

# Study on the Impact of Cultural Differences on Sino-US Business Negotiations under the Guidance of Cultural Dimensions Theory

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**Abstract:** The tide of economic globalization has led to an increase in the frequency of business negotiations between China and the United States, where cultural differences have emerged as a pivotal factor affecting the success or failure of negotiations. Hofstede's cultural dimensions theory provides an effective analytical framework for understanding and analyzing cultural differences. Guided by Hofstede's cultural dimensions theory, this paper delves into the impact of cultural differences on the objectives, language, risk-taking, and decision-making in Sino-US business negotiations. The aim is to uncover the intrinsic mechanisms of cultural differences and their multidimensional effects on negotiations, thereby offering strategic recommendations to facilitate the successful Sino-US business negotiations.

**Keywords:** Hofstede's Cultural Dimensions Theory; Sino-US Business Negotiation; Cultural Differences.

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## 1. Introduction

Since the implementation of China's reform and opening-up policy in the late 1970s, the country has rapidly integrated into the international market. The depth and scope of international trade, as well as other commercial activities between China and the United States, have continued to expand. Consequently, trade and cooperation between China and the U.S. have developed significantly. Negotiations and diplomatic activities related to social exchanges, economic development, and national politics have also increased. Cross-cultural business negotiations are becoming more frequent and increasingly valuable in business activities.

Cultural differences between China and the United States are critical factors that directly affect cross-cultural business negotiations.[1] Successful cross-cultural negotiations can promote the robust development of international trade and the economies of both countries, enabling enterprises to better compete and cooperate in the global market. Therefore, it is essential to analyze the cultural differences between China and the United States in business negotiations through Hofstede's theory of cultural dimensions. This analysis can provide a strategic advantage in negotiations between the two countries.

## 2. The Concept and Characteristics of Business Negotiations

### 2.1. The Concept of Business Negotiation

Business negotiation is developed under the conditions of commodity economy, according to the intention of both parties to put forward the conditions of the transaction, through the exchange of information and communication on various elements of the deal, the negotiation aims to promote the transaction of a kind of activities, mediate the conflict of interest between the two sides of the transaction and ultimately achieve mutual economic benefits.

Under the wave of economic globalization, transnational business negotiation activities have become more and more frequent, contributing to the prosperity of international trade.

International business negotiation serves as a vital link between the economic activities of all countries. In international business negotiation, culture is the carrier of both written and verbal communication. Therefore, it is necessary to conduct a detailed and in-depth discussion on the cultural factors involved in business negotiations in order to gain a head start in international business negotiations.

### 2.2. Characteristics of Business Negotiations

Business negotiation has three major characteristics:

(1) Business negotiation has universality: negotiation is one of the most extensive and universal social phenomenon in human interaction behavior. In economic activities, there are transactions may exist business negotiation activities. With the continuous development of China's opening to the outside world, China's foreign trade exchanges are more and more frequent, involving more and more complex content, including the most common purchase and sale of goods, foreign direct investment, technology transfer, including leasing trade, labor sales and so on—all of which requires negotiation. In addition, business negotiation also involves various types of organizations, the optional negotiation object is numerous and wide range. Therefore, business negotiation can be regarded as a universal business activity.

(2) Business negotiation has economic nature: diplomatic negotiation to the national interest as the core, political negotiation to the party or organization interest as the core, military negotiation to the enemy and our security as the core, in the business negotiation there are all kinds of interest entanglement, but generally to the economic interests for the purpose. The purpose of business negotiations is to deal with both sides can obtain economic benefits, the evaluation index of the success of the negotiations is to emphasize whether to achieve their own economic purposes, to profit as the key to the success of the negotiations, and the pursuit of the maximization of benefits.

(3) Business negotiations focus on contract rigor: the results of business negotiations often end with the signing of business contracts. If we do not pay attention to the integrity of the contract provisions, accurate, reasonable and legal,

often make efforts to negotiate the results of hard work ruined, and in serious cases will also make the economy suffered major losses. Such examples have occurred repeatedly in reality, so business negotiations should not only pay attention to the oral agreement, but also pay more attention to the contract terms of the strictness.

### **3. Hofstede's Cultural Dimensions Theory**

Hofstede's Cultural Dimensions Theory is a framework developed by Dutch psychologist Geert Hofstede to measure cultural differences between countries and is one of the most widely used models for describing these differences. Through extensive research, culture difference can be categorized into six basic dimensions of cultural values, namely Power Distance, Uncertainty Avoidance, Individualism versus Collectivism, Masculinity versus Femininity, Long-term versus Short-term Orientation, and Indulgence versus Restraint. [2]

The research process of Hofstede's cultural dimensions theory has evolved through three significant stages.[3] In the first stage, the initial four dimensions—Power Distance, Individualism versus Collectivism, Uncertainty Avoidance, and Masculinity versus Femininity—were developed based on a large-scale survey of cultural values conducted by Geert Hofstede in the 1970s at the famous multinational corporation IBM. The second stage occurred in 1991, when Michael Harris Bond and his colleagues conducted a study that added a fifth dimension, integrating Confucian cultural factors: Long-term Orientation versus Short-term Orientation. In the third phase, Hofstede identified a sixth dimension—Indulgence versus Restraint—by analyzing data from the World Values Survey. Since then, the theory has significantly influenced research in the field of cross-cultural studies.

So far, the research process of Hofstede's cultural dimensions theory has gone through three stages [4]. In the first stage, the first four basic dimensions were based on a large-scale survey of cultural values conducted by Gilt Hofstede in the 1970s at the famous multinational corporation IBM, namely power distance, individualism versus collectivism, uncertainty avoidance and masculinity versus femininity. The second stage came in 1991, when Michael Harris Bond and his colleagues conducted a study that added a fifth dimension to the theoretical framework by incorporating Confucian cultural factors: long-term orientation versus short-term orientation. In the third phase, Hofstede identified a sixth dimension by analyzing data from the World Values Survey: indulgence versus restraint. The theory has since had a significant impact on research in the cross-cultural field.

## **4. The Impact of Cultural Difference on Business Negotiations between the United States and China**

### **4.1. The Impact of Individualism and Collectivism on Negotiation Goals**

In Hofstede's theory, individualism and collectivism reflect the extent to which societies prioritize individual or collective interests.[5] In countries based on individualistic culture, people tend to pay more attention to things that are highly related to personal interests, and most people are self-centered, emphasizing individual rights and interests. In business

negotiation, in the individualistic culture society represented by the United States, Australia and other western countries, logical and linear thinking prevails, and the negotiator's personal thinking is direct and rational, and when encountering conflict of interest, he or she will directly point out the problem, solve the problem, and safeguard personal interests. In countries based on collectivist cultures, the importance of the collective to individual interests and honor is highlighted everywhere, and individuals are considered to be part of the collective first and foremost, and are an indispensable part of the collective, emphasizing wholeness. In business negotiation, in the collectivist society represented by China, Japan and other eastern countries, the negotiators are mostly characterized by stable, low-profile, implicit, reserved, etc. They are good at thinking about the problem from a macro point of view, and in the process of communication, they will take into account the overall situation and look for solutions that can maximize the maintenance of the collective interests.

Negotiation objectives can determine the overall direction of a negotiation activity and the purpose of the negotiation. It is a kind of anticipation and decision-making based on subjective analysis, which is the fundamental factor to be fought for and pursued in the negotiation, and determining appropriate negotiation goals can lay a solid foundation for the success of the negotiation. In the dimension of cultural values, individualism and collectivism have a very important influence on negotiation objectives.

Individualism occupies an important place in the culture of Western countries, represented by the United States, and is often seen as the centerpiece of American culture. [6] Individualism is inextricably linked to American culture, and all aspects are branded as individualistic. Americans tend to believe that individual interests are prioritized over collective interests. Therefore, in business negotiation activities, Americans will first prioritize the pursuit of individual goals rather than collective goals. They will make judgments and decision-making goals from a personal point of view, as far as possible to meet personal interests, the pursuit of negotiations to obtain the most economic benefits.

Collectivism is the basic principle of socialist morality, and it is also the mainstream ideology that runs through the course of China's revolution, construction and reform. China is a typical collectivist country, where individuals are first and foremost a part of the collective, and as a member of a collectivist society, people tend to emphasize harmonious coexistence and a strong degree of interdependence, and their personal interests take a back seat in front of the collective interests. When conducting business negotiations, Chinese people will give up some personal interests for the sake of collective interests, sacrificing their "ego" in order to gain the most advantageous position in the negotiations and maximize collective profits.

### **4.2. The Impact of Masculinity and Femininity on Negotiation Language**

Masculinity and femininity are a measure of how male and female characteristics are expressed and valued in a culture. In the society of masculinity, men usually occupy a dominant position and have the right to make decisions, and the gender role distinction between men and women is more obvious, and the whole social culture is more inclined to qualities such as perseverance, self-confidence, boldness, ambition and other qualities in favor of men. In a feminist society, the

gender role boundaries between men and women are very blurred, and the division of roles overlaps to a large extent. Members of the society are more emotionally oriented, empathetic, and want to build harmonious interpersonal relationships.

Language, as a carrier of culture, is also a way of communication and a means of exchanging ideas. Successful business negotiation cannot be separated from the use of language art, and in business negotiation, language communication is the core content of the negotiation process. In the dimension of cultural values, masculinity and femininity have a great influence on the language of business negotiation between China and the United States.

The United States belongs to the masculinity society, in the Sino-US business negotiation, Americans seldom use the language of respect and humility and pleasantries, they do not care much about greetings and pleasantries in the business negotiation, pay attention to the work efficiency, and have a penchant for arguing, and use the language of confrontation and aggressiveness in the negotiation. When faced with a conflict of interest, negotiators will argue with reason and fully express their personal opinions, and generally will not compromise and give in, usually with a resolute attitude and clear goals. China belongs to the feminist society, Chinese negotiators usually hope that the whole negotiation process can be harmonious and orderly, they are more willing to take a non-confrontational and non-confrontational way, more often use respectful and humble language, very warm and friendly to the other party's representatives, in the expression of the more careful language expression strategy, like to think deeply before expressing their opinions, and like to go around in circles, and often use ambiguous, indirect language. Try to avoid conflict with the other negotiator, if the negotiation is deadlocked, Chinese negotiators will often make appropriate concessions.

### **4.3. The Impact of Uncertainty Avoidance on Risk Taking in Negotiation**

Uncertainty avoidance refers to the fact that when members of the society are faced with unknown situations, they will transform the uncertainty into clear and lucid situations or avoid these scenarios by formulating rules, predicting in advance, changing the existing rules, etc., which is embodied in every aspect of each behavioral subject [7].

Risk always goes hand in hand with business negotiation, and any business negotiation activity is accompanied by greater or lesser risks. In the face of uncertainty risk of gain, Chinese and American cultures will also present different performance, the more prominent influence on risk taking in negotiation language is uncertainty avoidance in the cultural dimension [8]. The United States belongs to the countries with low uncertainty avoidance, they are accustomed to the changing factors, like to take risks and hate cumbersome rules. They are not afraid of breaking the rules when there is a negotiation conflict, and they believe that the first priority is to solve the conflict and speed up the negotiation process. On the other hand, China belongs to the countries with high uncertainty avoidance, focusing on stability, disliking adventure, preferring to follow the rules, being good at avoiding uncertain matters and risks through authoritative opinions and professional knowledge, being used to discussing negotiation issues according to the rules and plans, and preferring to avoid or choosing to avoid when facing negotiation conflicts and risks.

### **4.4. The Impact of Power Distance on Negotiation Decisions**

Power distance refers to the degree of concentration of power in an organization and the degree of authoritarianism of its leaders, as well as the degree of acceptance of this unequal distribution of power by the members of the society. The magnitude of power distance can be reflected in the values of organizational members with varying degrees of power within an organization. Members within high power distance organizations usually value power more highly and are more hierarchical. In low power distance culture characteristics, people are more appreciative of fairness, the organization is managed democratically, and the structure is flatter.

Negotiation decision-making plays a key role in the whole process of business negotiation activities, and the good or bad negotiation decision-making directly affects the negotiation results, that is, the economic interests, and in the international business negotiation, countries from different cultural backgrounds will take different ways when making negotiation decisions. It is obvious that the power distance in the cultural dimension can explain this phenomenon.

The United States belongs to the countries with relatively small power distance, the employees do not accept the privileges of the management, they emphasize more on the equality and the ability of the individual, advocate the equality between people, and each negotiator is given enough power to make the decision on behalf of the company's interests in the negotiation process completely [9]. China is a country with a large distance of rights, people attach great importance to the status hierarchy between people, people have long been able to accept the phenomenon that leaders and superiors have privileges and priorities, subordinates and employees have to be absolutely obedient to the authority and instructions of the superiors, negotiators in general before making a decision to go through a collective consultation, synthesize the opinions of many people. In the case of problems that exceed their personal expectations, they must consult their superiors and are unable to make negotiating decisions in their own right.

## **5. Conclusion**

Cross-cultural business negotiation activities in business activities have shown great important business value, understanding the cultural differences in business negotiation activities can make the Chinese side in the U.S.-China business negotiation to obtain a certain advantage, after understanding the cultural differences and its characteristics is conducive to the development of corresponding negotiation programs in advance. By actively understanding cultural differences and enhancing cross-cultural communication skills, negotiators can develop effective strategies to maximize mutual benefits, promote cooperation, and facilitate successful negotiations.

The exploration of cross-cultural business negotiations through the lens of Hofstede's cultural dimensions theory has underscored the significance of understanding cultural nuances in the context of Sino-US interactions. This study has illuminated how cultural differences manifest in negotiation objectives, language, risk-taking behaviors, and decision-making processes, offering valuable insights for negotiators.

In conclusion, as the global business environment continues to evolve, the ability to navigate cross-cultural

negotiations effectively is more critical than ever. By embracing cultural diversity and leveraging the understanding of cultural dimensions, businesses can foster stronger international relationships, enhance negotiation outcomes, and contribute to a more harmonious global marketplace.

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