, vol. 37, No. 1, pp. 60–74.

Wahyuni, D. (2012). The Research Design Maze: Understanding Paradigms, Cases, Methods and Methodologies. *JAMAR*, vol. 10, No 1, pp. 69-80.

Yi, X. et al. (2010). Generational Differences in China: Career Implications. In *Career Development International*, vol. 15, No. 6, pp. 601-620.

Zhang, D., Wu, S.J. (2014). Achieving Successful Business in China: Assessing the Changing Chinese Culture. In *Journal of Asia-Pacific Business*, vol. 15, issue 4, pp. 307-323.

## Textbooks

Adler, J.N., Gundersen, A. (2008). *International Dimensions of Organizational Behavior*. Thompson Learning, Inc., 5<sup>th</sup> ed.

Arbnor, I., Bjerke, B. (2009). *Methodology for Creating Business Knowledge*. London: Sage, 3<sup>rd</sup> ed. ISBN: 978-1-84787-058-2.

- Blaikie, N. (2009). *Designing Social Research: the Logic of Anticipation*. MPG Books Group, pp. 298. ISBN-13: 978-0-7456-4337-3.
- Bloch, J. (2012). *The Riddle in the Mirror: a Journey in Search of Healing*. Balboa Press. ISBN: 978-1-4525-5941-4.
- Brahm, L. (1995). *Negotiating in China: 36 strategies*. Butterworth-Heinemann, pp. 200. ISBN-10: 9810066066.
- Brett, M.J. (2007). *Negotiating Globally. How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries*. John Wiley & Sons, Inc. ISBN 978-0-7879-8836-4.
- Cheney, G. et al. (2004). *Organizational Communication in an Age of Globalization. Issues, Reflections, Practices*. Waveland Press, Inc., pp. 490. ISBN: 1-57766-271-7.
- Damen, L. (1987). *Culture Learning: The Fifth Dimension on the Language Classroom*. Reading, MA: Addison-Wesley.
- Ding, M., Xu, J. (2015). *The Chinese Way*. New York: Routledge. E-ISBN: 978-1-317-81830-4.
- Fang, T. (1999). *Chinese Culture and Chinese Business Negotiating Style*. Dissertation from the International Graduate School of Management and Industrial Engineering No. 31, Doctoral Dissertation. Linköping: Linköpings Universitet. ISSN: 0347-8920.
- Geertz, C. (1973). *The Interpretation of Cultures*. New York: Basic Books. ISBN: 0-465-09719-7 [Online access: <http://goo.gl/QGuUqI>]
- Ghauri, N.P. (2003). A Framework for International Business Negotiations. In Ghauri, N.P., Usunier, J.C. (ed.) *International Business Negotiations*. 2<sup>nd</sup> ed. Elsevier Ltd., pp. 3-22. ISBN: 0-08-044292-7.
- Ghauri, N.P., Fang, T. (2003). Negotiating with the Chinese: a Process View. In Ghauri, N.P., Usunier, J.C. (ed.) *International Business Negotiations*. 2<sup>nd</sup> ed. Elsevier Ltd., pp. 411-433. ISBN: 0-08-044292-7.
- Guba, E. G., Lincoln, Y. S. (1994). Competing paradigms in qualitative research. In N. K. Denzin, Y. S. Lincoln (Eds.), *Handbook of qualitative research*. London: Sage, Thousand Oaks, pp. 105-117.
- Hall, T.E. (1980). *The Silent Language*. Greenwood Press. ISBN: 0-313-22277-0.
- Hilligsøe, S., Jakobsen, H.S. (2009). *Negotiation: the Art of Reaching Agreement*. Aarhus: Narayana Press. ISBN: 978-87-7675-636-9.

- Hoecklin, L. (1995). *Managing Cultural Differences: Strategies for Competitive Advantage*. London: Economist Intelligence Unit, ISBN: 978-0201427707.
- Jha, N. K. (2008). *Research Methodology*. Abhishek Publications. ISBN : 8182472113.
- Judah-El D.D., F. (2013). *Sons Of Sananda The Ancient And Mystic Order Of Iu' Em Hetep Jesus Christ Study: Book One*. ISBN: 978-1300964438.
- Kale, H.S. (2003). How National Culture, Organizational Culture and Personality Impact Buyer-Seller Interactions. In Ghauri, N.P., Usunier, J.C. (ed.) *International Business Negotiations*. 2<sup>nd</sup> ed. Elsevier Ltd., pp. 75-93. ISBN: 0- 08- 044292- 7.
- Kluckhohn, C., Kelly, W.H. (1945). The concept of culture. In R. Linton (ed.) *The Science of Man in the World Culture*. New York, pp. 78-105.
- Kochan, A.T. (1984). Negotiations in Organizations: Blending Industrial Relations and Organizational Behavior Approaches. In Bazerman, H.M., Lewicki, J.R. (ed.) *Negotiating in Organizations*, pp. 13-32. Sage Publications, Inc., 2<sup>nd</sup> ed. ISBN: 0-8039-2035-0.
- Lederach, J.P. (1995). *Preparing for peace: Conflict transformation across cultures*. Syracuse, NY: Syracuse University Press.
- Lewicki, R. et al. (1996). *Think Before You Speak. The Complete Guide to Strategic Negotiation*. New York: John Wiley&Sons, Inc. ISBN: 0-471-01321-8.
- McArthur, T. et al. (1998). *The Concise Oxford Companion to the English Language*. Oxford University Press. 1184p. ISBN 0-19-280061-2.
- Naylor, L.L. (1996). *Culture and Change: an Introduction*. Greenwood Publishing Group, Inc. ISBN: 0-89-789-464-2.
- Randau, R.H., Medinskaya, O. (2015). *China Business 2.0. Analyze the Economy, Understand the Society, and Manage Effectively*. Springer International Publishing, Switzerland, pp. 235. ISBN 978-3-319-07677-5 (eBook).
- Sarantakos, S. (2005). *Social Research*. Palgrave Macmillan, 3<sup>rd</sup> ed, pp. 464. ISBN: 1-4039-4320-6.
- Saunders, M. (2009). *Research Methods for Business Students*. 5<sup>th</sup> ed. London: Pearson Education. ISBN: 978-0-273-71686-0.
- Sun Tzu (1982). *Sun Tzu: The Art of War. Translation and an Introduction*. London: Oxford University Press.

Usunier, J.C. (2003). Cultural Aspects of International Business Negotiations. In Ghauri, N.P., Usunier, J.C. (ed.) *International Business Negotiations*. 2<sup>nd</sup> ed. Elsevier Ltd., pp. 97-135. ISBN: 0- 08-044292- 7.

Willis, J. W. et al. (2007). *Foundations of Qualitative Research: Interpretive and Critical Approaches*. Sage Publications, Inc. ISBN-13: 978-1-4129-2741-3.

Worm, V. (1997). *Vikings and Mandarins. Sini-Scandinavian Business Cooperation in Cross-Cultural Settings*. Århus: Handelshøjskolen Forlag, pp. 247. ISBN: 87-16-13360-9.

Yin, R. K. (2011). *Qualitative Research from Start to Finish*. New York: the Guilford Press. ISBN: 978-1-60623-701-4.

Zhang, M. Y., Stening, B.W. (2010). *China 2.0. The Transformation of an Emerging Superpower... and the New Opportunities*. John Wiley&Sons (Asia) Pte.Ltd. ISBN: 9780470824238.

## APPENDIX

### Appendix 1. The Framework of the Questionnaire.

1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?
2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?
3. How important is mianzi in today's negotiations with China?
4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?
5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?
6. How these stratagems are important in today's negotiations with the Chinese?
7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?
8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?

### Appendix 2. The Answers of the Participants of the Questionnaire.

#### P1

#### **1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Guangxi is important between Chinese and Chinese but is over-hyped as an international necessity. Westerners can only very rarely achieve guanxi. What they get instead is the ability to build working relationships which tend to last as long as they have something to offer. These relationships are what is important but should never be confused with guangxi. Renqing does not carry any importance.

#### **2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

The Chinese, despite being big exporters have always been somewhat insular in the way they work with us, the Danish. They tend to always want to work "the Chinese way" Changes in the world economy and the change in Government emphasis - moving up the value chain means that they have to work in a more international way bringing the best qualities of both western and Chinese negotiation.

#### **3. How important is mianzi in today's negotiations with China?**

Saving face is big in China and can present a problem to the Danish who tend to be more challenging and also accept it when they make mistakes. In our company we say we never make mistakes - we just find ways that don't work so we can eliminate them in future. In China people are much more risk averse which has been a block to innovation. In the west we are much more self-deprecating and that is often seen as a positive - unless you are a "Uriah Heap" (Dickens)

**4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

It will take quite a time for this to change in China and will probably start with a change in the way the education system is run. If people are taught that it is good to challenge then they will be more likely not to worry about mianzi.

As an example we never offer to "help" Chinese companies or ask what problems they have because this often creates a defensive reaction (face issues) Instead we work with people to find better solutions and we talk about challenges - OK it may be semantics but it works

**5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

**6. How these stratagems are important in today's negotiations with the Chinese?**

Many of these make sense but they are very "Chinese" These days business is much more global and China faces many challenges from emerging low cost countries who are seen as being much easier to do business with.

Business is always tough but these days to be successful it should not be seen as war. Win win outcomes result in long term success

This means that whilst it is important to keep in mind the Chinese way, Chinese companies should become much more international in their own approach if they are to grow on the international stage

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

In the Art of War many of the points made are still valid today however flexibility is much more important. Respecting a traditional approach is important but not the be and end all. Despite what they may say in Wall Street, business is not quite war. To be successful today each side needs to understand that both need to have a successful outcome. It should not be seen as one side winning and the other losing. Nowadays win win situations are much stronger. In international business it is important not to buy into too many of the stereotypes. Guanxi and the 36 strategies are often quoted by academic experts who write about Chinese business culture, but how many of these guys are actually genuinely successful in business.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

It is difficult to say cause in negotiations I've participated entrepreneurs in their 40s-50s, but at the same time younger people come into higher positions earlier compared to some ten years ago, for example, children after graduating universities come into managerial positions in their parents enterprises. Mainly in negotiations I haven't experienced this change in generations as I already mentioned I do business mainly with people in their midlife. But in neutral environment when communicating with the employees of younger generations especially the ones that just finished their studies the change in values is bright, especially between those that have studied, lived abroad, namely in western countries. I haven't noticed difference between them and the youngsters here in Denmark.

What considers different regions, I do business only in Shanghai. I haven't noticed the different issues that would face my Danish businessmen friends too. However I myself and they we are doing business in cities that are industrialized for some time and they are developed. I have no doubt that if I would have to do business in more rural and less developed region some cultural issues would be more a problem.

## **P2**

### **1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

One can't do business (successfully) in Mainland China without the cooperation of the Chinese business culture. Favours are given, and taken, daily in the course of "successful" business. The components of Products and the delivery of cargo change hands dozens of times.

### **2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Same

### **3. How important is mianzi in today's negotiations with China?**

Extremely important. Guanxi follows Mianzi. I introduce a friend to a 7 year contact in Shanghai. She was my first, and very valuable. He didn't understand Mianzi, didn't care to, and this lovely lady, a huge asset to my supply chain, went away because she can't Face me. She lost face because he was aggressive and rude, and caused her embarrassment. The company in China is looking to her thinking, "you brought this man here, and he has thrown our integrity into question?"

### **4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

Same

### **5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

No

### **6. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

In my personal experience not, but in other's experience there is tendency to the more international level ethics in doing business with foreigners where guanxi and renqing and mianzi are not as important as for the older managers and CEO's. This change is more seen not at the negotiation table rather is more noticed in other contexts between the employees of the same position but different age groups. The hierarchy is respected in my experience with the Chinese partners.

There is some difference probably between the west and north versus the south and east. It is always easier to do business in big cities or very close to them. The more towards rural areas the more cultural actors are important to take into account, especially with the people in generations over 40.

### **P3**

#### **1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

It is important to be aware of these issues however I have found they correlate with Western consideration and respectful conduct and have not proved a real issue. There are occasions of greed and empire building as in the West where such issues are used as tools within negotiation strategies.

#### **2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

I have only been involved with negotiation in China for about 5 years. Since then I have noticed little change. Business is conducted more with the application of the law and contracts rather than building personal relations and basing them with favours and gifts. This change is not extensive, but you can already witness it.

#### **3. How important is mianzi in today's negotiations with China?**

It remains very important

#### **4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

No change

#### **5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

#### **6. How these stratagems are important in today's negotiations with the Chinese?**

They remain an interesting reference for ideas to understand the fellow Chinese partners.

#### **7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

In general the style of negotiation has changed and different tactics are used to suit the changed environment

#### **8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

Little change is. There is significant change comparing grandparents and grandchildren. But in business market you mostly meet people in their mids therefore from negotiation perspective there is very little change among generations. In regions I could not say, don't know. But I assume there is big difference between developed and not developed regions. However, at the same time, we do business with the developed cities.

#### **P4**

##### **1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Guanxi is still quite important, though more within Chinese networks than with westerners. Westerners are still considered outsiders, and to do business in China it is best to build, rent or buy guanxi (by hiring consultants, hiring key staff or forming partnerships) and using that point of contact to build a network with other Chinese counter-parties. Renqing is important only in tight groups, in international level it is not very significant.

##### **2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

It is as important as ever, but now it is becoming more institutionalized and overt. Online services like Ushi.com and Weibo have modernized it -- and MBA programs and alumni associations have taken the place of the traditional village.

##### **3. How important is mianzi in today's negotiations with China?**

Somewhat less than it used to be. The internet has made life in China much more public and visible, and mianzi does best in tighter, more limited networks.

##### **4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

It is often a reason for breaking off a negotiation or deal with a western counter-party who has outlived his usefulness.

##### **5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

##### **6. How these stratagems are important in today's negotiations with the Chinese?**

In my opinion, the 36 an Art of War were always used to mean whatever the Chinese negotiator wanted them to mean. Never a serious constraint on Chinese behavior, nor a source of competitive advantage.

##### **7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

As China becomes more wealthy and influential, traditional 36 stratagem techniques become less effective. These were useful for negotiating from a position of weakness when you didn't have to worry about reputation, brand, or long term relationship. As China becomes a more stable partner with established brands to cultivate,

old-school tactics relying on misdirection or manipulation begin to be counterproductive.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

Yes, these values are definitely not as common for younger generations as to older ones, even though I could not say that they are very important for 40s-50s businessmen taking into account the current China. No significant difference in diverse regions, but where western lifestyles and practices are not so often one should take more importance on these values.

**P5**

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Alone in China you are lost. Guanxi and personal relationships are the unique way to create the conditions for business activity. And renqing is one of the ways to improve the tightness of this guanxi and maintaining it.

**2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Today's are more speedy negotiations, I mean less time. Even reactivity has been a key point in the past. The time is shorten for building relationships and make decision (taking opportunity). There is therefore a shift in the perception of this guanxi. Keeping it tight and involved often with the people is not needed anymore as there is no time to do it. Maybe it could be considered that it also means a decrease in its importance as it has been perceived.

**3. How important is mianzi in today's negotiations with China?**

Mianzi, still important in multiactors negotiaton, giving image, showing respect is always important, even with young managers

**4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

Results and figures are growing facts (not only relationships and image), Internationla perspectives, too (not only mainland). When negotiating with the companies that are established by Chinese diaspora it is definitely less important rather than with the entrepreneurs from the mainland. However, it is too early to judge about this change. I haven't been involved in the negotiations for a long time.

**5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

**6. How these stratagems are important in today's negotiations with the Chinese?**

In China yes it is important because China is a big market where both native and foreign businessmen want to have a share, and Chinese like warriors tend in some part to use their "way" of doing business. However, in international negotiations it is not very common.

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

Partly. I don't think there is a conscious use of these strategies. Chinese grow being taught to be modest and these stratagems on the other hand let them to be aggressive in particular situations, in negotiations for instance. But it is only common with the entrepreneurs of local businesses in the mainland. The managers of international corporations tend to use more western ethics of negotiation that are common in international business area.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

Managers in their senior years are definitely more 'traditional', but younger managers also tend to be traditional giving importance to face, for example. However, in the generation that is now coming into business definitely there is less traditionalism and more international ways of acting and thinking is their feature. There is a growing number in young 'kickstarters' that establish businesses after university or some even after school or during their studies, so you can imagine that their way of doing business will be different from their parents or grandparents generations the same as in the rest of the world. I am not doing business in different regions of China therefore I can't say whether there is difference in doing business. But on my personal account I would consider this when doing business with different partners in different regions. I have been on personal trip through some areas of China and the difference in people's thinking and acting are seen, especially in less developed areas. There is difference even the developed regions depending on the company's area of performing, internationalization. For instance, there are some small companies that can be called 'provincial' even in the developed city.

Due to speed and opportunities, there are much more changes.

**P6**

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Guanxi is important to such extent to which is important to ensure the trust between the negotiating partners and renqing the same as it is kind of a mediator in this. However, the importance that some literature proposes is not the case. I think today guanxi is not anymore a Chinese thing, it has changed from being guanxi into solely social and personal relations that is a mean to build and keep trust between the parties like anywhere else. Renqing is becoming less and less important due to bribery law. Giving financial gifts, which is the most case in business, now considered as a bribery instead of a gift therefore it also has lost its previous meaning which was something different from the bribery.

**2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Mentioned already above. Both values have changed in their previous 'conception', and not as important doing business in China, especially in renqing. It is the need to give bribes due to lack of transparency in the system, but it is not different as in other such countries, for example Russia and other post-communist countries.

However, the need to give a bribe should be distinguished from renqing, it was entirely different thing even though it seems the same as the bribery. In my experience, these values have lost their importance if we will see them into the traditional concept.

### **3. How important is mianzi in today's negotiations with China?**

Important the same as in other countries where hierarchy is stressed, not flat. The respect for the status is important. In some cases, it has its difference from the western countries, as you have to give firstly respects and solutions to the highest ranks people, while in the western setting you do not need this emphasis of giving your respects. You can give respect to the hierarchy and solve first employees in above positions. The opinions of senior managers are considered to be more important and than the people of lesser ranks. Therefore some misunderstandings appear as for example some counterparts are more to agree with you rather than their leader but they afraid to make him lose his face by not telling anything which has a direct influence on negotiation process and sometimes the results of it.

### **4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

The face is not as important as it is considered by some westerners, however respect to the higher rank and status exists. I would say that mianzi has lost its 'value' but is still important in negotiations. But neither of these values compose the main actors for negotiation. It is more a secondary thing that is good if you know it, but it is not a case of giving much attention to it.

### **5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

### **6. How these stratagems are important in today's negotiations with the Chinese?**

At the start of doing business with the Chinese I have paid attention to various literature on China but I can say that these strategies are not common. Some recognize them in the behaviour of the Chinese but I cannot exclude any of the specificities related to them. Some 'tactics' are common to most of people I had a chance to negotiate.

### **7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

No. I haven't noticed any specific behaviour considering particularly these strategies. However, I should mention that the Chinese are taking more international way of doing business decision making. The 'Chinese' factor becomes blurry and there is less need to give attention to the Chinese cultural or other features. They are proud being Chinese as we Danish, but they give the priority to rational business doing rather than affecting the outcomes due to small cross-cultural misunderstandings.

### **8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

I have done business some years ago in the North and now I am doing in the East. I can't tell that they are extremely different. I could say there were more importance given to these values especially mianzi in the north,

than in the east. but this observation is not valid to be compared as there is the gap of few years therefore I would guess this difference is more because of the different contexts in time.

What about generations, in the negotiations there is no difference since the leaders of the negotiation are of older generations. But I have met a lot of young people who definitely have different values compared to their seniors. Their views also depends on the family's that they grew up in. Some managers of older generations are soaked in the western ideas and behaviours, they are very modern too. But yes, there are various discussions on the differences among the different ages of employees and I guess it will be more a topic after some 5 years later when current university graduates will get higher positions in the companies. And the difference between the developed and undeveloped regions, especially rural areas, is natural.

## **P7**

### **1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

It is important to have good relationships with other entrepreneurs and not only in order to ensure the successful establishment of your business. Personal relations help to get some exceptions if you are lucky. Meanwhile renqing is making these relationships ensured.

### **2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Before it was essential to do build relationships in order to establish business as no one will contact you to do business and won't give an offer, you had to do it yourself. Guanxi was the method. Renqing was one of the forms building and continuing this friendship. However, today Chinese themselves are going abroad with their businesses and are also contacting western companies. It is difficult to have a strong guanxi when there is a significant geographical distance. Contracts are also more important than word-word agreement therefore there is no need to have a very close relationship to build trust that the agreement would be respected. Therefore guanxi is something different today even though dinners and meetings are used to keep the friendship alive, but the same with other partners. Renqing is not important anymore, gift giving is used but it is also the same as with other foreign partners. Its just showing your appreciation. The change is significant.

### **3. How important is mianzi in today's negotiations with China?**

Important to the extent where the respect to the hierarchy is necessary.

### **4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

In my experience it is not anymore important as Chinese face. It's natural and simple respect to more superior where relationships are not flat.

### **5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes.

### **6. How these stratagems are important in today's negotiations with the Chinese?**

I know these stratagems from the courses on international management and China. But in real life I could not say I had met these stratagems. Cultural values are more important than these ancient tactics.

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

No since they never were important.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

The generational changes in companies and especially government is a hot topic in China. I personally had not any significant differences with the difference in age in negotiations since executive managers are between 30-60 years old. There is a slight difference indeed between the oldest and the youngest but is not anyhow important at negotiation table. You can notice though in informal environment when communicating. It will be an issue when the ones that are currently in universities will leave them and will come to change their parents after the latter will change their parents.

I have experience only with the one city therefore I am not able to answer about the regions.

**P8**

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Both important in doing business with state-owned companies and not important with private ones.

**2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Some state-owned enterprises are also changing to more western negotiation style acknowledging the foreign cultures and negotiating behaviours therefore guanxi and renqing are less important because doing mistake in consideration to these cultural features does not affect the economic preference. However, when dealing with state-owned companies one has to be more sensitive to Chinese culture and its features compared to private ones. And private-owned companies are more liberal therefore there is almost any difference in negotiations with the Chinese and western partners. Especially in those firms owned by the Chinese that have been long living or are still living abroad but only establishing business in China. Renqing is also more important in negotiating State-owned companies as there is a lot of corruption there. But due to the law on bribes and some incidents with western corporations there is fear to give huge bribes and be caught. Not wanting to risk to be caught by both the foreigner and Chinese counterpart the renqing is not important.

**3. How important is mianzi in today's negotiations with China?**

Its importance is also differentiating in state and private owned companies. But in negotiations we are sensitive to the mianzi and give respect to the partners.

**4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

Yes, Chinese are less afraid the face when negotiating and we can be not too careful with them.

**5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes

**6. How these stratagems are important in today's negotiations with the Chinese?**

Not important

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

See above

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

In negotiations no, but within Chinese subsidiary there is increasing gap in the different attitudes between the older employees and especially the new, young ones. It does not affect the functioning of the company but there is sometimes the signs of tension between the different age groups.

There are more and more companies going to the regions that have been less developed before. Therefore I don't think there is significant difference as in any case we do business in big cities which are developed and close to the western standards of life.

**P9**

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

Very important.

**2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

Equally important.

**3. How important is mianzi in today's negotiations with China?**

Very.

**4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

No, still important.

**5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Yes.

**6. How these stratagems are important in today's negotiations with the Chinese?**

Maybe in some cases important, but in general not so much. Some attribute particular Chinese behaviour to these strategies, but this behaviour is common not only to the Chinese so I would not say that these behaviours are only a trait of Chinese culture, especially result of the strategies.

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

Equally not important.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

Differences are evident in the generations between the ones in their 50s and 30s and also in urban and rural areas, and in 'older' cities that have become first economic centers and 'newer' cities. The differences both in generations and cultural values are most significant in developed cities and then decreasing to less developed and industrialized cities and areas. The difference is also more significant between the migrant workers and the ones that have born and grew in the particular city.

**P10**

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

There is a need to build relationships and trust between the negotiating parties since the intention is to do business and for a long time. But it is not somewhat special important. It is more the case between local Chinese companies.

Renqing is important more like bribery nowadays in business. We do not practice it with the negotiating parties, but sometimes it is important when dealing with bureaucratic issues.

**2. In your experience, is the change in their importance seen in today's negotiations compared to some years\* (i.e. compared to when you started to participate in negotiations with China) ago?**

I guess yes when having in mind international platform of business. The lawyers are usually the part of negotiations and contracts are made leaving no space for the misunderstandings and not keeping promises. The significance is put to economic benefit rather on relationships, but no one wants to be in bad terms therefore friendly relationships are cultivated. Financial renqing has been recognised by the law as bribery. It lost its mutual favourism as it used to be.

**3. How important is mianzi in today's negotiations with China?**

Respect to another person is always and everywhere important.

**4. In your experience, is the change in its importance seen in today's negotiations compared to some years ago?**

Yes, there is no need for the artificial respect when dealing with the Chinese partners. But on the other hand we in general are not aggressive negotiators and keep in mind some peculiarities of Chinese culture in mind. There might be change in perception of the mentioned cultural values, but during the time when doing business with

Chinese partners we became used to particular behaviour and try to paraphrase our suggestions in inoffensive manner.

**5. Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

Heard of.

**6. How these stratagems are important in today's negotiations with the Chinese?**

Once we had a mediator that taught us to recognise these tactics in the Chinese negotiators' actions but our partners had a more international approach to the negotiation process than we even expected. I personally say they are not important in our negotiations.

**7. In your experience, is the Chinese negotiation style and tactics changing and are the 36 stratagems as important today as they have been some years ago?**

See above.

**8. In your experience, does importance of guanxi, renqing, mianzi in negotiations differ among diverse age groups, i.e. generations and regions of China?**

Yes. For example: One of our partners have introduced his son to the company in high managerial position and he has been introduced to us too. The difference in the values is noticeable, especially as the son has finished his studies in America and is distant from the Chinese culture.

About regions I don't know.

## Appendix 3. The Interview

### Guanxi and Renqing

**1. How important is guanxi (social network, personal relations) and renqing (favours) in today's negotiations with China?**

From my personal perspective, guanxi or renqing are not valued considerably higher than among other cultures. As regards guanxi, I would suggest that what is more important to Chinese clients compared to other clients is trust. Trust that can only be gained through time, while the built-up can be facilitated by the lawyer/consultant being able to speak fluent Chinese. As regards renqing, I would assume that due to a rising sensitivity regarding compliance in China nowadays, renqing becomes less important.

**2. In your experience, is the change in their importance seen in today's negotiations compared to *some years*\* (i.e. compared to when you started to participate in negotiations with China) ago?**

This question I cannot sufficiently answer, since as I mentioned I have only begun to take part in such negotiations a few years ago.

**3. In your experience, how the importance of guanxi and renqing vary among different generations of the Chinese in negotiations?**

In terms of guanxi and renqing in the business world, it appears rather difficult to differentiate between the perception of different generations, since most of the executives are at least above 40 years of age. From the perspective of a foreign legal consultant, it seems that it takes longer to gain the trust of the executive, who, in most cases, is not fluent in English and has never lived abroad, than it takes to gain the trust of the, lets say, legal council of the respective company, who is oftentimes fluent in English and has studied abroad. Therefore, I would assume that with growing numbers of Chinese studying or living abroad and foreigners studying or living in China, the cultures will converge to a point where no fundamental difference in values, attitudes, and behavior exist, or at least to a point where these differences do not matter much anymore.

**4. In your experience, how the importance of guanxi and renqing vary in different regions in negotiations with the Chinese?**

Having only worked in Shanghai, Beijing and Tianjin, I would suggest that differences only exist as a result of the degree of internationality in the respective region or city.

**Mianzi (“Face”)**

**1. How important is mianzi in today’s negotiations with China?**

I would not suggest that loosing or keeping face is considerably more important to Chinese parties compared to other parties. No one would feel comfortable to lose ground in negotiations.

**2. In your experience, is the change in its importance seen in today’s negotiations compared to some years ago?**

Since it was not somehow more important than in other cultures, I would say that there is no difference.

**3. In your experience, how the importance of mianzi vary among different generations of the Chinese in negotiations?**

It depends on education and other factors that I’ve mentioned when talking about guanxi and renqing. It is important as it shows respect and everyone wants to be respected. But it is not valued as much as by older people. On a side note: on a recent trip to Shanghai I saw an ad for a party series called "Lose face" (丢面子), which to me seemed like the younger generation is even poking fun on this concept.

## **The 36 stratagems**

**Are you aware about the 36 stratagems and their impact on Chinese negotiation style?**

A famous scholar from Germany (Harro von Senger) once wrote a book on the 36 stratagems. In practice, however, I never had the feeling that any of these were directly applied, or, in others words, that they were applied in the consciousness of them being one of the stratagems.

**And how about using them unconsciously?**

I haven't observed them when participating in the negotiations.

**So, you don't think that they are important when negotiating with the Chinese?**

It would not hurt to have knowledge about them since they come from the Chinese culture, even though the ancient. Cultural awareness and erudition is always a plus instead of a minus, but in practice I would not rely on these stratagems. I don't think they have any importance in today's business.