

Monika Koeckeritz

# The preparation of German entrepreneurs for the different cultural peculiarities of negotiations with Chinese business partners

A MBA-dissertation submitted to The University of Liverpool in 2005

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## PREFACE

In 2005 I submitted my MBA-dissertation about the subject “The preparation of German entrepreneurs for the different cultural peculiarities of negotiations with Chinese business partners” at the University of Liverpool (Specialization: International Management).

The two markers and my instructor John Unruh from the United States recommended me the publication of my dissertation. In their opinion the material was a very useful guide to German entrepreneurs wanting to do business in China. They stated that my thesis was well-written and full of excellent information that entrepreneurs could certainly benefit from it. In their view the dissertation was a first class piece.

In 2005 I took a leadership position. I worked 12 to 16 hours a day. Therefore I have had not enough time to publish my dissertation. But I was always interested in that subject. I have been following the media to economic relationships between German and Chinese entrepreneurs. Now, ten years after my graduation, I could recognise that cooperation between entrepreneurs of both countries are still difficult and can fail because of different cultures and traditions. In particular, older Chinese businessmen are committed to traditional values and behaviours. The problems of cultural differences between German and Chinese people are still of current importance.

That is the reason, why I decided to publish the findings of my dissertation 10 years after my graduation.

Thank you!

## ABSTRACT

### ***The preparation of German entrepreneurs for the different cultural peculiarities of negotiations with Chinese business partners***

by

Monika  
Koeckeritz

Today People's Republic of China is emerging as one of the major global economies. The country's reform, opening - up, vigorous economic development as well as its transition from the planned economy to the market economy have attracted more attention from German entrepreneurs. But a lot of negotiations between German and Chinese businessmen have failed in China because German entrepreneurs have not been sufficiently prepared for the different cultural peculiarities of negotiations with Chinese business partners. There is an increasing demand for lecture and training courses as well as literature relating to that subject. Until now German publishers have not paid enough attention to both negotiations and Chinese culture.

This dissertation will analyse the cultural peculiarities of negotiations with Chinese business partners. Different theories about culture, communication and negotiations and their interactions are examined. The researcher will analyse differences between the German and Chinese business culture including the values influencing the German and Chinese business behaviour and communication style. A



comparison of the German culture and negotiation skills with the Chinese culture and negotiation skills will be drawn.

Prerequisites to commitment in China will be investigated and the Chinese framework of communication will be identified. Furthermore the Chinese bargaining and negotiation tactics as well as the purpose and format of Chinese negotiations will be discovered and the importance of “guanxi” and “mianxi” and their effects on business behaviour will be identified. The researcher will also advance the hypothesis that China has faced and will face the influence of materialism as a force undermining traditional values. To prove this hypothesis, she will analyse potential factors and forces that influence Chinese culture and with it the negotiations with Chinese business partners nowadays and in the next future.

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# CHAPTER 1

## INTRODUCTION

### 1.1. Background of the Problem

“The whole world’s gaze is fixed the on People’s Republic of China - not just because the country is vast and growing rapidly, but because it profoundly affects the fortunes of companies everywhere.”<sup>1</sup> Since China’s accession to the World Trade Organization in 2001 foreign companies have been much more interested in relations to Chinese companies. China’s market potential is huge, and there are a lot of foreign entrepreneurs (including German ones) who want to seize the promising commercial opportunity. Foreign direct investment and international trade are the preferred business activities.

The economic reforms began in China at the end of 1978. Deng Xiaoping introduced a policy of opening up to the outside world. Since then China’s trade with other countries has increased steadily.<sup>2</sup> The Chinese government has moved the economy “from a sluggish, inefficient, Soviet-style centrally planned economy to a more market oriented system.”<sup>3</sup>

China’s economy boomed past years. According to the National Bureau of Statistics of China (NBS) the gross domestic product (GDP) grew even faster in 2004, expanding at a blistering pace of 9.5% after 9.3% the previous year.<sup>4</sup> The spokesman for the National Bureau of Statistics in China, Zhen Jingping, said that China’s economy is expected to maintain stable and rapid growth in 2005.<sup>5</sup>