The negotiation styles of overseas Chinese: A comparison of Taiwanese and Indonesian Chinese patterns

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Cross cultural negotiation has been an active area of study for a decade. A number of cross-cultural negotiation studies have been conducted using subjects from two diametrically different cultures (such as the US and Japan). However, a substantial amount of international trade takes place between geographically close countries, where cultural differences are more subtle, but still make an important difference. Indonesian-Chinese and Taiwanese both have Chinese backgrounds; however, due to their different histories and development – most Indonesian-Chinese are the second or third generation of Chinese immigrants who are born and raised locally. Due to environmental and cultural differences, Indonesian-Chinese and Taiwanese have different styles of negotiation. This study is a questionnaire survey with quantitative analysis. The design of questionnaire based on the “Dual Concern Model” by Pearson (1995), covering the tendencies of negotiations which measures a respondent’s attitude towards five negotiation category styles: “accommodation,” “collaboration,” “avoidance,” “competition,” and “consultation.” The results indicate that generally both Taiwanese and Indonesian-Chinese college students are influenced by their cultural areas, scenarios of conflicts, and the beliefs. Among which, the cultural area has direct and indirect influences on all types of negotiation, indicating the existence of large cultural and negotiation differences between Taiwanese and Indonesian-Chinese.

Key words: Negotiation styles, sub-culture negotiation, dual concern model, Taiwanese, Indonesian-Chinese.

INTRODUCTION

Negotiation skills become more important in the increasingly globalized world market and research on business negotiation needs to provide more in-depth knowledge for scholars and negotiation practitioners. However, the vast majority of cross cultural negotiation studies examine the issues that emerge when a western firm negotiates with a non-western firm, often times in Asia, where generally, the culture differs substantially (Hofstede, 1980). However, geographically close countries do trade with each other very frequently, and while these cultural differences are less pronounced, they are still likely to influence negotiation process. Chinese are all over the world. The Chinese in different countries have mostly established solid and firm economic foundations through hard operations with the national nature of persistence, diligence and endurance. Such foundations have also formed great influences in the international society. In 2005, the country which had the highest number of Chinese population in the world was Indonesia. The Chinese population there was 7,566,200, with an annual growth at 1.38% (Overseas Compatriot Affairs Commission, 2004). The ratio of the number of Chinese in Indonesia to that of Indonesians was 3.5%. However, the Chinese population controls 80% of the economy. In Indonesia, “Chinese” is a pronoun for businessmen. Most Chinese in Indonesia were economically above the median level. Most shops and stores were operated by Chinese. Based on an analysis of total assets made by the department engaged in the affairs of East Asian diplomatic and trade affairs in Australia in 1994, 9 out of 10 top business groups were operated by Indonesian-Chinese while 204 (80.1%) out of 300 Indonesian business groups were owned by Indonesian-Chinese citizens (Man, 2006).

The development of a national economy in Indonesia was unbalanced. Most big business groups operated by
Chinese chose technical experts and retired military officers as partners for cooperation. In the past thirty years, the Indonesian government has fully taken the advantage of the economic strength possessed by Indonesian-Chinese citizens under the policies of economic development and introduction of foreign capital. Meanwhile, it has also encouraged direct investment by technical cooperation with overseas Chinese in Southeast Asia and Taiwan. The items available for cooperation and development are concentrated on exploring its natural resources, export-oriented economy and Industrial cooperation (Huang, 2005). Up to this moment, the willingness in making investments and substantial economic and trade relationships between the Chinese in Indonesia and the businessmen in Taiwan have been increasing gradually. Taipei Economic and Trade Office of Taiwan in Indonesia pointed out (2004) that Taiwan was ranked the fifth investing country in Indonesia.

Different from Indonesian-Chinese, most Taiwanese merchants there are investors who took their capital to Indonesia in the mid-1980s. Just like most foreign merchants, a main reason why Taiwanese merchants started to invest in Indonesia is to utilize the local cheap labor there to manufacture labor-intensive products and to export them to a third country or sell them back to the investing country. Therefore, Taiwanese merchants had a significantly positive impact on the rapid growth of exports in Indonesia after 1987 (Taipei Economic and Trade Office of Taiwan in Indonesia, 2004).

Though the Taiwanese and the Indonesian-Chinese both share the Chinese cultural root, most Indonesian-Chinese are the second or third-generation whom are born and raised locally, and different sub-cultural groups are shaped due to the different environment and background in which they were raised. These differences are be subtle but important, making these two groups the ideal sample to test our research question: To what extent do subtle cultural differences influence negotiation.

**LITERATURE REVIEW**

**Cultural characteristics of overseas Chinese**

Cultural differences in terms of business practices, negotiation styles, and social customs were perceived as most important (Ma, 2007; Song et al., 2004). Jui (1996) pointed out the culture of overseas Chinese is referred to as the “Five-relationship culture,” meaning that the uniqueness of overseas Chinese culture is based on their relationships in terms of their bloodline, location, occupation, education, and religion. Given the relationship-oriented Chinese culture and the concept of a “relationship,” if two people are relatives or have the same surname, they form a “bloodline relationship” group; if they are born and raised in the same place, they form the “location relationship” group; if they have a same type of work, they form the “occupation relationship” group; if they share the same religion, they form the “religion relationship” group. The traditional Chinese culture is externalized and extended as overseas Chinese groups and business networks are connected through the above five relationships, making them the traditional cultural elements that bind the overseas Chinese together.

Chiang (1981) also believes the shaping of the overseas Chinese culture basically include their own culture and the culture in the host country. When an immigrant moves to a host country, it is inevitable for him/her to face environmental and racial differences. Therefore, assimilation or anti-assimilation may result in the adaptation process. The study by Chiu (1981) suggests that overseas Chinese show the following patterns given the length of their stay in a host country: In the early stage of immigration, the Chinese maintain their original characteristics, meaning that they might not choose to stay in the host country permanently when first arrived; therefore, they tend to hold on to their original culture and habits and try to get involved with the fellow Chinese immigrants rather than joining the locals' social network.

Wu (1983) discovered that the Chinese society is not only consisted of the Chinese ethnic qualities, history and tradition, the cultural spirit, and the way of life, but is also influenced by the geographical, ethnic, political, economic, cultural, and social elements in the host country, making the Chinese society a complex, special, and unique social system. In addition, Chinese societies in different regions also have their own features. Yu (1984) believes that since the second-generation Chinese immigrants are quite distant from their country of origin, most of them do not speak Chinese and are also gradually losing the characteristics that are unique to the Chinese, and they have been assimilated and possess local ethnic characteristics since they are born, raised, and educated locally.

**Sub-cultural business negotiation**

Chang (2006) mentioned that the Chinese culture is consisted of cultures in different ethnic groups and regions with changes in different eras that co-exist and mutually absorb each other. After the Chinese who share the same Chinese culture move to different regions in the world, they develop sub-cultural groups after being influenced by the unique traditions, cultures, and education in the place they live. When conducting business negotiations, two negotiators who speak and write in the same language may have different values or negotiation styles due to their sub-cultural influences. Therefore, a business negotiator of a sub-culture should not ignore the potential differences in the negotiation style just because the opponent is also Chinese. One must have a deep understanding of the culture of that person’s country of residence, respect the cultural differences, and
determine a negotiation approach that meets both parties’ habits in order to successfully complete a sub-cultural business negotiation. According to Chang (2006), though both sub-cultural negotiators are from the same mother culture, but their different residence-locations lead to different values and styles of behavior, thus differences and even conflicts may still emerge when both parties use the same language. When a conflict does emerge, the most effective way to solve it is to seek a cultural commonality; that is, to look for the values and behavioral models that are accepted in the mother culture, and to adjust the negotiation approach so the negotiation is more likely to succeed. In contrast, if both parties neglect their sub-cultural differences and insist on sticking to their own negotiation approach, the negotiation is likely to fail.

Detailed sub-cultural business negotiation processes are shown in Figure 1.

**Dual concern model**

Dual Concern Model was a model developed by Blake and Mouton (1964). Dual Concern Model consists of two dimensions: concern for oneself and concern for a third party. There are five negotiating strategy which are competition, accommodation, withdrawal, collaboration, and consultation.

1. Competition is assertive and uncooperative—an individual pursues his own concerns at the other person's
expense. The individual only focuses on his own interests, and does not care about others’ expectation. This is a power-oriented mode in which you use whatever power seems appropriate to win your own position - your ability to argue, your rank, or economic sanctions. Competing means “standing up for your rights,” defending a position which you believe is correct, or simply trying to win.

2. Accommodation is unassertive and cooperative - the complete opposite of competing. When accommodating, the individual neglects his own concerns to satisfy the concerns of the other person; there is an element of self-sacrifice in this mode. Accommodating might take the form of selfless generosity or charity, obeying another person’s order when you would prefer not to, or yielding to another’s point of view.

3. Withdrawal is unassertive and uncooperative - the person neither pursues his own concerns nor those of the other individual. Thus he does not deal with the conflict. He will feel comfortable only in a non-threatening situation. Withdrawing might take the form of diplomatically sidestepping an issue, postponing an issue until a better time or simply withdrawing from a threatening situation.

4. Collaboration is both assertive and cooperative - the complete opposite of avoiding. Collaborating involves an attempt to work with others to find some solution that fully satisfies their concerns. It means digging into an issue to pinpoint the underlying needs and wants of the two individuals. Collaborating between two persons might take the form of exploring a disagreement to learn from each other’s insights or trying to find a creative solution to an interpersonal problem. They both hope to reach a mutual understanding.

5. Consultation is focus on low assertive confidence and high cooperative. The target of consultation is yielding.

Styles of negotiation involving third parties are called in this study indirect style of negotiation (Pearson, 1995). Indirect styles of negotiation such as consultation and third party advocacy will be considered in this study because collectivist cultures have a high concern for the group’s needs and are closely attached to their in-groups (Trubisky et al., 1991). Therefore, consulting with others and inviting third parties to intervene in their conflict settlements is expected to be part of their usual negotiation behavior.

RESEARCH METHODS

The research framework design is composed of 4 different negotiation strategies with adding consultation strategy to separate negotiation into 5 strategies: accommodation, collaboration, withdrawal, competition and consultation. Examination is conducted to analyze the effect differences of culture regions (Taiwanese and Indonesian-Chinese) on each negotiation strategy (Figure 2).

Research hypothesis

According to Hofstede (1980), individuals from long term orientation countries are more comfortable abdicating short term benefits for potential long term benefits. It stands to reason that when such people are faced with a negotiation conflict, they will be more comfortable abdicating certain terms with the hope that doing so will allow them to establish a relationship from which they can profit in the future. As such, individuals from long term orientation countries will tend to use the accommodation strategy when faced with negotiation conflict to avoid burning the bridge. While both Indonesia and Taiwan are long term orientation countries, Indonesia’s long term orientation is far stronger (Hofstede, 1980).

In addition, individuals from high uncertainty avoidance cultures are not comfortable making decisions in the absence of complete information. They also tend to plan more, and when they organize into groups, expectations of individuals are enforced by group structures, because failures by individuals to meet their objectives can lead to a broken plan, which creates a substantial amount of uncertainty. In a negotiation situation, the high uncertainty avoidance negotiator will typically walk to the table with range of acceptable conditions. If s/he is not able to stay in that range, it could create uncertainty costs throughout the organization, so the high uncertainty avoidance negotiator is less likely to give into the demands of the other party. That is, he/she is less likely to engage in the accommodation strategy. Taiwanese tend to be much higher in terms of uncertainty avoidance than Indonesians. Since Indonesians have longer term orientation and are more comfortable
with uncertainty, we predict that:

\[ H_1: \text{Subjects from Indonesian-Chinese will be more likely to select the accommodation strategy than subjects from Taiwanese.} \]

According to Pearson (1995) when an individual is concerned about the interests of both oneself and others, the collaboration strategy is more likely to be applied for resolving problems of conflict. According to Triandis (1995) individuals from individualistic societies are more likely to put their own interests ahead of the interests of others. Since individualists tend to have weaker concerns about the interests of others, it stands to reason that they will less likely to choose the collaboration strategy. According to Triandis (1995) individuals from individualistic societies are more likely to put their own interests ahead of the interests of others.

Both Indonesians and Taiwanese are low in terms of individualism, indicating that both are concerned about the interests of others; however Indonesians tend to be stronger in terms of individualism, indicating that Indonesians are concerned both about the interests of others and their individual interests. As noted above, Pearson (1995) indicates that such people are more likely to choose a collaboration strategy. Since Indonesians tend to me more individualistic than Taiwanese, we predict that:

\[ H_2: \text{Subjects from Taiwan will be more likely to select the collaboration strategy than subjects from Indonesian-Chinese.} \]

Individuals from cultures that are lower in terms of uncertainty avoidance are more comfortable with risk. When a negotiator is faced with a conflict, they have the option of walking away from the negotiation table and going back into the market to find another business partner. Doing so represents a substantial risk, and for those who are uncomfortable with risk, walking away is likely not to be an option. Indonesians are much more comfortable with risk than Taiwanese, and are thus more likely to walk away from the table and go back into the market for a new partner.

In addition, individuals from long term orientation cultures faced with the decision to walk away from the negotiation table and go into the market to find a new partner are more likely to be thinking about the long term health of the company rather than the immediate benefits from the current deal. So, these people will be more comfortable walking away from the table and seeking a new partner, because doing so could lead to better deals in the future. Both Indonesia and Taiwan are long term orientation countries; however Indonesia is much more so. Since Indonesians are more comfortable with risk, and have a stronger long term orientation, we predict that:

\[ H_3: \text{Subjects from Indonesian-Chinese will be more likely to select the withdraw strategy than subjects from Taiwanese.} \]

Negotiation conflicts tend to be rife with uncertainty. The competition strategy magnifies that uncertainty, which is likely to make negotiators from high uncertainty avoidance countries uncomfortable. These negotiators are more likely to select a less uncertain strategy, such as collaboration or consultation in order to avoid competition. Since Indonesians are much more tolerant of uncertainty, they are more likely to select the competition strategy.

In addition, individuals from masculine cultures tend to seek opportunities to showcase their accomplishments. They enjoy competitions, and seek to maximize their performance. When faced with a negotiation conflict, we predict that masculine individuals are very likely to employ the competition strategy. While both Indonesians and Taiwanese tend to be moderate in terms of masculinity, Indonesians tend to score higher in terms of masculinity, and thus should seek opportunities to use the competition strategy more often than Taiwanese.

Finally, Pearson (1995) points out those individuals who are more concerned with their own interests than the interests of others are more likely to engage in the competition strategy. Individualists are more concerned with their own interests, and Indonesians tend to be higher in terms of individualism, and thus are more likely to choose the competition strategy. Since Indonesians tend to be more tolerant of uncertainty, more masculine and more individualistic, we predict that:

\[ H_4: \text{Subjects from Indonesian-Chinese will be more likely to select the competition strategy than subjects from Taiwanese.} \]

The entire negotiation process is rife with uncertainty. When two parties are involved, each party is responsible for looking out for their own interests. Since neither party has access to perfect information, information asymmetries can lead to substantial conflict for either party. While a facilitator represents a third party that opens up two more communication channels, they actually serve to mitigate any information asymmetries, and in a way look out for the interests of both parties. For the risk adverse negotiator, a facilitator reduces uncertainty. Since Taiwanese are more risk adverse than Indonesians, we predict that:

\[ H_5: \text{Subjects from Taiwanese will be more likely to select the consultation strategy than subjects from Indonesian-Chinese (UA-Protect their interests).} \]

**Research questionnaires**

A questionnaire was conducted in this research for making data collection. Questionnaires were issued to undergraduate students in both Taiwanese and Indonesian-Chinese who are studying in Taiwan. Effective questionnaires amounted to 350 with an effective response rate of 85.1% among which Taiwan undergraduates amounted to 148 and Indonesian-Chinese undergraduates amounted of 150. The students sampled randomly all attended this questionnaire voluntarily and most students were aged between 18 - 23.

**DATA ANALYSES**

**Analysis of samples**

Of the respondents, 156 were males (52.3%) and 142 were females (47.7%). In terms of marital status, the samples were college students and were mostly single (271 singles, taking up 90.9%). In terms of age, most of them were in the group of 20 - 22 (135; 45.3%), followed by 17 - 19 (80; 26.8%), and 23 - 25 (41; 13.8%). The total numbers of people fitting these three age groups were 256 (85.9%). As for employment, 222 (74.5%) were studying full time, and 76 (25.5%) were studying and working at the same time, indicating the popularity of part-time jobs. As for nationality, students from Taiwan were 148 (49.7%), and Indonesian-Chinese students took up 150 (50.3%).

**Analysis of validity**

Cronbach’s α represents the level of validity, (Table 1) and a value of 0.7 or better is required in most social science studies. Thus the same level was adopted in this study. Cronbach’s α of all aspects of the finalized
questionnaire was 0.7 or better, indicating a high level of validity. Though the value of “negotiation withdrawal” is between 0.6 and 0.7, it was still deemed by scholars as an acceptable value.

Hypothesis testing

In order to understand whether there are significant differences between Taiwanese and Indonesian-Chinese college students in terms of negotiation types, a t-test was conducted using sub-culture as the independent variable. The results are shown in Table 2.

RESULTS

In H1, we had predicted that individuals from Indonesian-Chinese students would be more likely than individuals from Taiwanese students to employ an accommodation strategy. In the category of accommodation, the sub-cultural difference reached the level of significance (T= -4.303, P<0.01), indicating Indonesian-Chinese students have a higher compliance-negotiation tendency than the Taiwanese counterpart; that is, Indonesian-Chinese students are more likely to comply with the requests from the opponent. This, in fact, has something to do with the Indonesia cultural environment. Due to frequent local traffic congestions, it is common for an Indonesian-Chinese to be late for 30 min or an hour at a date or party. The delay is referred to by the locals as the “rubber time” since “flexibility” is what eases the tension. Deeply influenced by this culture, the local Indonesian-Chinese are highly flexible in terms of time or conditions and are different from the Chinese population in other regions who tend to be firmer.

The sub-cultural difference is not significant in terms of collaboration (T=0.480, P>0.05), indicating that both countries have a similar negotiation setting. Though they have different views, they are honest and willing to cooperate and seek a solution that satisfies both parties, indicating both sides are equally cooperative.

The sub-cultural difference in withdrawal is significant (T=-3.403, P<0.01), indicating the Indonesian-Chinese students have a higher avoidance-negotiation tendency than the Taiwanese counterpart; that is, they are more likely to avoid their opponent’s requests, which is similar to the finding in accommodation. Apparently the Indonesian-Chinese students are not only likely to comply but also likely to avoid a negotiation, both suggesting a rather passive approach, and possibly for the same reasons as those found for accommodation.

The sub-cultural difference in competition is significant (T=4.747, P<0.01), suggesting that Taiwanese students are highly capable of competition. In Indonesia, perhaps for the same reasons as those found for accommodation along with the Indonesia culture, people are used to being flexible in terms of time or conditions and thus do not firmly hold onto their views.

The sub-cultural difference in consultation is significant (T=3.086, P<0.01), indicating Taiwanese students have a higher need for the consultation skill, possibly because Taiwan has a better legal structure and Taiwanese students need more professional, third-party comments. On the other hand, Indonesian-Chinese students tend to “play it by ear” and do not demonstrate a higher need for

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### Table 1. Cronbach’s α value of each negotiation type.

<table>
<thead>
<tr>
<th>Negotiation type</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation negotiation</td>
<td>0.792</td>
</tr>
<tr>
<td>Collaboration negotiation</td>
<td>0.839</td>
</tr>
<tr>
<td>Withdrawal negotiation</td>
<td>0.698</td>
</tr>
<tr>
<td>Competition negotiation</td>
<td>0.755</td>
</tr>
<tr>
<td>Consultation</td>
<td>0.889</td>
</tr>
</tbody>
</table>

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### Table 2. Analysis of sub-cultural difference in terms of negotiation types.

<table>
<thead>
<tr>
<th></th>
<th>Taiwanese (n=148)</th>
<th>Indonesian-Chinese (n=150)</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>4.3508</td>
<td>4.8622</td>
<td>-4.303**</td>
<td>0.000</td>
</tr>
<tr>
<td>Collaboration</td>
<td>5.3159</td>
<td>5.2544</td>
<td>0.480</td>
<td>0.631</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>4.2611</td>
<td>4.6485</td>
<td>-3.403**</td>
<td>0.001</td>
</tr>
<tr>
<td>Competition</td>
<td>5.1443</td>
<td>4.5861</td>
<td>4.747**</td>
<td>0.000</td>
</tr>
<tr>
<td>Consultation</td>
<td>5.6800</td>
<td>5.2073</td>
<td>3.086**</td>
<td>0.002</td>
</tr>
</tbody>
</table>

* p<0.05, **p<0.01.
consultation skills. Generally speaking, there are indeed significant cultural differences between Taiwan and Indonesia. The Indonesian-Chinese tend to be more passive in negotiation and take the accommodation and withdrawal approach, making themselves rather weaker at negotiation; in contrast, the Taiwanese are better at competition and consultation, and do not avoid negotiations, making themselves relatively firmer. An evaluated model is presented in Figure 3.

DISCUSSION

We had argued that cross-cultural negotiation issues arise not only when the cultures examined are diametric and vastly different, but also when the differences are smaller. In this study, we were able to answer our research question by demonstrating differences in negotiation strategy between two subtly different cultures. These differences are discussed below.

Accommodation

A possible reason behind the drastic difference between individualism and collectivism in this regard is that Asian consumers have fewer reactions and tend to comply in a business conflict when compared to European consumers. When there are conflicts between friends, collectivistic individuals are less likely to argue with their friends as they value the intimacy and harmony within a group, thus they also perform better in compliance-negotiation.

Indonesian-Chinese students have a higher tendency of compliance-negotiation than the Taiwanese counterpart; that is, Indonesia students are more likely to comply with their opponents’ requests. This has something to do with the Indonesian culture in which people are more flexible in terms of time or conditions, which is different from other Chinese populations that take a firmer stance.

Collaboration

The influences of conflict-scenarios are different from region to region. In Taiwan, students have a higher level of cooperativeness-negotiation skill when facing business conflicts. The significant difference between Taiwan and Indonesia in this regard is probably due to the fact that consumer-related regulations in Taiwan are more complete and can better protect consumers, thus Taiwanese consumers are more confident when dealing with business conflicts and are better at cooperativeness.

Withdrawal

Indonesian-Chinese students have a higher tendency of taking the avoidance-negotiation approach than the Taiwanese students do. This indicates that Indonesian-Chinese students are not only more likely to comply with their opponents’ requests but also likely to avoid them; both of which indicate a more passive attitude towards
While we were successful in answering our research questions, this study demonstrates several limitations which should be noted. First, this study only examined subjects from two countries. While it is impractical to analyze subjects from every country, and look at the cultural differences between each of their trading partners, the sample used in this study did accomplish its goal of demonstrating a difference in the negotiation strategies employed by two culturally similar groups.

Also, this study used student subject, which limits the generalizability of the findings. Ideally, a future study would include working professionals with experience conducting cross-cultural negotiation.

**Future research**

This study took an important first step: it moved the discussion of cultural differences in negotiation strategies away from diametrically different cultures and toward similar yet distinct cultures. Our findings that these subtle differences do matter raise a number of new questions: What other factors are influenced by subtle cultural differences? Future researchers should identify and consider other factors that could be influenced by smaller cultural differences. In addition, researchers should explore new samples, ideally including subjects from major trading partners that are yet to be explored. Finally, the use of working adults with cross cultural negotiation experience would strengthen the findings of any future papers.

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