

A Comparison of China and Malaysia in International Business Negotiation

Perbandingan Republik Rakyat Tiongkok dan Malaysia dalam Negosiasi Bisnis Internasional

Soo Hoo Pin Lick¹

¹School of Multimedia Technology and Communication, Universiti Utara Malaysia, Sintok, Kedah, Malaysia

*Corresponding author, e-mail: eileensoohoo@gmail.com

Abstract

The real negotiation world particularly cross-cultural negotiation is very challenging and competitive compared to domestic negotiation as each party needs to have cultural intelligence when it comes to international business environment. As many companies are going global, seeking international growth as an importer-exporter, international business negotiation skills are very much needed. The participants in this study were Chinese and Malaysian business negotiators involved in China-Malaysia business. One hundred questionnaires were conducted by sending emails or through WeChat to the participants who are based in China. In fact, China's One Belt One Road's plan has created plenty of opportunities for Malaysia to collaborate with Chinese government officials and business leaders in different areas. Based on our analysis, we found that between the two groups of Chinese and Malaysian business negotiators, interdependent self-construal mediated the relation between cultural norms and interaction goals.
Keywords: International Business Negotiation, Cultural Norms, Interdependent Self-construal, Interaction Goals.

Abstrak

Dunia negosiasi terutama negosiasi lintas budaya adalah sangat menantang dan kompetitif dibandingkan dengan negosiasi domestik karena masing-masing pihak perlu memiliki kecerdasan budaya ketika 'terjun' ke dunia bisnis internasional. Karena banyak perusahaan telah menjadi global, mencari pertumbuhan internasional sebagai importir-eksportir, maka keterampilan negosiasi bisnis internasional sangat dibutuhkan. Partisipan dalam penelitian ini adalah negosiator bisnis Republik Rakyat Tiongkok (RRT) dan Malaysia yang terlibat dalam bisnis RRT-Malaysia. Seratus kuesioner dilakukan dengan mengirim email atau melalui WeChat kepada para peserta yang berbasis di RRT. Faktanya, rencana One Belt One Road RRT telah menciptakan banyak peluang bagi Malaysia untuk berkolaborasi dengan pejabat pemerintah RRT dan pemimpin bisnis di berbagai bidang. Berdasarkan analisis kami, kami menemukan bahwa antara dua kelompok negosiator bisnis dari RRT dan Malaysia, faktor interdependent self-construal mampu memediasi hubungan di antara norma budaya dan tujuan interaksi.
Kata Kunci: Negosiasi Bisnis Internasional, Norma Budaya, Interdependent Self-construal, Tujuan Interaksi.

Introduction

China and Malaysia have been in bilateral relationship for the past four decades. The strong bilateral relationship has helped to create cooperations between the two countries in multiple sectors. Moreover, the benefits of China's One Belt One Road have provided many opportunities to open new markets and investment prospects between the two countries. When the two countries have more and more collaborations, the

negotiators play an important role to prevent misunderstanding and conflicts between the two parties especially during process of bilateral relationship and business negotiation (Shi & Wang, 2011). Therefore, it shows that cultural values and practices are important among the business negotiators and in fact, many studies had examined the cultural values and practices within the framework of GLOBE theory (Bertsch, 2012) but these studies mainly focus on comparing culture at different levels with both practices and values exist at the levels of industry, organization and society (Bertsch, 2012; Shi & Wang, 2011). Nevertheless, several important questions remain unanswered whether interdependent self-construal is being influenced by cultural norms which affect the interaction goals (negotiation outcome) during China-Malaysia business negotiations.

Interdependent self-construal is defined in terms of relationship with others. Thus, this study hopes to address this gap and contribute to a better understanding of how China-Malaysia business negotiators communicate and negotiate in cross-cultural business environment. This is important because communication is fundamental component of business relationship and business collaboration. As in previous research, interdependent self-construal research linked with building a relationship (Agrawal & Maheswaran, 2005) and thus, it is a primary process that leads to positive negotiation outcome. Interdependent self-construal is explored on relationship and groups in terms of cultural differences (Oetzel et al., 2001). Cultural values and practices have been empirically tested having positive influence on interdependent self-construal. However, the interdependent self-construal studies yet to recognize how people deal, negotiate and communicate across cultures with their business counterparts with different communication styles in collectivistic culture.

This present article tends to advance the research on interdependent self-construal on China-Malaysia international business negotiation in several ways. *First*, we respond to the call by Shi and Wang (2011), to examine the impact of cultural norms on international business negotiation between various countries. To do so, we develop and test GLOBE model that specifies cultural values and practices between interdependent self-construal and interaction goals. *Second*, we hypothesized that interdependent self-construal is a process variable that mediates the relationship between cultural norms and interaction goals. Exploring these relationship using cultural norms, interdependent self-construal and interaction goals in theoretically and practically imperative provides a more realistic picture of the interpersonal exchange relationships between China-Malaysia business negotiators.

Globe Theoretical Model

Scholars had addressed the impact of globalization on domestic business (Bulow & Kumar, 2011; Hurn, 2007; Jiang, 2013; Sankar, 2010) and thus, culture and negotiation studies had been conducted for many years. GLOBE theoretical model proposed by House (2002) was used to discuss the relationship of dimension of culture and cross-cultural communication in international business negotiation which also serves as a wide range of explanations and predictions towards the differences in communication styles (Oetzel et al., 2001) and interaction goals (Liu & Wilson, 2011). Therefore, dimensions of culture is considered as the depending factor on the interdependent self-construal and interaction goals emphasize by the measure of the values and practices scales interact and the dimensions of values and practices can be employed at societal and organizational levels which are relevant to cross-cultural interactions (Shi & Wang, 2011).

GLOBE model has made an impact in analyzing the cultural norms of 62 societies and it had also determined how national culture is being represented (Brewer & Venaik,

2011). The nine units of measurement or nine cultural dimensions are valuable especially for quantitative research designs as they are more expansive compared to Hofstede's clarification system. This paper of culture, interdependent self-construal and interaction goals underscores the complexity of the international business negotiations and how it is being influenced by culture. Therefore, GLOBE model contributes in understanding global communication across cultural and geographic boundaries as different cultures have different perspectives and different ways of doing things. When in different cultural business settings, business negotiators should adapt to new environment and negotiation styles.

Hypothesis Development

Relationship of Dimensions of Culture and Interdependent Self-Construal

Self-construal is one's self-image and consists of independent and interdependent self-construal (Oetzel et al., 2001). Past studies indicated that self-construal is used to differences in communication styles (Oetzel et al., 2001). In this study, cross-cultural communication in collectivistic context, culture and interdependent self are going to examine and discuss. *First*, the study of culture and interdependent self has renewed and extended cross-cultural communication's understanding of interdependent self or culture and casts it as central to analyze communication behaviours of business negotiators in international business negotiations. *Second*, the study of culture and interdependent self has led to the realization that people and their sociocultural worlds are not separated from one another.

Our thinking, feeling and action are influenced by culture. However, Markus and Kitayama (1991) suggested that we require each other to complete each other. If there is large cultural gap, the interaction between two parties might be even more challenging (Kumar & Worm, 2003). When this applies to international business negotiation, it can become very complicated when differences in culture and language barrier will hinder the effectiveness of communication (Ke, 2011; Zhao, 2000). Therefore, it is suggested that effective communication process will bring equal participation, cooperation and respect (Oetzel et al., 2001) which are crucial in international business partnership (Oetzel et al., 2001). Effective communication process involves two ways, between sender and receiver in which thoughts and feelings are being shared to build common understanding between two or more parties.

Based on the above literature, it shows that relationship of cultural norms and communication styles. Hence, if the relationship of cultural norms and the interdependent self-construal positive, it positively affects the communication behaviours. Likewise, if it is negative, it will negatively affect the communication behaviours. Thus, this paper proposes this hypothesis for testing:

Hypothesis 1: Collectivistic Values have Positive association with Independent Self-Construal.

Relationship of Dimensions of Culture and Interaction Goals

Past studies did not portrayed much about the link between dimensions of culture and interaction goals in collectivistic countries. Liu and Wilson (2011) had mentioned in their studies that there is a link between dimension of culture and interaction goals which shows that there is a positive impact on negotiation outcome. Interaction goals are defined as capability to engage in acting, thinking or behaving in certain ways with others that will also influence the other party's attitudes or behaviours (Liu & Wilson, 2011). Therefore, negotiators must learn cooperative behaviours to produce positive outcome when people enter negotiation, (Liu & Wilson, 2011). Motivation to negotiate is goals

(Hendon, Hendon, & Herbig, 1998). If goals are unimportant objective to achieve by negotiators, there is no purpose of negotiating.

When there are similarities between two parties from similar collectivistic values and practices, common goals are easier to achieve as there will be less disagreement. If both parties can collaborate well, it tends to benefit the whole situation (Lewicki, Barry, & Sauders, 2010) as there will be less disagreement and argument. Previous studies focused on cultural differences and ignore potential cross-cultural similarities during the process of international business negotiations (Liu & Wilson, 2011). According to past research, many did not examine the relationship between cultural norms and international business negotiation outcome between negotiators from both collectivistic countries which eventually will affect the business performance. The business performance can achieve to the maximum if both business partners are happy in their collaboration. Having good understanding will lead to creativity, team work and collaboration. If the relationship of cultural norms and interaction goals positive, it positively affects the communication behaviours. Likewise, if it is negative, it will negatively affect the communication behaviours. Based on this, the following hypothesis is advanced for testing:

Hypothesis 2: Cultural Norms associate with Interaction Goals in International Business Negotiations.

Interdependent Self-Construal as Mediation

The hypothesis advanced in this study indicates that relationship quality high on interdependent self-construal within negotiators is also likely to reflect communication quality and interaction goals. Relationship between negotiators is enhanced through interdependence interaction and relationship in which both parties share their feelings regarding work environment, personal lives and sensitive information. Interdependent self-construal is defined as the crucial determinant of the interaction goals as it serves as the significant predictor of it as suggested in communication styles across culture. Recent research suggests interdependent self-construal is a significant fact that interdependent self-construal also has been shown to play an important role in explaining the relationship between cultural norms and interaction goals (Markus & Kitayama, 2010). However, there is lack of evidence about the effects of antecedents on interdependent self-construal towards the collectivistic communication behavior in connection of the exposure of cultural norms (Markus & Kitayama, 2010) and thus, this study is going to fill up the literature gap by examining the mediating role of interdependent self-construal in the connection of the exposure of cultural norms to interaction goals. Based on this, the following hypothesis is advanced for testing:

Hypothesis 3: Self-Construal mediates the relationships between Cultural Norms and Interaction Goals.

Methodology

The participants in this study were Chinese and Malaysian business negotiators involved in China-Malaysia business. All the participants have more than one year of experience in international business negotiation in China and Malaysia. This selection rule was intended to ensure business negotiators were sufficiently familiar with business negotiation.

Questionnaire were conducted by sending emails or through WeChat to the participants who are based in China. *The first section* of the questionnaire employed a business negotiator's cultural norms which measured with the widely used items to reflect

cultural manifestation based on nine cultural dimensions of GLOBE model. The cultural dimensions consist of in-group collectivism, institutional collectivism, power distance, uncertainty avoidance, future orientation, gender egalitarianism, assertiveness, humane orientation and performance orientation. *The second section* of the questionnaire examined the interdependent self-construal that examines perceptions on differences in communication styles while the third section was individual members' perception of cooperative communication. *The final section* comprises of interaction goals which are the negotiation outcome. The measurements were designed to provide information from international business negotiators and the constructs were measured based on individual perception initially. Out of 100 questionnaires distributed, 30 Chinese questionnaires and 38 Malaysians questionnaire were returned which is 68% response rate. In the sample of 68 participants, there were 69.12% males and 14.96% were females. Approximately 82.35% of participants have experiences in business negotiation from 1 to 10 years, 13.26% for 11 to 20 years and 1.47% for 21 to 30 years.

The English language version of cultural norms by Bertsch (2012), cooperative communication by Tjosvold, Johnson, and Johnson (1984) and interaction goals by Liu and Wilson (2011) were used to obtain the data. This follows by translations to Chinese language and Malay language in order for the participants who do not have the proficiency of the English language to answer the questionnaire. Details of the instruments used in this study are as follows:

Cultural Norms. We measured cultural values and practices to reflect cultural manifestation based on nine cultural dimensions of GLOBE model, developed by Bertsch (2012). The seven-item Likert-type scale generated a Cronbach's alpha of .417 to .790 (Bertsch, 2012).

Perceived Cooperative Communication. Business negotiators assess 6 items about cooperative communication adopted from work by Tjosvold et al. (1984). The 7-item scale will be used to measure group perceived cooperative communication. The Cronbach's α was .80.

Interaction Goals. Both business negotiators assess the interaction goals adopted from Wilson and Putnam (1990) 31-Item Scale. The Cronbach's alpha for this scale ranged from .67 to .85. All items will be measured based on 1 strongly disagree to 5 strongly agree scale point. All these items were measured and operationalised using a five-point Likert type scale ranging from strongly disagree to strongly agree.

Results and Discussion

Means, standard deviations, and correlations for all variables appear in Table 1. Prior to conducting our tests of the hypothesis, data are also tested for normality for each of the survey items as well as the constructs that are created by computing individual items. Test for normality includes kurtosis measures, skewness measures and visual inspection for histograms. The majority of the items are within normality. Researcher also tested principal component factor analysis, which showed that each of our variables represents separate constructs.

Table 1. Means, Standard Deviations and Inter Correlations among the Variables

| Variables | Mean | SD | 1 | 2 | 3 |
|-----------|------|------|-------------------|-------------------|---|
| 1. CN | 3.78 | .550 | | | |
| 2. ISC | 4.00 | .632 | .563 [*] | | |
| 3. IG | 3.62 | .422 | .306 [*] | .278 [*] | |

Note. * $p < .01$.

Correlation analysis is used to understand the nature of relationships between two individual variables. The results indicate in table 1 shows there are positive relationship between the variables, cultural norms, interdependent self-construal and interaction goals. The Pearson Correlation in SPSS had shown that there is significant relationship between cultural norms and interdependent self-construal, cultural norms and interaction goals and interdependent self-construal with interaction goals.

This research's findings add value to the literature on international business negotiation especially on Malaysia-China business negotiation. At present, there is no research on Malaysia-China business and Malaysia-China business negotiations. Therefore, this research is filling up the research, knowledge and practical gaps. As Shi and Wang (2011) suggest, although the influence of cultural norms in international business negotiators had been examined in past literature, there are many areas which have not been tested and thus, this study provides information on how cultural norms influence interdependent self-construal and interaction goals (negotiation outcome). The results provide support for the hypothesized relationships in the model (Figure 1).

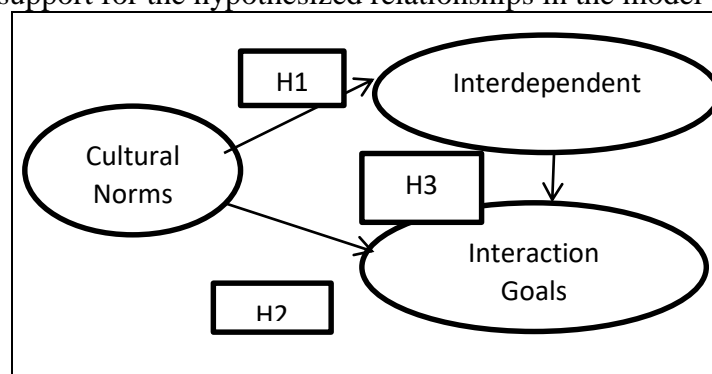


Figure 1. CN-IG Model

These findings also provide important implications from the mediation effects of interdependent self-construal on relationship between cultural norms and interaction goals. Currently, research on cultural norms only focused on China business negotiations (Jiang, 2013) but there is no research on comparing two countries especially both countries are collectivistic countries yet. Therefore, the results of this research will add value to the current research as it explores both collectivistic countries, Malaysia and China. The quality of communication and information through positive interdependent self-construal will create positive interaction goals (negotiation outcome). Hence, the results of the current study indicate that the interdependent self-construal mediates the relationship between cultural norms and interaction goals. With positive interaction goals achieved, it helps to build good business relationship, business opportunities and more collaboration between China-Malaysia business negotiators.

Meanwhile, our findings contribute to the literature on international business negotiation in several ways. *First*, as China has become an increasingly important factor for world economy and growth, it has attracted many foreign companies to collaborate

with them. Some of the recent Chinese researchers such as Ke (2011), Tu (2012) and Jiang (2013) indicated conducting business in China is very challenging and this proves that the findings on the comparison between Chinese and other foreign countries on international business negotiation which were conducted by western researchers such as Lewicki et al. (2010), Kumar and Worm (2003). Therefore the practical reason to conduct a research on cross-cultural business negotiation is because of more and more business expansion to other foreign countries following China's Belt and Road Plans. Having the information on how to handle cross-cultural business disputes such as understanding own biases, strengths and weaknesses of the other negotiator as an individual and cultural context help to prepare for the negotiation (Lewicki et al., 2010). Hence, international business negotiation process is more complex as it varies from culture to culture which influences the effectiveness of communication (Ke, 2011).

Second, our findings provide important implications from the effects of interdependent self-construal on interaction goals. Negotiation scholars, Lewicki et al. (2010) noted that both parties must need each other in order to achieve their preferred objectives or outcomes, which is one of the key characteristics of a negotiation situation. Therefore, if there is no interdependency between the parties, there is no reason to negotiate to reach the agreement (Carrell & Heavrin, 2008). In repeat transactions between two parties such as manufacturer and its suppliers which seems to have deeper relationship as they have more transactions in the future compared to one-shot business dealing. A business partnership is considered as a long-term relationship of equal standing as both parties have a common identity, goals, risks and rewards (Carrell & Heavrin, 2008). (Carrell & Heavrin, 2008) suggested that integrative negotiation should be achieved as both parties reach mutual goals in terms of closing deals and relationship goals.

Thirdly, the relationship between interaction goals with negotiation outcome has been highlighted (Liu & Wilson, 2011) but there is little attention that has been directed towards the negotiation outcome between two business negotiators from collectivistic countries. Research has shown that a step onward is needed to provide explanation and identification of emotions on the interaction goals which indicates that how negotiators' trust and distrust affect an individual's positive and negative perceptions on willingness to cooperate (Liu & Wilson, 2011). In this research, the interdependent self-construal and interaction goals provide evidence supporting the hypothesized relationship at the individual level and group level that is that interdependent self-construal has effect on the relations between cultural norms and interaction goals. However, only there is positive interdependent self-construal mediates the link between cultural norms and interaction goals. Therefore, based on these studies, China-Malaysia business negotiators' interdependent self-construal mediates the relationship between cultural norms and interaction goals. Our findings also support the proposition by communication scholars that interdependent self-construal does affect the interaction goals by starting to build relationship between both parties (Agrawal & Maheswaran, 2005) which is important in managing, negotiating and communicating across cultures in order to achieve the corporations' goals in global business (Okoro, 2012). Our investigation shows that in a Chinese and Malaysian business negotiation, the relations between cultural norms that is measured through GLOBE model and interaction goals are influenced by interdependent self-construal between both parties.

Conclusion

Perhaps the most weakness of the study is the focus of specific nationalities. Current investigation limits themselves to only Malaysian and Chinese business negotiators. Therefore, we do not understand how cultural norms and interdependent self-construal influence other nationalities in international business negotiation. It is suggested for future studies to conduct research on different nationalities. Furthermore, the present research was limited to the focus of cultural norms. We do not know other factors such as personalities, religion and education will affect the interaction goals in international business negotiation. As mentioned earlier, current description of Malaysian and Chinese respondents justify the mediation role of interdependent self-construal on cultural norms-interaction goals. Therefore, a comparison study between other collectivistic countries on the current mediation model should be considered.

Finally, in order to containing providing knowledge useful for managers and business leaders, researchers should continue their efforts to identify specific communication styles and strategies within business negotiators relationship that mediate the influence cultural norms have on interaction goals (negotiation outcome). The use of participant observation methods can be used to observe how people respond during business meetings. In addition, interview method is useful to get story behind a business negotiator's working experiences.

Acknowledgements

I would like to thank all respondents (Chinese and Malaysian business negotiators involved in China-Malaysia business), as well as other parties directly, and indirectly involved in this research.

References

- Agrawal, N., & Maheswaran, D. (2005). The effects of self-contrual and commitment on persuasion. *Journal of Consumer Research*, 31, 841–849.
- Bertsch, A. (2012). Validating GLOBE's societal values scales: A test in the U.S.A. *International Journal of Business and Social Science*, 3(8), 10–23.
- Brewer, P., & Venaik, S. (2011). Individualism-collectivism Hofstede and GLOBE. *Journal of International Business Studies*, 42(33), 436–445.
- Bulow, A., & Kumar, R. (2011). Culture and Negotiation. *International Negotiation*, 16(3), 349–359.
- Carrell, M., & Heavrin, C. (2008). *Negotiating essentials: theory, skills, and practices*. Upper Saddle River, NJ: Pearson/Prentice Hall.
- Hendon, D., Hendon, R., & Herbig, P. (1998). *Cross-cultural business negotiation*. America: Greenwood Publishing Group, Inc.
- House, J. M. et al. (2002). Leadership and cultures around the world: Findings from GLOBE: An introduction to the special issue. *Journal of World Business*, 37, 1– 2.
- Hurn, B. (2007). The influence of culture on International business negotiations. *Industrial and Commercial Training*, 39(7), 354 – 360.
- Jiang, J. (2013). Business negotiation culture in China: A game theoretic approach. *International Business Research*, 6, 109–116.
- Ke, G. (2011). Cultural difference effects on busines holding up Sino-US. Business negotiation as a model. *Cross-Cultural Communication*, 7(2), 101–104.
- Kumar, R., & Worm, V. (2003). Social capital and the dynamics of business negotiations between the northern Europeans and the Chinese. *International Marketing Review*,

- 20, 262–285.
- Lewicki, R., Barry, B., & Saunders, D. (2010). *Negotiation* (6th ed.). New York: McGraw-Hill Irwin.
- Liu, M., & Wilson, S. R. (2011). The effects of interaction goals on negotiation tactics and outcomes: A dyad-level analysis across two cultures. *Communication Research*, 38, 248–277.
- Markus, H. R., & Kitayama, S. (2010). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review*, 224–253.
- Oetzel, J., Ting-Toomey, S., Masumoto, T., Yokochi, Y., Pan, X., Takai, J., & Wilcox, R. (2001). Face and facework in conflict: A cross-cultural comparison of China, Germany, Japan, and the United States. *Communication Monographs*, 68(3), 235–258.
- Okoro, E. (2012). Cross-Cultural Etiquette and Communication in Global Business: Toward a Strategic Framework for Managing Corporate Expansion. *International Journal of Business and Management*, 7(16), 129–158.
- Sankar, A. N. (2010). Navigating the rough seas of global business negotiation: Reflection on cross-cultural issues and some corporate experiences. *International Journal of Business Insights and Transformation*, 3(2), 3–24.
- Shi, X., & Wang, J. (2011). Cultural distance between China and US Across GLOBE Model and Hofstede Model. *International Business and Management*, 2(1), 11–17.
- Tjosvold, D., Johnson, W., & Johnson, R. (1984). Influence strategy, perspective taking, and relationships between high and low power individuals in cooperative and competitive contexts. *JRL*, 116, 187–202.
- Tu, Y. T. (2012). A comparison on business negotiation styles with education. *Information Management and Business Review*, 4(6), 317–331.
- Wilson, S., & Putnam, L. L. (1990). Interaction Goals in Negotiation. In J. Anderson (Ed.), *Communication Yearbook 13* (pp. 374–406). Newbury Park, CA: SAGE Publications.
- Zhao, J. (2000). The Chinese approach to international business negotiation. *The Journal of Business Communication*, 37(3), 209–237.