

“Where You Stand Depends on Where You Sit” Principled Negotiation Meets the Challenge in China

Psychologists have found that all people in varying degrees, need consistency in the way they relate their perceptions and their beliefs. There is a great deal of truth to the adage, “Where you stand depends on where you sit.” ..When people in a relationship are further apart - in terms of distance, culture, background and role - the contrast between their perceptions will be greater, and each will find it more difficult to appreciate how the other sees things.

Roger Fisher and Scott Brown,
*Getting Together: Building Relationships
As We Negotiate*

Background: Whiting Equipment Canada Inc. is a diversified designer and manufacturer of heavy industrial equipment, based in Welland, Ontario and a subsidiary of Whiting Corporation, of Illinois. In 1997 a joint venture was developed between Whiting Equipment Canada Inc.'s wholly owned subsidiary NAMAG (L) Corporation and Zhejiang Tongxiang Coal Mine Machinery Plant. The venture resulted in the forming of Zhejiang NAMAG Equipment Manufacturing Co. Ltd. The plant is located in Tongxiang City in the beautiful and rich Hang Jiahu plain, a one hour drive from Shanghai, China. The Zhejiang Tongxiang Coal Mine Machinery Plant is the leading state-owned company in Zhejiang Province.

As business in Canada expands its horizons to see the whole world as its market, the need to negotiate well and in many different cultural contexts is a basic requirement for success. Principled or interest-based negotiation is even more critical than it was in 1981 when the Harvard Negotiation Project first published *Getting to Yes*.

When Whiting Corporation decided to establish a manufacturing plant as a joint venture in China, professional engineer Rudi Kroeker found that his ability to negotiate was critical to the success and even survival of the Chinese venture. Mr. Kroeker, President and CEO of Whiting Equipment Canada recently described his experiences to Kathryn Munn.

KM: Please explain the context of your negotiations. What were you trying to accomplish in China?

RK: We were trying to create a self sufficient business in China.

KM: How would you describe your approach to negotiation in the Chinese venture? Was it different than your approach to negotiation before your experiences in China?

RK: I use a principled negotiation approach. People will not agree if it's not in their best interests. I use the same principles no matter where I am in the world. In this case we were not selling. We had something they did not have - cash and technology. They had something we didn't have - a factory and experience running a profitable business in China. Neither of us *needed* to do this.

KM: How did you and they deal with the different languages?

RK: Entirely through interpreters. The interpreters must have appropriate corporate rank. Ours was “Chief Representative, China Operations, North America Metallurgical Group (China) Inc, Specialty Steel Division (equivalent to a general manager or vice-president). The municipality of Tongxiang used a “Director“. We also had a Canadian lawyer as a peripheral advisor and occasional interlocutor, qualified in both British Columbia and China.

KM: How did cultural differences affect the negotiations? Please give some examples.

RK: Using a person with low social standing as an interpreter diminishes the importance and credibility of the message to the level of the messenger's station in society. You are better served by a poor, inaccurate translation from a highly ranked interpreter than an accurate translation from a clerical level person. I remember the President of Bao Steel walking out on the Chairman of Praxair Inc because the Chairman brought his secretary to translate. The secretary has a Canadian MBA; the problem was her rank. I've had a number of meetings with the President of Bao Steel using the Chief Representative as interpreter and he has never walked out on me.

The sex of your advisors and interpreters is never an issue in China. In Japan, it's male only so use your female advisors to watch body language and listen to the table talk because they are being ignored.

Political connections are very important. You can't run a business in Asia without political support.

“Losing face“ is a concept that can be explained to westerners

I spend a lot of time with customers before and even more after the job is booked. I continue to spend time with customers after the job is done and even after they have finished their career with the company. - Rudi Kroeker

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Kathryn Munn has achieved Chartered Mediator status. This is Canada's only designation for practising general mediators. In the words of the ADR Institute of Canada, "It demonstrates your commitment to excellence in practice, it signals your considerable training and expertise and it communicates your value to people seeking well-qualified neutrals to assist with disputes."

Kudos, Kathryn!

More information on the C. Med. designation can be found at www.adrontario.ca

Munn-thly Memo ~ Will return next month.

but never charismatically understood. It can result in a life-long obsession for the destruction of the person who offended you across generations. We have no parallel for such depth of emotion and if we do we will never survive in North American business. Asians often expect the same from us. Ultimately though, for them as well as for us, "losing face is better than losing shirt".

KM: What are examples of techniques that you or they used when negotiations were at an impasse?

RK: Walk away. Explain why their position is not a principled one. Point out what they are doing and object to it. Set a deadline for the day that you will leave and don't deviate from it for any reason whatsoever. Get professional financial and legal advice. There are not absolute prescriptions or proscriptions under Chinese law. There is a legal way to get anything you want. They have government trained negotiators who seem to use every one of the dirty tricks of the "hard bargainer" such as yelling and shouting; good cop / bad cop; having you face the sunlight; and floating trial balloons. Recognize it and deal with it. Tell them it's unproductive and making you uncomfortable. Be prepared to walk away. Don't fall in love with the deal. And after the job is booked, be fully committed. When a problem comes up later, for example a violation of the contract terms that is not their fault, in Asia they will work on the problem to figure out what's the best we can do here. They do not go back to the contract and look for loopholes as we tend to do in North America. There is less tendency to immediately end up in court and they are prepared to make compromises to accomplish this.

KM: What advice do you have for negotiators when there are large cultural and language differences?

RK: Focus on the problems and do not allow things to be personal. The value of the relationships is immeasurable. I spend a lot of time with customers before and even more after the job is booked. I continue to spend time with customers after the job

Be prepared to walk away. Don't fall in love with the deal. And after the job is booked, be fully committed.
- Rudi Kroeker

is done and even after they have finished their career with the company. When one of my contacts retires I jump on the next plane and take him out to dinner. Now that he has more time, I spend time with him.

You must have advisers who are charismatically competent in both cultures.

Your interpreter must be of adequate rank to feel free to change the nuance of what you are saying as appropriate in the circumstance or even to say "it's time to leave now".

Do the negotiating yourself.

After the first deal you're never going to negotiate with them again in the same way. The next time when you're invited to the table, you would not be there if they did not want you and your former adversaries are now your advocates. It's like the way I see a kabuki dance: beautiful, impossible to understand, and not necessary to understand to get to the result.

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