Impact of Culture on Business Negotiation: A Study of Chinese Firms in Nigeria

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Abstract: In today's global business environment, cross-cultural negotiation has become a popular area of study. Therefore, understanding cultural dimensions of foreign business executives is one of the most important aspects of being successful in any international business attempt. This study investigates how culture influences negotiation styles used by Chinese firms in Nigeria. Primary data was collected by means of a well-structured questionnaire and the data collected were collated and analyzed using the Statistical Product and Service Solution (SPSS). The study had a sample size of 126 respondents from a targeted population comprising of Chinese business executives of which, only 120 respondents returned the questionnaires dispatched. Correlation analysis was done using Pearson correlation coefficient, while one way analysis of variance (ANOVA) and multiple regression analysis were employed to investigate the variations observed. Based on Hofstede's cultural dimension index, results showed that the culture profile of the Chinese respondents exhibited high power distance (PDI-74), low uncertainty avoidance (UAI-39), masculinity (MAS-60), and collectivism (IDV-32). The results also proved that, power distance and uncertainty avoidance influenced choice of negotiation style, while masculinity and collectivism did not affect negotiation style. The findings of this study suggests the need to build guanxi with Chinese negotiators, as a tool for building trust and recommended that Nigerian companies looking to attain success in working with Chinese firms should ensure management and employees have a sound knowledge of their counterpart's cultural background, if they want to avoid conflicts and misunderstanding of each other at the negotiating table. The findings of this study will help both Chinese and Nigerian business executives to achieve successful negotiations.
Keywords: culture, culture dimensions, negotiation, negotiation style.

I.   INTRODUCTION

The global economy rests on bedrock of negotiation, with global deal-making hitting an all-time peak of $4.2 trillion in 2013 (Peleckis, 2013). Today, the frequency of business deals and business negotiations between Nigerian and Chinese managers is higher than any time ever before, due to increasing bilateral relations between the two economies. However, the nature of negotiations in international business is often dynamic and unique, requiring acquisition of necessary skills for effective negotiation and unlike the intercultural context, business negotiations in cross-cultural contexts are more complex and challenging, and requires adequate understanding of the influence of cultural differences. Various misunderstandings in negotiations may occur among the same culture of the negotiating parties, in the case of negotiation between different cultures it is necessary to know the basic elements of the incompatibility of the negotiating parties.

Until today, adequate studies have been conducted to understand business negotiation styles. However, there is a study gap of adequate understanding the cultural influence on negotiation styles of Chinese business executives in Nigeria. Therefore, the purpose of this study is to investigate whether or not negotiation styles used by Chinese firms in Nigeria, differs as a consequence of cultural differences. Explaining how the elements of national culture of China can shape the behavior of negotiation in an international setting such as Nigeria. This study would fill up this gap of adequate knowledge of difference in negotiation style, and subsequently contribute in more successful international business (Hofstede, 211).

II.   STATEMENT OF THE PROBLEM

Culture plays a decisive role in international business negotiations. It is often compared to an iceberg as all hidden elements, if not taken into account, may lead to business failure. The absence of cultural awareness can slow down or stop communication between groups of negotiators from different cultures and could result in

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failing to reach agreements. Thus, the outcome of any intercultural business negotiation significantly relies on the ability to handle the cultural dimension, adapt to a different culture and observe local customs, behaviors, cultural norms and traditions (Adriana, 2013).

A negotiation in international settings is successful when negotiators have the ability to adequately communicate their messages in different cultural settings (Schoop, Kohne and Ostertag, 2010). They must also understand the cultural differences that exist between them and their counterparts. Yet, due to a lack of understanding of the cultures involved in negotiations and the inability to effectively communicate to individuals from different cultural backgrounds, international negotiators still fail. Imitating, concluding, even maintaining negotiations is a bit challenging (Crump, 2011). Various misunderstandings in negotiations may occur among the same culture of the negotiating parties also; in the case of negotiation between different cultures it is necessary to know the basic elements of the incompatibility of the negotiating parties.

In preparing managers for multinational assignments, their training should include cultural sensitivity, understanding the importance of maintaining business relationships, and impression management. They should be informed about the complexities in international culture and human resources management. Therefore, understanding the different business cultures that exist today since businesses in every country have different business cultures and work differently is becoming more important. If a firm is unaware of certain business cultures, this could have a negative impact on their business when meeting or negotiating with the company. Meetings and negotiations may be handled entirely differently; therefore, if a firm is unaware of this, the outcome of the business meeting could be significantly affected (Wang, Wang, and Ma, 2016). This is a growing issue and is one that must be further researched in order to identify what differences exist today to help better prepare firms when conducting business with international clients.

Studies have compared cultures in countries such as the United States and Germany and also in regions such as Asia (Naor et al., 2010; Power et al., 2010), but have not developed or tested theory with regard to how cultural differences impact negotiation especially between Nigeria and Chinese business communities.

III. OBJECTIVES OF THE STUDY

This study investigates whether or not negotiation styles used by Chinese firms in Nigeria, differs as a consequence of cultural differences. The following objectives are used in the course of this research.
 i. To determine the impact of power distance on negotiation styles used by Chinese firms in Nigeria.
 ii. To evaluate the influence of collectivism on negotiation styles used by Chinese firms in Nigeria.
iii. To evaluate the influence of masculinity on negotiation styles used by Chinese firms in Nigeria.
iv. To evaluate the influence of uncertainty avoidance on negotiation styles used by Chinese firms in Nigeria.

IV. RESEARCH HYPOTHESES

In order to make valid conclusions about the specific objectives of the study, the following hypotheses were stated:

Ho_1: There is no significant relationship between power distance and negotiation styles used by Chinese firms in Nigeria

Ho_2: There is no significant relationship between collectivism and negotiation styles used by Chinese firms in Nigeria

Ho_3: There is no significant relationship between masculinity and negotiation styles used by Chinese firms in Nigeria

Ho_4: There is no significant relationship between uncertainty avoidance and negotiation styles used by Chinese firms in Nigeria

V. LITERATURE REVIEW

Numerous studies, concepts and dimensions measuring national culture which are relevant to the current study exist, however empirical studies support the use of Hofstede's framework of national culture as the best framework for studying the impact of national cultural on negotiation (Liu et al., 2012). Other cultural dimensions were analyzed that have significant importance to cross cultural negotiations including Edward Hall's cultural context of communication and the, ten negotiation elements identified by Professor J.Salacuse that can be influenced by cultural aspects.

A research model was developed that illustrates the possible relationships between the cultural dimensions as described by Hofstede's original work and negotiation style. Hofstede's dimensions are namely: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity.

• Power Distance: This refers to the degree to which the less powerful members of an organization within a country or society accept and agree that power is distributed unequally (Hofstede, 2010).

• Uncertainty avoidance: It refers to the level at which people feel threatened by uncertainty in a situation and try to avoid these situations (Hofstede, 2010).

- Individualism versus collectivism: This is related to open flexible relationships where people with a dominant personal orientation (individualist) worry about themselves and where people think of themselves and others as a group (collectivist).
- Masculinity versus femininity: A situation in which the dominant values of society are success, money, and things (Masculinity); and a situation in which the dominant values of a society are caring for others and quality of life (Femininity).

This study highlights several relationships between culture and negotiation when addressing issues related to cultural differences and negotiating behavior in cross-cultural studies. In addition, most of the previous literature on the relationship between national culture and negotiation was done at the general level, however a lack of adequate information on the changes in negotiation styles of Chinese employees in the Nigerian context was established. Peleckis (2013) posited that current scientific literature do not sufficiently investigate the effects of cross-cultural negotiating and the impact of cultural contexts on the negotiation process.The goal of this study is to fill in this gap by providing an in-depth analysis of the aspects of cultural dimensions and the choice of negotiation styles of Chinese negotiators in Nigeria.

VI.   METHODOLOGY

A descriptive survey research design was adopted as the research design for this study requiring the use of questionnaires to obtain data from target respondents. The population for this research was the management of eight selected Chinese business organizations who have business operations between in Nigeria with a total population size of 184. Non-probability sampling techniques were employed and using Taro Yamane's formula, a sample size of 126 respondents was determined.The instrument that is used in this study was a questionnaire which was constructed by the researcher, comprising of close ended and scaled questions, all used in a well-structured form. The questionnaire was adopted and modified based on the study of Hofstede (2010), Miller (2014) and Shen et al. (2018). The data as obtained from questionnaires administered was analyzed manually and also with the SPSS computer software. In this study, correlation analysis was done by use of Pearson correlation coefficient in order to establish the kind of relationship existing between the independent variables and the dependent variable while ANOVA and multiple regression analysis was done in order to investigate whether the variation in the independent variables explains the observed variance in the outcome.

A general response rate of 95.8% representing 120 respondents was recorded.

VII.   RESULTS

Demographic Information

The results show concerning age distribution (Figure 2), that respondents within the age bracket of 26-35 were the largest category, representing 38.3% of the total sample size. While the age bracket of 40 and above constituted the lowest category (11.7%).
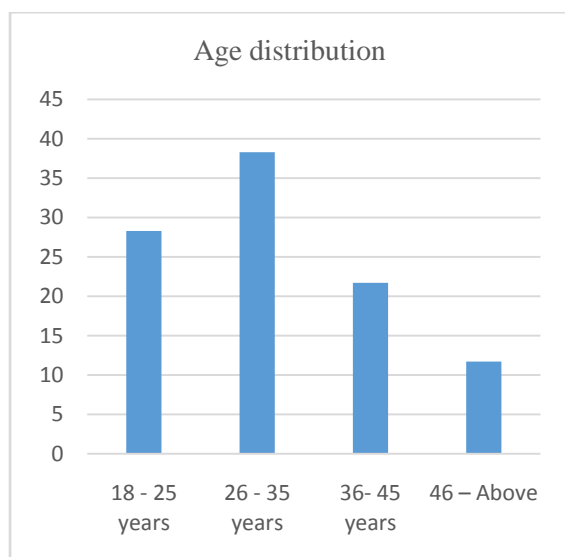

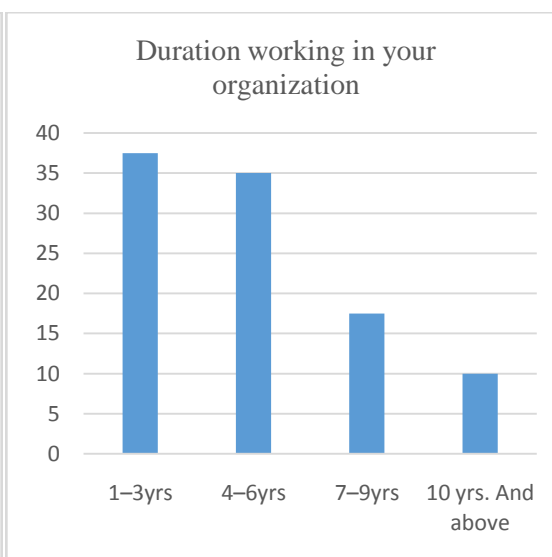**Figure 2: Age distribution of respondents**   **Figure 3: Duration working in your organization**

As shown in Figure 3 above, the numbers of years respondents have spent in their respective organizations are indicated. It shows that that majority of the respondents are those who have spent 1-3 years serving their organization.

National culture profile
Following the analysis of the responses and based on Hofstede index formulas, the cultural profile of respondents were determined, as shown in Figure 4.
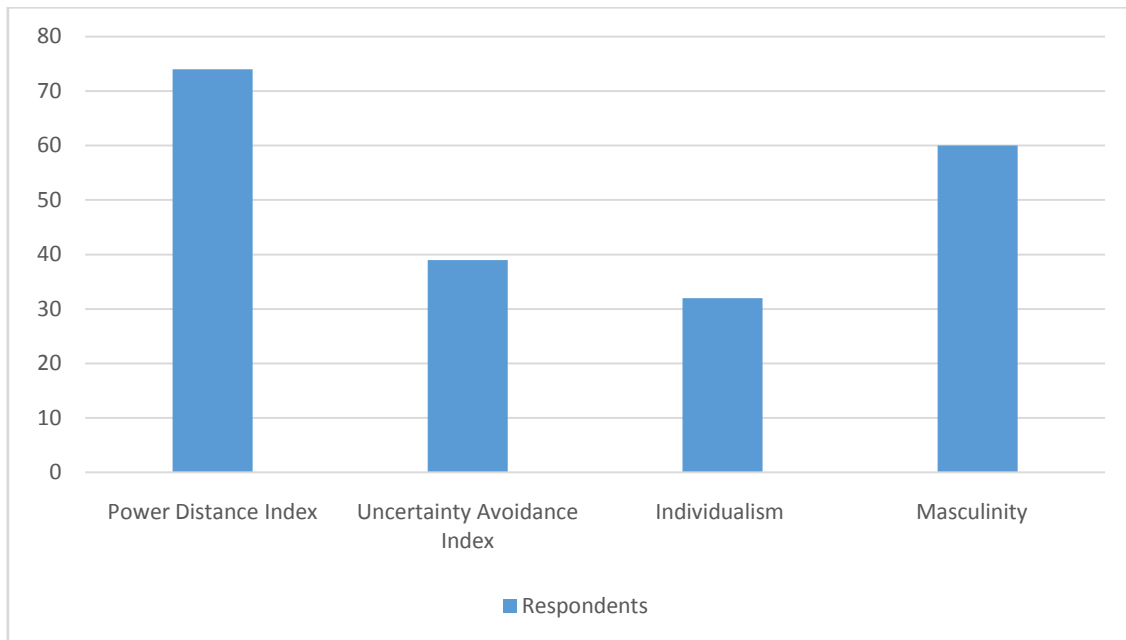

Figure 4: National Cultural Profile (cultural dimensions) of Respondents

From the figure above, power distance index of the respondents for this study was calculated as 74, indicating a high power distance. Uncertainty avoidance index was calculated as 39, indicating low uncertainty avoidance. Masculinity index was determined as 60, describing a masculine culture, while individualism index was calculated as 32, indicating that respondents were collective in behavior.

Choice of Negotiation style
As can be seen from Figure 5, 120 participants revealed their preference of negotiation style and strategy. The most commonly chosen negotiation style is the mixed style of Collaboration and Compromise, which accounts for 51% of the participants. The least chosen style was the single style of compromise which accounted for 2.5%.
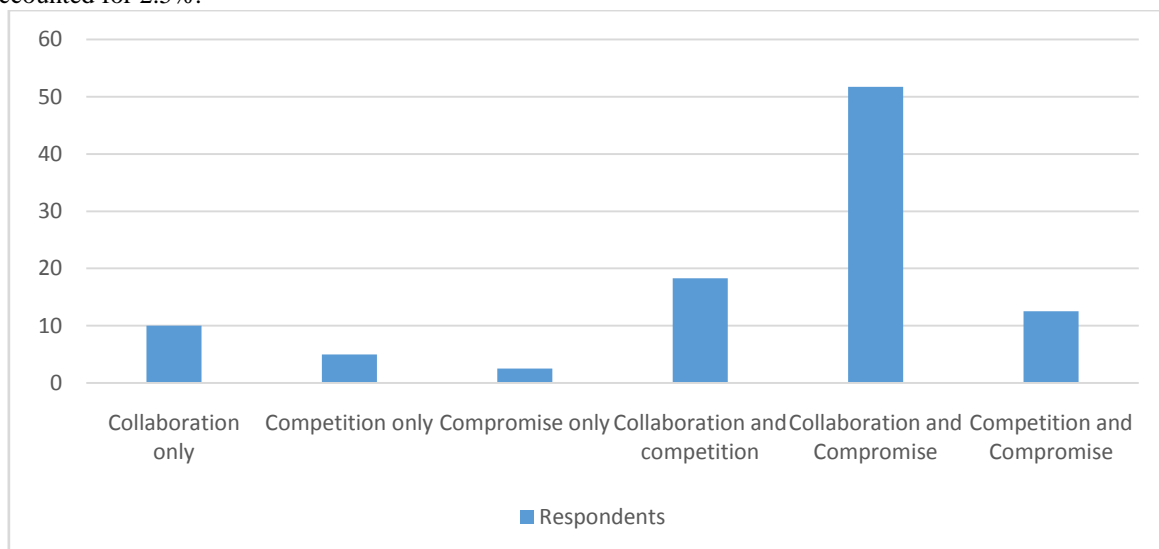

Figure 5: Choice of Negotiation style by respondents

Testing hypotheses

Hypotheses was tested to get an understanding of relationship between cultural variable and negotiation. Regression was used to measure all of the hypotheses of the study, and analysis of variance (ANOVA) was used to attest the significance of the results. If the significant value was less than 0.05, and the Durbin Watson value was close to "2", the alternative hypothesis was accepted with the null hypothesis rejected. But, if the significant level was greater than 0.05 for the confidence level, the alternative hypothesis was rejected while the null hypothesis was accepted. Table 1 shows a summary of the regression analysis carried out to test the hypotheses.

Table 1: Summary of Regression Analysis for Hypotheses testing

Category	R	R^2	Durbin-Watson	Sig.
Power Distance and Negotiation Style	.726	.527	1.645	.000
Collectivism and Negotiation Style	.049	.002	1.825	.598
Masculinity and Negotiation Style	.135	.018	1.841	.140
Uncertainty avoidance and Negotiation Style	.578	.335	1.501	.000

In the power distance category, analysis shows that power distance has strong correlation (0.726) with negotiation styles with a significance of ".000". This implies that we reject thefirst null hypothesis (H_o1), implying a significant relationship between power distance and negotiation styles used by Chinese firms in Nigeria. In the collectivism category, a correlation of 0.49 and significance of 0.58 was determined, leading to the acceptance of the second null hypothesis (H_o2). Similarly, masculinity showed a mild correlation with negotiation style (correlation of 0.135), however with a significance of 0.140. Therefore, the third null hypothesis (H_o3) was accepted. On the other hand, a strong relationship (correlation of 0.578) between Uncertainty avoidance and negotiation style was established with a significance of "0.00", hence we reject the fourth null hypothesis (H_o4).

VIII. CONCLUSION

The goal of this study was to explain and discuss how cultural elements impacts negotiation style. To provide a better image, Chinese employees of selected firms operational in Nigeria were chosen to show the differences in their national cultures alongside their negotiating styles. However, this study does not claim that the culture is a single influential factor. It is only one of many other factors that have an effect on a negotiating behavior.

Although, one will not be mistaken to say that cultural identity of any country has an influence on negotiation approach and style.

IX. RECOMMENDATIONS

The findings of this research report have some important practical or managerial implications for Nigerian negotiators especially in the business setting. For example, when negotiating with Chinese negotiators, Nigerian negotiators still need to build guanxi. Guanxi still plays an important role when negotiating with these Chinese negotiators. This is crucial for Nigerians to understand that the purpose of building guanxi is to form a mutual relationship, mutual trust, and a more cooperative negotiation environment that emphasizes harmony. This could overcome the low uncertainty avoidance established among Chinese executives in this study.

Furthermore, Nigerians should not treat Chinese negotiators representing a multinational firm as they would Nigerian negotiators in a negotiation, simply because they have been exposed to Nigerian culture and beliefs, and their negotiation approaches are influenced. As found in this research, traditional Chinese culture still influences Chinese negotiators, and some of their core culture values and ways of thinking have hardly changed.

As business activities increase between China and Nigeria, strategiescreating a greater amount of cultural exchange and opportunities for bothcountries should be encouraged. Many cultural programs such as organizing cultural seminars. The cultural diversity is very important in international business and with proper insight of counterparts' cultural background; conflicts and misunderstanding can be effectively minimized at the negotiating table.

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