



Changing success and failure factors in business negotiations with the PRC

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Abstract

This article studies the factors that could affect success and failure in business negotiations with the People's Republic of China (PRC). By comparing this study with two earlier studies on the same subject conducted in the 1980s and 1990s, respectively, the article suggests that both success and failure factors in negotiating with the PRC are in transition. The article emphasizes the importance of trust, professionalism, technology, and price competition in negotiating with the Chinese in post-WTO China. Future research and managerial implications are discussed.

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1. Introduction

Recently, when we asked the President and CEO of a large multinational corporation to use a keyword to describe his impression about the People's Republic of China (PRC) since his first visit to the country in the early 1980s, he replied, "Change, change and change!" When Chinese businesspeople were asked to comment on their own country, the same keyword, "change", was often used. "Change" seems to be the single most important word to characterize the dynamics of China and the sentiments of all who have observed the development of the country since it was re-opened to the rest of the world in 1978.

Within three decades the PRC has been transformed from one of the world's most isolated and backward economies into one of the most dynamic economies (Burstein & de Keijzer, 1998; Fernandez & Underwood, 2006; Fishman, 2005; Lardy, 2002; Meredith, 2006; Shenkar, 2005; Story, 2003; Sull & Wang, 2005). From 2004 to 2005 China's foreign trade increased by 19% to US\$1.42 trillion (National Bureau of Statistics of China, 2006) making China the third largest foreign trade power in the world after USA and Germany, and surpassing Japan. China's GDP has grown at an average annual rate of 9.6% from 1978 through 2005.¹

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¹<http://www.chinability.com/GDP.htm>, accessed 1 August 2006.