

# HOW OVERSEAS CHINESE IN ASIA NEGOTIATE AN INTERNATIONAL BUSINESS PERSPECTIVE

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**I**MMIGRANTS are important factors in the economies of many different nations throughout the world. This is true whether they emigrated from a mother country or whether they were born in the host country. Some of the most visible immigrant groups are Indians, Chinese, Arabs, and Jews. Overseas Chinese are important to the economies of many Southeast Asian nations. In some countries, such as Singapore, Taiwan, and the Hong Kong SAR of the PRC (with a very large immigration from mainland China before reunification), they form a majority of the population. Foreign business executives will, more than likely, negotiate with Chinese in these three places. Chinese in these places are not homogeneous. They behave quite differently in the way they buy and sell. This paper examines these differences and suggests appropriate strategies for the international business executives who will be dealing with overseas Chinese there.

## Introduction

People of Indian, Chinese, Arab, and Jewish descent are important factors in the economies of many different nations (other than their homelands) throughout the world. This is true whether they emigrated from a mother country or whether they were born in the host nation. For example, Indians are very visible in the economies of Kenya and Fiji; Jewish people in South Africa; and Chinese in Indonesia and Malaysia. In those nations, these people are members of a small minority, yet they exercise a power far greater than one would expect by simply looking at their numbers.

Overseas Chinese are important to the economies of many Southeast Asian nations. In some, such as the Hong Kong SAR (Special Administrative Region) of China, Singapore, and Taiwan, they are a majority of the population. The economies of these three islands have grown dramatically in the past few years, and executives throughout the world have become keen to enter into deals with business executives there. When they do, they will find themselves, more than likely, negotiating with Chinese. It would be a mistake to think the Chinese living and working on these three islands are alike in the way they buy and sell. On the contrary, they are quite different.

## Methodology

The author has given (and still actively gives) a seminar, *How You Can Negotiate and Win*, to thousands of business executives on six continents, and the most important thing he has learned is that there are *very large* differences among people of different nations and among different ethnic groups in how they buy and sell, how they try to get raises and promotions, and even in how they negotiate for sexual favors. There are also large differences between men and women. Even so, *these differences are predictable*. Participants in this seminar master 186 tactics – extra-aggressive, assertive, defensive, accommodating (they win, you lose because your concessions are too one-sided), and cooperative (both sides gain equally from mutual concessions). Toward the end of each seminar, the author gives the participants 10 different negotiating situations, both business and personal, and then ask them in an exercise to reveal their favorite negotiating tactics which they prefer to use in each situation. This paper shares with you some seminar-generated insights on how Chinese business executives in Hong Kong, Taiwan, and Singapore buy and sell. Hendon (2000) presents details on the methodology on this rather unique method of gathering survey research data.

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## Hong Kong

Hong Kong is supposed to be full of aggressive, win-at-all-cost business executives – at least many people have that stereotype, of this former British colony. However, it does not fit the stereotype. Compared to people in other nations, such as Singapore, Taiwan, the U.S., Canada, the U.K., Australia, New Zealand, South Africa, Brazil, India, Indonesia, Malaysia, and the Philippines, the Chinese in Hong Kong are very defensive when selling and equally defensive and assertive when buying. When they are selling, they like to use these four defensive tactics: (1) *Remind the buyers of their competitors*. (2) *Funny money*. (3) *The power of powerlessness*. (4) *The well is dry*. *Funny money* is concentrating on percentages (funny) instead of absolute figures (real); or on costs per unit (funny), not total costs (real). Buyers using this tactic try to divert the seller's attention away from the total (real). The *power of powerlessness* is used when the buyer's position is weak. Here, buyers show sellers how much sellers have to lose by taking too much advantage of buyers. Here is an example: "If I go bankrupt, you will not get anything more from me." Buyers use *the well is dry* when they take a stand and tell the seller they have no more concessions to make, usually because of financial reasons or because of corporate policy or ethics. Of course, *reminding buyers of their competition* is telling buyers that the seller has offers from buyers' competitors, even if that is not true.

When Chinese executives in Hong Kong are buying, on the other hand, they like to use two defensive tactics: (1) *Funny money again*. (2) *Get a prestigious ally*. Plus these three assertive tactics: (3) *Big pot*. (4) *Keep the pressure on*. (5) *Let us look at the record*. *Getting a prestigious ally* means enlisting the aid of other parties on your behalf, either inside or outside the two companies. The other parties can be people or projects, as long as they are prestigious. The buyer tries to get the seller to accept less because the person or project they will be involved with is considered prestigious. The *big pot* occurs when the buyer makes high demands at the beginning in order to leave a lot of room to negotiate later. After making concessions, buyers still end up with a larger payoff than if they started too low. When buyers use *keep the pressure on*, they develop momentum by taking the initiative right from the start, forcing issues, and moving firmly towards the objectives. *Let us look at the record* is the use of facts and figures as testimonials from buyer's viewpoint. The evidence is presented so that sellers can see how they can benefit from its implications.

## Taiwan

While Hong Kong is defensive when it sells, Taiwan is very assertive, even more so than Singapore. It especially likes to use six assertive tactics. They are listed in descending order of importance: (1) *Take it or leave it*. (2) *Big pot*. (3) *Nibbling away*. (4) *You have to do better than that*. (5) *Keep the pressure on*. (6) *We are the greatest*. Taiwan's five favorite assertive tactics, again in order of descending importance, are: (1) *We are the greatest*. (2) *Big pot*. (3) *Keep the pressure on*. (4) *Let us look at the record*. (5) *Deadlines*. *Take it or leave it* means making a final offer as a last resort, when all else seems to have failed. When sellers *nibble* away, they exact seemingly minor concessions, but by bit, so slowly that the buyer does not notice what is going on. *You have to do better than that* is an honest approach. Here, the seller asks the buyer directly to improve the offer, giving reasons why a better offer is required. People who use *we are the greatest* cite their past accomplishments to impress the other side in order to get them to lower their expectations. The author advises seminar participants to use a *deadline* if they can benefit from it more than the other side can. Here, a lot depends on how each party values his or her time. Those to whom time is valuable are more susceptible to deadline pressures.

## Singapore

Singapore is somewhat difficult to pinpoint. Both its sellers and buyers are assertive, but also somewhat defensive. Its sellers' favorite tactic is a defensive one – *funny money* – as its fifth favorite tactic – *remind buyers of their competition*. Favorite tactics two, three, four, and six are all assertive – *you have got to do better than that*, *keep the pressure on*, *big pot*, and *take it or leave it*. On the buying side, Singapore is slightly more assertive than it is on the selling side. Favorite tactics one, two, three, and five are assertive – *turn the tables on the seller*, *big pot*, *you have to do better than that*, and *we are the greatest*. Favorite tactics four and six are defensive – *remind sellers of their competition*, and *do not give in to unreasonable demands*. An example of *turning the tables on the seller* is saying, "Why are you so interested in selling this to me? Do you not think you will have better luck selling it to one of my competitors?" This tactic is not very logical, but it can be very effective at times, because it puts the seller off-balance. When buyers *do not give in to unreasonable demands*, they take a firm stand by defining their position in reasonable terms. If buyers do not do this, sellers may feel they can manipulate buyers.

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## Personal Situations

Chinese business executives in the three islands do not use the same tactics in personal situations. The same executives in Taiwan who are so assertive in buying and selling rank very high in accommodation and cooperation on a personal level – high in comparison not only to people in Singapore and Hong Kong, but also to people in the U.S., Canada, the U.K., Australia, New Zealand, South Africa, India, Indonesia, Malaysia, and the Philippines. The aggressive-yet-defensive Singaporeans are extremely accommodating in personal situations, but are not as cooperative as Taiwan executives on the personal level. And Hong Kong's Chinese, who are very defensive when selling and equally defensive and assertive when buying, rank quite high among all nations in accommodation. Therefore, as in all nations of the world, one should expect to be treated differently when one socializes with one's business acquaintances than when one deals with them on a business level.

## Similarities

While there are big differences among the three islands, there also are some similarities. Chinese executives in these three locales have favorite tactics in common. For example, the *big pot* is a favorite of buyers in all three places and of sellers in Taiwan and Singapore. *Remind the other side of their competition* is a favorite of sellers in Hong Kong and Singapore, as well as of buyers in Singapore. *Funny money* is also a favorite of sellers in Hong Kong and Singapore, as well as of buyers in Hong Kong. *Keep the pressure on the other side* is often used by sellers and buyers in Taiwan, sellers in Singapore, and buyers in Hong Kong. *You have to do better than that* is often used by buyers and sellers alike in Singapore, as well as by buyers in Taiwan. Buyers in Hong Kong and Taiwan ask sellers to *look at the record*, while buyers in Hong Kong and Singapore proclaim *we are the greatest* to the world. Finally, sellers in Taiwan and Singapore often say *take it or leave it* to buyers.

## Price Concessions

Chinese executives in the three locations also make price concessions differently. For example, Taiwan prefers a generous concession at first, followed by concessions of steadily diminishing size. Singapore prefers a completely different pattern – a low amount to begin with, which is then consistently increased each time. Executives in Hong Kong, paradoxically, like these two diametrically opposite patterns equally as well. Executives on all three islands dislike the total honest (or naïve) approach, in which the bottom line is revealed at the beginning. Here, all concessions are made at the beginning, and no more occur.

## Implications and Conclusion

Sun Tzu, the famous Chinese general who lived 2,500 years ago, wrote *The Art of War*, which, fortunately, was not lost, and which was instead translated into many languages. One of his more well-known sayings is "Know your enemy and know yourself, and you will win all your battles." (Hendon, 1987) U. S. Army General Matthew B. Ridgeway, of Korean War fame, said, "Adequate intelligence constitutes the fundamental basis for the calculation of risks, the formulation of plans, the development of material, the allocation of resources, and the conduct of operations." (Farago, 1976) Ridgeway was echoing writers of military classics, including Sun Tzu, Sextus, Julius Frontinus, and Maurice de Saxe, all of whom stressed the importance of intelligence and wrote manuals for its practice. Napoleon paid as much attention to the psychological make-up of the enemy generals as to the actual deployment and equipment of enemy troops, and had his chief of intelligence obtain much information about the enemy generals' personal lives and habits.

Forewarned is forearmed. One can predict with a high degree of certainty which negotiating tactics buyers and sellers in these three locations will use. Readers of this article should be prepared with countermeasures to overcome these tactics. An important part of the author's *How You Can Negotiate and Win* seminar is preparing countermeasures to tactics often used against the participants. Many of these countermeasures are found in Hendon and Hendon (1990). Business negotiations are complicated enough when one deals with people in one's own country. However, when one deals with people in other nations, things get much more complicated. The insights presented in this paper should help international executives when they do business with people in these three islands. Information about favorite tactics used by many other nations are found in Hendon and Hendon (1990). People are somewhat predictable. But to take advantage of this predictability, one has to remember a lot of details, such as those contained in this paper.

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