

A Case Study

-- Discussions on Strategies of Overcoming Cultural Barriers in International Negotiations

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Abstract

By examining cultural differences and cultural barriers in the case of Apple's public relations in crisis in the Chinese market in 2013, this paper carefully analyzed three key elements that helped both Chinese and American negotiators make their cross-cultural negotiations smooth successful. Theories and skills in conflict analysis and resolution are applied to discuss the key steps of Apple's strategies in the negotiation process. This paper is valuable in helping scholars have a deeper understanding of culture's role in international negotiations.

Keywords

Cultural Barriers; Cultural Difference; Conflict; Negotiations.

1. Introduction

International negotiations are flourishing, as they continue to operate in unison with the economic globalization process and the acceleration of international trade. Even though globalization's development is becoming increasingly mainstream, traditional beliefs against globalization and cultural localization still prevail and exert various influences on many different nations. These differences can become important determinants when engaging in international negotiations. According to Morrison (2013), "China is currently the United States' second-largest trading partner, [and] its third-largest export market." [1] This paper presents a typical case study example of an international negotiation process undertaken by an American company, Apple Inc. The latter issued an apology to one of its critical international clients, namely its Chinese customers. The first section of this article reviews the information about this case and analyzes the data available from the perspective of both parties. The second section discusses the different meanings of an apology conveys in Chinese culture and American culture by examining the following elements: 1) the characteristics of an individualistic and collectivistic culture; 2) the communication styles associated with a high-context and low-context culture; 3) the concept of "face" in China. Finally, the third section focuses on the letter of apology issued by Apple by analyzing why a public apology can help the negotiators overcome cultural barriers. It also discusses how the company has overcome this crisis, based on the public apology letter's content.

2. Case Review

On World Consumer Rights Day in 2013, one of the leading Chinese television networks reported that Apple's after-sales repair policies were not in compliance with Chinese legislation. Apple only offered a one-year repair guarantee on its after-sales service, while Chinese law requires that the warranty period should at least be two years' duration. Thus, Chinese customers would have to pay approximately ninety dollars to repair a back cover when the one-

year after-sales service expires. The report also revealed that Apple applied different standards in other nations. Following this report's publication, many Chinese media criticized Apple's double standards, claiming that it had adopted an arrogant attitude toward its Chinese customers.

According to Apple's 2012 Annual Report, "the U.S. and China were the only countries that accounted for more than 10% of the Company's net sales in 2012 and 2011." Therefore, China is crucial emerging marketing for Apple Inc. Notwithstanding, the company neither dominated the Chinese smartphone market nor occupied the largest share of this market. According to market share data generated on mobile operating systems in China from January 2013 to December 2017, Google's Android is the biggest competitor to Apple's IOS mobile operating system. Followingly, two weeks after this news had unfolded, to salvage its reputation and gain a better market share in China in the long-term, Apple took the unusual step by issuing a public apology to its Chinese customers. This move was motivated by Apple's strong political allegiances in China and a large consumer base.

3. Case Analysis

3.1. Cultural Difference

Based on the cultural dimensions theory advanced by Hofstede (2010), individualism and collectivism can explain how an apology can convey a different meaning in Chinese as opposed to American culture.[2] Issuing an apology in America usually means individuals accept responsibility for their wrongdoing (Gries & Peng, 2002)[3], as American culture is typically characterized by individualism in which people have full personal consciousness and care more about personal feelings (Hofstede, 2011)[4]. Besides, people from this culture are encouraged to ensure that such feelings are compatible with their values. In contrast, China is a more collectivist-oriented culture, whereby people display evident group consciousness and focus on group harmony. Hence, Chinese people usually care more about other people's feelings or the comfort of others. As a result, in a collectivist culture, an apology is viewed more as a general expression of remorse rather than as a means to assign culpability. One reason to explain why Apple did not issue an apology or implement other effective measures in response to the accusation from Chinese media, with immediate effect, was that the company operates within an individualistic culture. Consequently, it needed time to ascertain whether its standards were violating local principles.

Also, differences exist between how language is used in America as compared to China. High- and low-context cultures are important information-sharing factors to consider in negotiations (Barry & Lewicki, 2016, p. 262)[5]. The communication style adopted in a high-context culture is frequent in collectivist cultures. Individuals conversing in a high-context culture are "deeply involved with each other" (Kim & Pan, 1998)[6], and the style of information exchange used is introverted, quiet, and implicit, because most of the information is either in the physical environment or supposed to be known by the persons involved. The opposite is true of a low-context culture, in that the participants are highly individualized, somewhat alienated, and fragmented, and there is relatively little involvement with others. This type of communication is typical for individualist cultures. Based on these definitions, American culture generally represents a low-context culture, while Chinese culture falls in the scope of a high-context culture. Therefore, American negotiators tend not to conceal elements of the information available to them, and they would convey this detail in a straightforward style. Conversely, Chinese negotiators may more carefully assess the connections formed throughout the entire information exchange during the interaction process. Complex language system problems can be encountered in the negotiations, especially when communicating with people drawn from significantly different cultural backgrounds. Negotiators also need to be mindful of metaphors,

as they may indicate subtle differences in the two kinds of cultures. For example, some words are associated with unique concepts in given ideologies, such as “the meaning of apology in Asian ‘high context’ cultures, where it is connected to face, relative power, and hierarchy” (Avruch & Wang, 2005)[7].

Of particular interest here are the concepts of saving face and giving face, which are essential factors to consider in interactions where Chinese people are involved in the negotiation process. Within Chinese culture, the face is a term used to convey respect, a crucial point of communication and relationship building, regardless of whether it is in a one-to-one or group context. In some cases, face surpassed personal wealth, because in Chinese culture, the face is a valued expression at the center of self-definition in various types of social interactions (Pearce, 1998)[8]. As a concept in Chinese culture, the face can contain multiple meanings, more than respect. Giving face means showing respect to others, and it also represents ego. Saving face indicates that one has strong self-esteem. Therefore, the concept of face in interactions creates “a strong sense of reciprocity” (Su and Littlefield, 2001)[9]; otherwise, people lacking this sense will be deemed ungrateful and thus estranged by others. Negotiators from a Western cultural background must understand that face is one key factor that could play a role in Chinese negotiations. Referring back to the selected case study example, issuing an apology is one method by which Apple can give a face to the Chinese and show their respect to Chinese customers.

3.2. Cultural Barriers

Gaining a cultural understanding from the counterpart's perspective is necessary for the international negotiation process, which is more likely to lead to a successful outcome. Having experienced legal conflict within global business settings, overseas companies should, in the first instance, contact relevant local authorities, in this case, the Chinese government. Apple overlooked local regulations, and in doing so, it failed to give a face (respect) to the Chinese authorities. Thus, the company has to overcome the communication barriers with the government by showing good faith. In its official apology letter, they stated that it had “studied China’s ‘Three Guarantee’ regulations together with government authorities.” It is important to note that overseas companies must obtain permission from the Chinese Government before engaging in business activities in the country, as “the Business and Society approach to organizational legitimacy focuses on businesses being seen as legitimate by society and granted the right to operate as firms orient their actions towards the collective good” (Santana, 2012)[10]. According to Barry, Lewicki, and Saunders (2016), negotiators with stronger understandings of the negotiation metaphors within a culture are more likely to succeed in negotiations. The definition of metaphor includes the capacity to organize action in negotiation. Hence, it is necessary to analyze the behaviors of negotiators from a cultural diversity perspective to make negotiations smoother. In confronting strong competitors within the Chinese market, Apple should focus on building rapport and long-term enduring relationships with its vital cooperative partners. According to Hofstede, “negotiators from collectivist cultures will strongly depend on cultivating and sustaining a long-term relationship”. Therefore, Apple would have an opportunity to identify a range of common goals with the Chinese office, occupying a leading position in this collectivist nation.

Issuing an apology is a practical action to salvage its reputation and build a long-term relationship, as it “creates the conditions for a constructive resolution of the dispute” (Ury, 1993)[11]. Apple’s current Chief Executive Officer, Tim Cook, is a diplomatic and calm person, unlike the previous postholder, Steve Jobs, who had a rebellious and temperamental disposition. Leaders' characteristics could offer one explanation for Apple’s lack of communication with the local official department when it first entered the Chinese market. Following media headlines reporting unfair standards within this market, many Chinese consumers thought Apple would

continue to display haughty attitudes and arbitrary behavior. Essentially, saving face would be the usual action the Chinese people expected of a company such as Apple, as in light of “the concerns for face in collectivistic cultures, a public apology from organizations is rarely seen” (Zhu & Anagondahalli, 2017)[12]. In this situation, the public apology was a pleasant surprise as it sought to create an impression of acquiescence among Chinese consumers and assist Apple in alleviating the widespread discontent.

A sincere public apology in a collectivist nation can repair the relationship and build a rapport with consumers during international negotiations, where “the primary motivation for giving an apology is to influence the beliefs and behaviors of others”. To dispel the negative emotions of Chinese consumers, Apple offered an apology in the form of a letter written in Chinese and posted on its official website. Using the native language spoken by the counterparty can help the negotiators to effectively surmount language barriers that may “distort and damage relationships, and give rise to insecurity and distrust” (Tenzer, 2014)[13]. In the apology letter, Apple gave a sincere promise to address its previously identified negligent practices, abide by statutory regulations, and improve its after-sales service. This apology not only conforms to oriental etiquette and culture, but Apple has also accepted accountability for its wrongdoing. In taking these actions, the company was giving face, showing great respect, and indicating its goodwill to build strong relationships with its Chinese customers. Hence, the public apology brought significant positive outcomes and created a sense of satisfaction among the general public. [14]

4. Conclusion

The role of cultural difference has been identified as one of the primary causes of conflict. Cultural diversity has a significant impact on people from different cultural backgrounds. Once the meanings behind these differences have been explored, it can create the opportunity to investigate how cultural diversity works and functions. While offering an apology is one straightforward approach, it has to be carried out with great sensitivity, especially in a high-level conflict that requires international negotiations. This case study does teach us a good lesson. In the face of the negotiations among different countries, the negotiators should display more outstanding care and rigor when managing complex but critical cultural issues, although cultural differences may not be the core concern in the negotiation process. Within an international business context, the conflict can make the disputants experience unexpected losses. In contrast, effective communication and win-win negotiation strategies, including cultural lenses, can help stabilize companies, particularly in a fiercely competitive market.

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