

Research on Negotiation Techniques and Strategies in International Business: A Case Study of Haier's Acquisition of GEA

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Abstract: As global economic development progresses, trade among multinational corporations becomes increasingly interconnected. International business negotiation, being a pivotal component of this dynamic, holds considerable research significance. The process of international business negotiation is multifaceted, requiring negotiators to adeptly employ a variety of negotiation techniques and strategies to achieve favorable outcomes and ensure the realization of their interests. Thus, this research aims to analyze the negotiation techniques and strategies involved in the case of Haier's acquisition of GE Appliances, with the objective of providing insights and references for international negotiators.

1. Introduction

With the continuous deepening of China's reform and opening up, and the development of the socialist market economy, significant progress has been made in various domains of China's economy, culture, and education. China has emerged as a nation with robust international competitiveness and is progressively asserting itself as a significant global player. This backdrop sets the stage for business negotiations involving Chinese enterprises and counterparts from other nations [1-2].

In the contemporary era of economic globalization and market-driven economies, the significance and imperative of international business negotiations have become increasingly conspicuous. International business negotiations represent a vital avenue for Chinese enterprises, as well as global counterparts, to engage in competitive endeavors. Therefore, conducting research on

negotiation techniques and strategies in international business holds paramount importance in enhancing the capabilities and standards of Chinese enterprises, as well as those worldwide, in international business negotiations [3-4].

International business negotiation constitutes a comprehensive activity that integrates language proficiency [5], cultural understanding, psychological acumen, and various other facets. Effective negotiation demands adept utilization of language skills for articulation [6], coupled with mastery in non-verbal communication techniques. It necessitates strategic planning and adept execution. Only through the application of appropriate negotiation strategies and techniques can negotiators maximize benefits in business negotiations. International business negotiation entails a broad spectrum of knowledge, encompassing international trade theories, trade statistics, and requisite foreign language proficiency [7-8].

To attain optimal outcomes in negotiations, in-depth study and research of various theories and professional knowledge are indispensable. Such endeavors are essential for negotiators to navigate negotiations proficiently and achieve successful outcomes. This research aims to analyze the case of Haier's acquisition of GE's home appliance business from the perspective of general negotiation techniques and strategies, offering valuable insights for international negotiators [9].

2. Definition of Concepts

2.1. Connotations of International Business Negotiation

Negotiation, as a process of compromise between parties based on their respective needs through certain means and strategies, is integral to international business. With the ongoing globalization of economies, the interdependence among nations in terms of trade has intensified, accentuating the significance of international business negotiation. It constitutes a crucial component of transnational trade activities, extending and evolving domestic business negotiation practices onto the international stage. Given that parties involved in international business negotiation originate from diverse countries or regions with varying social systems, cultural customs, and legal frameworks, negotiations are inherently complex [10].

2.2. Fundamental Principles of International Business Negotiation

Principle of Equality and Reciprocity: In every commercial negotiation, both parties should operate from positions of equality. With mutual benefits and harmonious economic interests as common goals, negotiations aim to ensure that each party maximizes its economic gains. Equality and reciprocity serve as the foundational principles underpinning successful business negotiations.

Principle of Primacy of Interests: The positions adopted by parties in negotiations correlate directly with the economic interests they represent. Conflicts over fundamental economic interests often arise in genuine business negotiations, where differing stances reflect divergent interest points. Economic interests typically take precedence in negotiations, with the primary objective being to secure maximum economic benefits. Thus, it's imperative to delineate and negotiate conflicting interests effectively and rationally.

Principle of Integrity and Trustworthiness: Integrity is paramount for all individuals, and likewise, it is indispensable in business negotiations. Integral to cooperation, honesty and trust form the bedrock of collaborative endeavors, guiding conduct throughout the partnership. Genuine collaboration transcends contractual obligations, manifesting in every aspect of cooperation, thereby fostering trust and facilitating smoother negotiation processes. Upholding mutual commitments in a manner reflective of reciprocity and mutual benefit is imperative for fostering enduring business relationships.

Principle of Adherence to Objective Standards: Business negotiation is a collaborative process between parties seeking mutual development. However, there's no guarantee of negotiation success, and divergent opinions or cultural disparities may emerge during negotiations. It's essential to objectively evaluate any detail that may impede negotiation success, striving to mitigate or eliminate cultural differences and divergent opinions. Establishing and adhering to objective standards that both parties accept and recognize is crucial for conducting negotiations fairly, justly, and transparently.

3. Common Strategies in International Business Negotiation

3.1. Cooperative Strategy

One of the most common strategies in international business negotiation is the cooperative strategy. The cooperative strategy aims to resolve negotiation conflicts by maintaining friendly relations between both parties while ensuring that the ultimate resolution benefits both sides. Users of this negotiation strategy tend to consider the interests of both negotiating parties from a neutral standpoint, rather than solely representing one party's interests. Companies participating in negotiations must be willing to cooperate; otherwise, there would be no need for them to engage in negotiations. Therefore, when the issues involved in the negotiation are not too difficult to resolve and both parties still hope to resolve the issues cooperatively, the cooperative strategy is the most appropriate approach. Negotiators employing the cooperative strategy can typically use effective means to resolve conflicts and stabilize the negotiation situation. This strategy emphasizes a "win-win" attitude for both parties. However, the implementation of this negotiation strategy also requires negotiators to have sufficient time, energy, and creativity.

3.2. Concession Strategy

In the process of international business negotiation, I believe that neither party is willing to use the concession strategy, as each party is unwilling to make concessions. However, in some cases, the concession strategy must be employed. For example, negotiators who believe from the outset that the negotiation cannot result in a win-win situation often fall into the vortex of "negotiation is either about losing something or winning something," placing more emphasis on maintaining a friendly relationship with the other party. Consequently, persuasion and dominance become the primary forms of negotiation. The goal of this negotiation strategy is to seek expedient solutions or compromise that both parties find somewhat satisfactory. The use of the concession strategy implies that both negotiating parties hold the viewpoint of "lose a little, gain a little." In situations where there is an imbalance of power in international business negotiation, concessions are used as a negotiation strategy.

We all know that in international business negotiation, disagreements between parties are inevitable, such as differences in views on price, payment terms, etc. If both parties are evenly matched, but persisting in their positions would lead to mutual loss, it may be appropriate to make some concessions. However, it is essential to note that concessions must be limited and should not be made without restriction. For example, even if the price proposed by the other party is below our minimum price, we cannot concede, even at the risk of losing the order.

4. Case Introduction

4.1. Overview of the Case

In 2016, Haier's revenue reached 119.066 billion RMB, marking a growth of 32.59%. General appliances contributed 25.834 billion RMB to the company's revenue in 2016, generating an attributable net profit of approximately 435 million RMB for the listed company's shareholders. According to Euromonitor International's global major appliances survey, Haier's market share in major household appliances was 10.3% in 2016, making it the largest player in the global major household appliances market. On January 14, 2016, Haier Group signed an equity and asset purchase agreement with General Electric. On January 15, 2016, Qingdao Haier announced a full-cash transaction of \$5.4 billion to acquire GE Appliances from General Electric. On June 7, 2016, Qingdao Haier Co., Ltd. and GE jointly announced that they had signed various necessary transaction transfer documents related to the acquisition, meaning that GE Appliances became a part of Haier. The final amount of this acquisition transaction was \$5.58 billion, paid by Haier Group through equity and debt. The transaction included assets of the home appliance business held by GE and its subsidiaries; the equity portion included 100% equity of 10 subsidiaries, shares of three joint ventures, and minority stakes in three companies; non-equity assets included real estate related to business held by GE and its subsidiaries, related intellectual property rights, software and technology, and relevant government licenses.

4.2. Introduction to General Electric Appliances in the United States

General Electric was founded in the United States in 1892 and is one of the world's largest home appliance manufacturers. Adhering to the brand philosophy of "Building for Me," General Electric focuses on innovation and user experience to design and manufacture the world's best home appliances. The company is headquartered in Louisville, Kentucky. It is a leading home appliance manufacturer in North America, with nine factories in five states across the United States. In the first nine months of 2015, GE Appliances recorded sales of \$4.658 billion and pre-tax profit of \$223 million, consistently ranking as the second largest home appliance brand in the United States. It offers a full range of home appliances.

4.3. Introduction to Qingdao Haier Group

Haier was founded in Qingdao, Shandong Province in 1984. In 2016, its global revenue is expected to reach 201.6 billion RMB, a year-on-year increase of 6.8%, and its profit reached 20.3 billion RMB, a year-on-year increase of 12.8%, with profit growth rate 1.8 times higher than revenue growth rate. According to the 2016 global large home appliances retail sales data released by the globally authoritative market research firm Euromonitor International, Haier's large home appliances accounted for 10.3% of the global market share in 2016, ranking first in global retail sales volume, reaching a historical high since 2009, and reaching 10.3%. Since 2009, Haier has maintained the top position for eight consecutive years, with refrigerators, washing machines, wine coolers, and freezers continuing to be the world's leading brands in retail sales volume, ranking second, with a significant lead. Haier has 10 research and development centers worldwide, 21 industrial parks, 66 commercial sites, and 143,330 sales points, serving customers in over 100 countries and regions. According to Euromonitor International's data, Haier has been the world's number one brand for 11 consecutive years and is currently the world's largest major brand home appliance company.

5. Negotiation Techniques and Strategies in Haier's Acquisition of GEA

5.1. Sufficient Pre-negotiation Preparation

A solid start is crucial for the smooth progress of negotiations, and both parties need to make adequate preparations in advance. As the saying goes, "Know yourself and know your enemy, and you shall win a hundred battles." Only with thorough and perfect preparation can one contribute to the success of negotiations and transactions. In preparing for business negotiations, negotiators should strive to fully understand the situation of the other party while analyzing their own strengths and weaknesses. Self-analysis is mainly conducted by comparing and studying the feasibility of proposed negotiation processes. Understanding the situation of the other party mainly includes the political background and economic strength of the other country (region), the creditworthiness of the other company, policies and regulations, trade practices, customs rules, and basic conditions of the other party's negotiators.

When GE first entered the Chinese market, there were rumors of acquiring Haier, but it was ultimately unsuccessful. However, Zhang Ruimin's communication with GE's senior management never stopped, and he also studied GE's "Six Sigma System" and over 200 fixed management processes. In recent years, Haier's chicken brand, Day Day Up, has also been open to GE, and both Haier and GE have a profound understanding of each other. Through this merger, Haier and GE will be able to share resources, including supplier resources, and integrate their raw material procurement businesses, which may lead to a reduction in product costs. For Haier's manufacturing enterprises, technological level is related to the company's core competitiveness. GE's excellent R&D team is an important factor in the sustainable development of its brand. Acquiring GEA is an important breakthrough for Haier to quickly enter the US market, gain market share in the US, and promote Haier's globalization strategy, expanding its influence in the global market.

5.2. Chief Zhang's Skillful Use of Cooperation Strategy to Gain Trust

Haier made full preparations for this acquisition and had already planned the details of the integration plan in January 2016, ensuring that it was prepared for any eventuality. In addition to the careful preparation of the integration plan, Haier was ultimately selected not only because it was well prepared but also because of a mysterious meeting between Zhang Ruimin and Immelt a week before the bidding. As the scheduled meeting between General Electric's CEO and all bidders on January 13th was canceled at the last minute, if Haier could have an in-depth discussion with Immelt before others, it would have an advantage over its competitors. The first thing he said when he saw Immelt was, "I never regarded GE as a simple transaction but rather an important turning point in the relationship between Haier and GE." Zhang subtly used a cooperative strategy, indicating that Haier's acquisition of GEA was a collaboration that would ultimately benefit everyone. Zhang's sincerity also impressed Immelt. It was Zhang's words that made Immelt feel Haier's sincerity and determination. After the meeting, he immediately agreed for the head of GE China to discuss the next strategic cooperation with Zhou Yunjie, Chairman of Haier's Supervisory Board. This episode was crucial for the imminent success of the pioneering transaction.

5.3. Haier's Compromise on Price

One of the biggest controversies in this acquisition was the issue of price. In fact, Electrolux had signed a \$3.3 billion acquisition deal for GEA in 2014, and after a year-long pre-integration period, the deal was eventually terminated due to competitive factors. Many market participants compared

this transaction with the \$3.3 billion deal proposed by Electrolux in 2014, as Haier's \$5.58 billion transaction was 60% higher than the first transaction.

Tan Lixia, Vice President and Chief Financial Officer of Haier, stated that the focus of the capital behind Qingdao Haier was not entirely on the issue of price. In order to successfully take over GEA, enhance Haier's visibility and influence in the US market, and implement Haier's globalization strategy, Haier had to make some concessions on price.

6. Conclusion

Business negotiation is a bilateral communication process aimed at reaching a mutually agreed-upon agreement on different requirements or ideas. Negotiation is a collection of scenarios, including communication, sales, marketing, psychology, sociology, and other disciplines, reflecting a negotiation method that integrates multiple disciplines. The ultimate goal of business negotiation is to reach a consensus agreement based on the final objectives of both parties, which is a form of fostering successful cooperation. During negotiations, it is crucial to seek a negotiation foundation based on common interests, while also mastering certain skills and strategies.

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