

The Influence of Renqing and Mientze Factors in the Results of Business Negotiations: The Study in Comparison of International and Domestic Companies in China

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ABSTRACT

Economy development in China was incredible fast last decade. Numerous business negotiations undergo everyday, related research is getting more and more attention with increased practices. Mainland China is one of the most important trade and business partners to Taiwan, so Taiwanese may need to know more about the influencing factors toward business negotiations in Mainland. Reviewing previous literature, Chinese people, comparing to western business environment, specifically empathize on several factors like “Renqing” (mutually beneficial; reciprocal), “Mianzi” (face/ status respect), “Guangxi” (close relations) and so on.

Through literature review, this research compared the influence effect/ degree of Renqing factor and Mianzi factor toward business negotiation between mainland China-origin multinational companies (MNCs) and mainland China local companies.

Keywords: *Business negotiations, Chineses enterprises, Renqing, Mianzi*

INTRODUCTION

Over the last decade, the dramatic booming of globalization has been developed over the economic activities of countries. Business development and international trading with China has been more frequently. Scholars from diverse fields have studied the different phenomenon of China which has been the hottest research subject following Japan. Among all, business negotiation has been carried out every single day. Therefore, its related studies have also caught attentiveness along with the increasing practical execution. The purpose of this study is through literature review to compare the extent of influence of Renqing and Mientze factors in the results of business negotiations.

LITERATURE REVIEW

The Definition of Business Negotiation

Business negotiation is the behavior among parties to realize some economical purpose, identify mutual rights and obligations. To seriously study the characteristics and principles of business negotiation is the guarantee of success. Business negotiation is the collective of policy-driven, technical and artistic economic activity, including not only a series of characteristics of economic activity but also the characteristics of general negotiations (Lewicki, R.J. and Hiam A., 2006). Business negotiation is one of the economic negotiations, referring the negotiation of mutual business concern for economic benefits among different interest groups, generally including: commodity purchase, construction contracting. Technology transfer, and financing negotiation have its individual characteristics since it involves the economical affairs regarding individual or group (Lewicki, R.J. and Hiam A., 2006).

The Factors Influencing the Process of Business Negotiations

There are many factors which can influence the process and result of business negotiations that many scholars have studied in this topic recently (Bazerman and Neale, 1992; Neale and Northcraft, 1991; Pruitt and Carnevale, 1993). The major influencing factors can be analyzed through rational and non-rational aspect. In rational aspect, the process

and result of business negotiations can be influenced by: individual and group (Herbig and Kramer, 1991), the numbers of argued issues (Yukl · 1974 ; Pruitt and Lewis, 1975), the pressure of timing (Carnevale and Lawler, 1986), the availability of resources, the solution strategy of conflict (Murray, 2004) and the extent of dynamic in context. Conventionally, researches focuses on rational aspect and argue on rational and economical facets, however, non-rational factors also play certain weight to the influence of business negotiation.

During the business negotiation, the negotiator's cognitive motivation, frame and emotion all associate with the finalized results. Cognitive motivation refers the factor which can inspire one to move continually toward the goal set by oneself, which is also the individual differentiated variable of the conflict-initiator and key of assisting in individual solution and tradeoff of related information (Pintrich and Schunk, 1996).

The Important Cultural Factors Influencing Chinese's Business Negotiations

Isral (1973) pointed out that in Oriental market merchandisers are those who and customers listen to market call mutually in terms of so-called "market sence" (Israel, 1973) and "those who sharply catch the market opportunities". The fundamental image of Chinese entrepreneurs is those who instinctively manage information or manage information through independent personal network. The Chinese entrepreneurs are usually described as those who manipulate different relationships and create new strategies. For example, those small and medium entrepreneurs active in developing U.S.A. in the economic development of Japan, Taiwan and Hong Kong post World War II. The relationship builders are the key persons of industries in terms of those entrepreneurs created by the initiation of business opportunities. The Chinese network enters the arena of history through this kind of unique characteristics.

The Chinese traditional mores, Confucianism and culture have play a key role in the development of Chinese character. Although Western culture has interacted and fused into Chinese, some oriental philosophies are still quite different from Western ones. Western philosophy originates from rationale, which emphasizes that all behaviors of human being should be the results of rational thought and choice. It regards the human being is the animal of ration so that the behavior model should not be attributed to individual uniqueness. Otherwise, Confucianism emphasizes the individualization, highlights the power of self-practice, not to deny the power of ration but stress more on inter-person, individual and the society and individual and the nature multiple relationships. Therefore, the society and individual character under the civilization of Confucianism focus on the interest of collective culture instead of rational development. In this paragraph, we review past related literature through pointing out some significant kinds of characteristics different from Western culture, ranging from large-scale in business negotiation and interest conflict to daily interpersonal interaction. It is found in past studies that these kinds of characteristics dominates the patterns of Chinese interpersonal interactions and turns out to be the unique guidelines for communication and business negotiations.

I. Gaunxi

"Gaunxi" is the unique phenomenon in Chinese domestic society, which can not be found any word to exactly interpret this word (Xin and Pearce · 1996; Yeung and Tung, 1996). In general English sociological literature, "Gaunxi" can be used to translating as *personal relationship* (Xin and Perace, 1996), *networks of personal connections* (Yan, 1996)...etc. Although all that kind of translations partially interprets some meaning, yet they still can not thoroughly disclose the concept of complex and profound Chinese personal relationship. Yeung and Tung (1996) indicated "Gaunxi" is the generalized display of social network, though usually translated as "relationship" and "connection", yet the actual meaning of "Gaunxi" include "gate/pass" and "to connect". In terms, "Gaunxi" is the connection between two independent individual to promote the individual or social trading or interaction and both parties must maintain this kind of "Gaunxi" under the drive of benefit.

One of the Chinese traditions is to emphasize the establishment of relationship and network. As previously-mentioned, one's relationship with others can be hierarchical in Confucianism, different from Western society. In Western, relationship is the emotional connection of inter-person, equal and fair among each party, without hierarchy. In other words, the Western relationship is the universal and everyone is treated equally. The Confucianism and Chinese tradition have educated us that one cannot live independently so that one has to rely on the

multi-relationship in collective society to define one's roles and behaviors. Under general circumstances, one interacts with others through the extent of intimacy and hierarchy in relationship. However, the interaction of resource-allocator and petitioner subtly changes when benefit is involved. Hwang, K. K.(1988) "Renqing-Mientze Model" indicated resource-allocator with resources will develop three kind of Guangxi with their petitioners: emotion based "intimate Guangxi", interpersonal relationships are intimate family, friends and many in-groups, so the allocation of resources mainly based on the mutual needs; equality based "instrumental Guangxi", contrast to emotional relationship, this Guangxi is temporary and unstable, and mutual benefit exchange is proceeded only under the principle of equality, therefore, conflict uneasily occurs as well as no long close Guangxi can be developed after the trade completion; the most changeful is "mixed Guangxi", its emotion is not more than intimate Guangxi while it has to consider the familiarity of both parties when benefit exchanges and turns out changeful interaction patterns. Hwang, K. K. thought the first two kinds of Guangxi were easily dealt that the criterion of resource allocation can be decided based on the extent of intimacy among group when conflict occurs. However, in mix Guangxi, its extent of emotion is not as intimate as family, therefore, the management of Guangxi turns out the involvement of special "Guangxi".

Hwang, K. K. (1988) thought that Chinese Guangxi-ism originated from complex relationship hierarchy. Although Chinese value the Guangxi, yet the establishment of Guangxi is usually composed of individual pursue for different kinds of resources and powers in individual desire-driven scenarios (Hwang, 1987; Hwang, 2000). In collectivism, the goal of an individual to enter a group is to obtain the collective identification and resource. Therefore, in order to get into the core positions in a collective society, "Guangxi manipulation" cannot help but only appear. No matter giving presents or relationship referring "Guangxi manipulation" is nothing more than having the interpersonal network closer and making oneself to be others' "one-of-us" to get the most resources.

II. Renqing

Most discussions of studies in Guanxi concluded that "Guanxi manipulation" is the principle of mixed Guanxi moving toward definite close Guanxi. However, (Hwang, 1997) also found if the Guanxi hierarchy did not change after "Guanxi manipulation" in allocating resource, then the Guanxi would have problem. The resource allocation in instrumental Guangxi is based on principle of equality, so its Guanxi is universality and impersonality. In terms, its allocation of resource is completely decided by resource-allocator. Reverse, intimate Guanxi value the importance of relationship between individual and the group, therefore, its allocation of resource is based on the principal of need, which means the resource-allocator allocate the resources to the one who needs it. However, the mixed Guanxi is the overlap of the two kinds of Guanxi, trapped in both non-close and familiar colleagues and partner relationship. Based on the principle of intimate Guanxi to allocate resources will worsen self-benefit behaviors while based on that of equality will ruin the relationship. Its result is to be trapped into the "Renqing" dilemma of interpersonal relationship.

King, Y.K.(1988) defined Chinese's Renqing as three meanings: firstly, one's feeling, in terms of emotional response; secondly, society resources which could be exchanged through gift, generally referring substantial and economical, like the sub-product created through the trading of money or property, belonging to interpersonal obligation attached on emotional; the petitioner owes the allocator one-time "Renqing", the resource provider offering the petitioner one-time "Renqing"; thirdly, "Renqing" emphasizes on the philosophy of interpersonal relationship interaction. The so-called "Renqing Comprehension" is to understand the social norms and follow conventional interaction strategy. King indicated that Confusianism have highlighted the importance of mutual benefiting. Therefore, social behaviors tend to social exchange and the establishment of Guanxi is on the condition of the occurrence of exchange.

Huang, K.K. (1990) argued that "Renqing" plays a key role as an instrument to sustain interpersonal relationship and is more valuable as the intangible exchange power than tangible gift. We have known the characteristics of Chinese traditional culture stressing on Guanxi. Therefore, if one has some Guanxi with another, every will be easily negotiated. And Renqing is mutually caring in emotion level and also one of the ways to establish Guanxi. But it has more emotional link than substantial gift and become the great weapon of resource grabbing. Through emotional link, it can force the in-group to comprise to proceed resource exchange. Therefore, once Renqing is manipulated, and the resourced is held thereafter. Huang argued interpersonal interaction often involve in benefit provision from one to the

other based on the extent of Renqing from time to time. However, when some threat by Renqing to ask for resource transaction, and it intermediately influences the ownership of the resource and impacts the Guanxi.

Let's get back to the discussion of business negotiation. Chinese emphasizes the maintenance of Guanxi in collective society and then drag a lot of Renqing issues. Especially Confucianism also highlights the caring to others without expected reward. The Renqing factor results in more complicated issues in Guanxi management. But the subject of the business negotiation is to pursue the exchange and supplement of interest and it has counteract price to the Guanxi which has to be traded. We guess what kind of resources the counterpart (counterpart company) may lack while we are practicing business negotiation and communication. In unfamiliar business relationship, both parties also try to accumulate the values of Renqing, including both corporate-wise and personal-wise. On one side, both parties try to make the Guanxi closer and tighter while on the other side, try to accumulate Renqing to expect that the Renqing could be the base of resource exchange someday. As we all know, in most non-in-group business negotiation, it is hardly unselfish to give without expected reward. Therefore, it initiates the avocation of the principle of interest prevention.

III. Mientze/Face

Sustaining "Mientze/Face" is one of the unique characteristics in Chinese society. It was mentioned in the previous paragraphs of the study that Chinese particular care about what others' image on him under the civilization of tradition culture and personal behavior norms will be adjusts influenced by others' criticism. Yang, K.S. (1994) particularly explained that Chinese's caring about other refers to "significant other" instead of U.S.A. sociologist Mead (1934) stated generalized other. The latter generally argued that general people will influence the development of one's personality while most of Chinese's "significant other" refers to in-group members (family, friends, neighbors).

"Mientze/Face" is one of the important concepts to understand and define social behaviors. Although "Mientze/Face" has the aspect of generalize culture (Ho, 1976, 1994; Goffman, 1955), but its uniqueness of close association with interpersonal relationship reflects the characteristics of authority hierarchy in Chinese society (Bond and Huang, 1996). Face Altitude Chart (FAC) in Chinese Personality Altitude Chart (CPAC) measures that individual through many kinds of social behaviors to sustain or show-off "Mientze/Face" and prevent from losing "Mientze/Face". Undoubtedly, over-emphasizing "Mientze/Face" turns out superficiality and exaggeration.

Hu, S.C. (1988) is the first investigator to introduce "Mientze/Face" into the sociological studies. She argued that "Mientze/Face" has two kinds of meaning: "Face" and "Mientze". She argued that "Face" is the confidence of mores, regarding it as the benchmarking of mores quantified instead of biological structure theory. Therefore, if one violets social norms, it will indicates "Face", the symbol of mores, no longer respects by others in terms of losing "Face". "Mientze" represents one's outer benchmark to others, the same as Renqing, is the exchangeable social value able to be along with up-and-down of power, wealth and talent. It is not only the benefit negotiated for resource exchange but also the representation of social-economical status and counterpart of others' relationship.

Chu, R.L. (1988) viewed "Mientze" by "Social Exchange Theory" which pointed out social agreement is a kind of praise. We have to trade certain value as the exchange to obtain an sustain the relationship with others and we used "Mientze" as a kind of resource to exchange to obtain social or interpersonal agreement which did match what Huang, K.K. "Renqing-Mientze Model". Huang, K.K. (1987) viewed "Mientze" as the symbol of power and status, the same as the extent of "Renqing", as the instrument of resource exchange. He emphasized that petitioner's using "Renqing" as the instrument of resource exchange actually indicated the exchange of "Mientze".

There is usually quite bargaining flexibility during business negotiation. We use to bargain during business negotiation in order to expect the counterpart (another resource allocator) to decrease the requirement to get more resource. Usually, the sentence we hear is like "on behalf of our "Renqing"" or "to give the "Mientze" to you". The former sentence previously-mentioned is the transformation of long-term accumulative business collaboration into "Renqing" as the base of resource exchange in business negotiation while the latter sentence "give you "Mientze" mean that both parties have developed more intimate interaction relationship due to business collaboration relationship and then have higher hierarchical authority status. Therefore, when the boss proposes "give me a "Mientze"" at the critical moment or deadlock of business negotiation, it regards us, the petitioner as the more intimate higher-hierachical "Mientze" into another exchangeable value in order to obtain the better resource allocation.

The Difference of Various Chinese Corporate in Business Negotiation

There had been many studies of Chinese and Western business models, especially in the impact of “Renqing” factor, however, relatively few studies specialized in negotiation behavior. The issue we mainly studied was: under the same culture frame (Chinese society), different types of corporations (for example, private corporate *versus* government-owned corporate; agricultural and trading one *versus high technology* one) and scale (revenue), was their style and pattern of business negotiation significantly different? The similar studies have been more and more valued.

Xin and Pearce (1996) studied government-owned corporations, government-private joint-venture corporations, and private corporations and found that private corporations exercised “Guanxi Manipulation” to substitute formally institutional support in order to obtain the resources and collaboration of other corporations. In the process of “Guanxi Manipulation”, the owner of private corporation can access more intimate relationship through linking with others and therefore help corporate management. Xin and Pearce (1996) viewed “Guanxi” as “Recognition Sharing” in family, hometown, region, school and workplace. Therefore, when one lacks of share-able background or experience with others, the establishment of “Guanxi” becomes one of the ways to increase common experience and recognition. Among all, “Guanxi Manipulation” is practiced through caring, assisting and giving.

Lu, T.L. (2001) proposed that “Guanxi” was such important in different types of corporations because Chinese does not trust out-group civilized by the traditional culture. As a result, except family corporate (family and relative) or deep co-founding partnership (close friends), we Chinese use to be cautious and untrusting in people from out-group. It is a critical issue in business activities and business negotiation. If the corporate is not possible to be trusted, its operation will be hard to be developed and then worsen the development of negotiation and related activities. If one corporate would like to increase the trust among its relationship-less business partners, the only way could be “Guanxi Manipulation”. Therefore, “Guanxi” is more important among corporations (especially those domestic small and medium corporate).

A report of U.S.A. (Multinational Business Review, 1998) showed a survey of managers conducted in China, Hong Kong and Taiwan that in comparison with Canadian, Chinese negotiations has the following four kinds of significant differences: tendency of collective, group interest, uncertainty avoid and value on harmony. However, respondents from Hong Kong and Taiwan had no significant difference compared with Canadian. It could be drew that under the greater China concept, Chinese in different place still behave various negotiation patterns. (Yang, C.F., Peng, S.C., 2005)

Ahlstom, Garry, and Lui (2000) pointed out that private should sustain well “Guanxi” with local government in order to get political support or prevent from getting into trouble and local governmental officials have taken “giving present” or “hospitality” for granted. The subject of study was mainly focused on types of corporate (government-own or private) instead of scale.

Zhao and Aram (1995) studied on the development of high-technology corporate, except its finding of technical research and development as crucial, that the political guidance in industrial development also played a key role. Therefore, the emphasis of “Guanxi” and interpersonal behavior may be not as obvious as general manufacturing industry. However, “What should be done must be done” did not differentiate but the extent of its dependence was lower. (Zhao and Aram, 1995)

Negotiators in China differs in region, for instance, South *versus* North, coastal *versus* continental (especially, Hong Kong *versus* continental China). For example, negotiation style of southern corporations are more practical and efficient, relatively few issues in “Mientze” and “Renqing”; while in northern provinces or continental regions, “Mientze” and “Renqing” related activities (hospitality meal, drinking and giving) are more involved.

CONCLUSION

To comprehend literature above, those corporations have more solid relationship with foreign-invested corporations (for example, completely-foreign-investment-owned subsidiaries) or have more international collaboration (Chinese-foreign-invested joint venture or international trading company), technology-orientated ones (high-technology corporate), larger scale ones (domestic-owned international company), more western-educated top-management (CEO’s

western degress) seems to emphasize and rely less on Chinese traditional culture: “Renqing”, “Guanxi” and “Mientze”. Domestic corporate values higher level of “Renqing” factor. The conclusion has certain inspiration for international and domestic companies in business negotiation in China.

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