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Intercultural Business Negotiation Strategies

By

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Abstract

Along with the advancement of globalization, managers are required to manage cultural differences at international business situations, as one of the essential managerial skill. However, intercultural negotiations are likely to become more complex and difficult than that of domestic one, due to the cultural influences to the value, attitude and behavior of the negotiators. On the other hand, successful intercultural negotiations could create new solutions, and bring mutually beneficial results. Purpose of this paper is to introduce the tools to analyze the cultural differences, and to suggest the process that can be taken for the successful intercultural negotiations. Results of both the theoretical and the empirical studies on intercultural communication and negotiation styles are described. Finally, framework for intercultural negotiation steps suggested by Moran & Stripp (1991) is introduced.

Key Words

Introduction

Recently, the number of multinational companies operating intercultural dimensions of business activities has rapidly increased. With such a rapid globalization of business activities, business negotiations between companies with different cultural backgrounds have become extremely important yet difficult.

Negotiation is the process by which at least two partners with different needs and viewpoints try to reach an agreement on matters of mutual interest (Casse, 1981). When a negotiation takes place in an intercultural situation, cultural diversity as well as the language barrier will be added to the complexity of domestic negotiations. Because each nation has its own more or less unique culture, different protocol and tactics in business negotiations could create obstacles in making an agreement which satisfies both parties. Furthermore, a prolonged negotiation period will result not only in depletion of business resources, such as time, money and opportunity, but also in a loss of mutual trust due to their failure to arrive at an agreement.

On the other hand, differences can be a factor of intercultural communication complexities and a cause of problems, but they ultimately become the primary resources in creating mutually beneficial, synergistic agreements (Adler, 1991). Negoti-

ation is generally the preferred strategy for creating win-win solutions in most cultures, because differences become a resource in creating new solutions. Therefore, mutually beneficial solutions will be reached when negotiators focus on their comparative advantages.

To successfully manage intercultural negotiations, it is important to know how to influence and communicate with members of cultures other than one's own (Adler and Graham, 1989). In other words, awareness of the existence of strategies to minimize the culturally-influenced barriers at global negotiations will minimize unnecessary time, costs and risks. Therefore, an effective intercultural negotiator will become a bridge to span cultural differences at global business negotiations. Hence, the first step in understanding intercultural negotiation strategy is to recognize cultural differences between one's own country and its counterparts.

In the following sections, factors affecting a country's cultural orientation, results of empirical research that indicate culturally-based negotiation styles, and variables influencing the negotiation process will be discussed.

Cultural Orientation

Cultural orientation reflects the values, attitudes and behaviors of each country's people. Since cultural orientation is likely to affect the management style of the country, it will also affect the attitude regarding and style of negotiation.

In order to define the cultural orientation of a country, there are several dimensions. Hall (1989) introduced the concept of "cultural context" as a useful framework to define the cultural orientation of a country. Context can be defined as the cultural factors affecting communication, including the nature of the relationship, the environment, the roles of the participants, and nonverbal communication (Griffin and Daggatt, 1990). According to Hall, each culture can be classified as either a low-context culture or a high-context culture based on the amount of information that is in a given communication.

Hall sees a low-context culture as one where information is transmitted through an explicit code to make up for a lack of shared meanings. A high-context culture is one in which most of the information is either in the physical context or internalized in the person, while little is in the coded, explicit, transmitted part of the message. Countries can be thought of as ranging on a continuum from high context to low context, where the East Asian countries[1] are at the high context end and Switzerland is on the low context end (see Table 1).

For instance, Japan is classified as a high-context country where people traditionally use indirect expressions for negotiations, and one party can decipher what the other party is trying to say. On the other hand, the United States is classified as a low-context country where people usually use more direct expressions and exchange opinions much more frankly.

There is no question that this difference in cultural context will cause miscommunication, which is one of the largest obstacles in negotiations. It is, therefore, important to analyze the difference in cultural context prior to intercultural negotia-

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[1]Although East Asian countries are regarded as high-context countries, cultural diversity among these countries was empirically recognized (Hofstede, 1980). This result assumably reflects the differences in race, language and socio-economic systems in this region.

Table 1. Cultural Context and Country

Context Type	Country	Expression Type
High context	Japan, Korea, Taiwan People's Republic of China Arab countries Soviet Union Spain Italy France England United States Scandinavia Germany	Implicit
Low context	Switzerland	Explicit

Source: Griffin and Daggatt (1990)

tions, in order to avoid unnecessary conflicts.

Lane and DiStefano (1988) introduced six dimensions of cultural orientation. Each dimension consists of a pair of perceptions that describe the cultural type of a particular country. Therefore, one can identify the differences and similarities in cultural orientation in negotiation by comparing these dimensions.

High Trust vs. Low Trust

In a high-trust culture, people tend to trust other people a great deal, whereas in a low-trust culture, people tend to suspect and mistrust other people. Therefore, negotiators from high-trust cultures rely on their bargaining partners and expect to receive the exact amount that is agreed upon by the negotiators. On the other hand, negotiators from low-trust cultures depend only on themselves, and will carefully observe the process of fulfillment of their agreements.

Dominance vs. Harmony

In dominance cultures, people are encouraged to modify nature to enhance their own interests. By contrast, in harmony cultures, people do not separate from the natural environment, and let themselves live at peace with the environment. For instance, dominance-oriented negotiators intend to occupy considerable space and time for discussions, and influence their opponents' decisions by using various kinds of tactics. On the other hand, harmony-oriented negotiators are likely to avoid time constraints for decision making and are in favor of an amicable settlement on which both sides agree.

Individualism vs. Collectivism

In an individual-oriented culture, people value welfare and benefits for individual people above anything else. By contrast, in a group-oriented culture, people identify themselves as members of communities and value welfare for the groups they belong to above anything else. Therefore, negotiators from individual-oriented cultures will make decisions relatively quickly, usually at their own discretion. However, negotia-

tors from group-oriented cultures will make decisions by consensus, a more time-consuming manner.

Action vs. Control

In an action-oriented culture, people stress accomplishments measurable by external standards. On the other hand, in a control-oriented culture, people are more indulgent of individual needs and working just for the moment. Action-oriented negotiators will persuade the other party by showing tangible evidence and factual examples. However, control-oriented negotiators usually work toward their desires, and will persuade the other party based on their subjective standards.

Past vs. Future

In past-oriented cultures, people evaluate issues according to the customs and traditions of their societies, and a change is made based only on past experience. To the contrary, in future-oriented cultures, people evaluate issues according to the estimated future payback for the present innovation. Therefore, past-oriented negotiators tend to make decisions based on their past successful experiences. On the other hand, future-oriented negotiators tend to make decisions based on future paybacks and have less regard for past experiences.

Public vs. Private

The public versus private orientation defines the arrangement of organizational space. In public-oriented cultures, people tend to stay with others in the same physical space. On the other hand, in private-oriented cultures, people prefer to have more private space. Therefore, public-oriented negotiators prefer to have more contact with the other party both through formal and informal activities. Private-oriented negotiators prefer to separate business and private life, and their contacts with others are limited to formal activities.

Research on Intercultural Negotiation Styles

Within the past decade, a number of research activities have focused on intercultural negotiation styles. Based on such studies, the differences in values and attitudes of individual negotiators were presented as playing an important role in negotiation. For instance, Japanese negotiators prefer to base their business relations on trust and mutual respect, and they seem to look for interpersonal attraction before attacking substantive issues (Graham, Kim, Lin and Robinson, 1988). By contrast, North American negotiators are more individualistic, competitive, impersonal, and they focus negotiations on exchange of information, which encourages the other side to exchange information also (Graham et al., 1988).

In order to test these qualitative studies empirically, Nagai, Abramson and Lane (1991) conducted a study to compare the cognitive style of Japanese and North Americans. Cognitive style is a concept concerned with what people recognize as data and how it is processed. It is seen to affect the way people approach problem solving, the kinds of information they use and their methods of interacting with others to come to decisions (McKenny and Keen, 1974). In this study, cognitive styles between 64 Japanese MBA students and 81 Canadian MBA students were compared to identify

Table 2. Significant Differnces in Information Processing Characteristics of Canadian (N=81) and Japanese (N=64) MBA Students Found Using English and Japanese Versions of the Myers-Briggs Type Indicator (MBTI), as Tested Using CHI Square Tests.

Cdn = Canadian MBA students   ●= at the probability of
Jpn = Japanese MBA students   > = more than

MBTI Scale	Descriptors	Results
Thinking(T)	Logical, cause & effect oriented, impersonal. Concerned with objectivity, analysis, justice & fairness.	Cdn > Jpn ● .001
Judging(J)	Seeks fast decision making. Closure imposed on fact-finding as soon as there is enough data for a decision. Values being organized & decisive.	Cdn > Jpn ● .026
Thinking-Judging(TJ)	Decision making is tough-minded, analytical & instrumental.	Cdn > Jpn ● .012
Intuitive-Judging(NJ)	Strives to accomplish goals based on inner vision. Aims at imposing this vision on facts of current situation using driving, persistent & determined behaviour.	Cdn > Jpn ● .015
Intuitive-Thinking(NT)	Focuses on theory, abstract relationships. Prefers impersonal analysis. Tends to subordinate human element.	Cdn > Jpn ● .053
Feeling(F)	Focuses on personal & group values. Emphasizes human aspects of problems. High capacity for warmth. Desire for harmony & need for affiliation.	Jpn > Cdn ● .001
Perceiving(P)	Open & curious attitude to incoming date results in slow decision making. Values adaptability & openness to change.	Jpn > Cdn ● .026
Sensing-Feeling(SF)	Strong grasp of facts of a situation, especially with human element. Decides using subjectivity and personal warmth. Trusts feelings to balance relative importance of issues to self & others. Tends to be sympathetic & friendly. More open to risk taking than most.	Jpn > Cdn ● .001
Feeling-Perceiving(FP)	Private thoughts focus on subjective values. Seeks adaptive, affiliative harmony with others. Concerned with human aspects of problems.	Jpn > Cdn ● .001
Sensing-Perceiving(SP)	Good observers of immediate situation. Focuses on facts. Curious for new experience. Easily adapts to new situations as they arise.	Jpn > Cdn ● .028

Signficant differences were not found in the following MBTI scales:introversion(I), extraversion(E), intuition(N), sensing(S), sensing-thinking(ST), intuiting-feeling(NF), introverted-judging(IJ), introverted-perceiving(IP), extraverted-judging(EJ), extraverted-perciving(EP), sensing-judging(SJ), intuitive-perceiving(NP), thinking-perciving(TP), or feeling-judging(FJ).
Descriptors are from Myers & McCaulley(1986).
Source: Abramson, Lane and Nagai(1990).

their negotiation styles. According to the results of the statistical tests, 10 out of 24 different categories showed significant differences in cognitive styles (see Table 2).

These differences suggested that the Japanese would prefer a consensus-based, emotional and feeling-based, group problem-solving negotiation style. North Americans would prefer rational, unemotional, impersonal and individualistic problem solving. Therefore, the results tend to confirm the hypothesis developed in the previous studies.

Negotiation Process

In an actual negotiation, process is the most important factor in determining performance. Because a negotiation strategy reflects the situation and organizational cultures, the negotiation process is especially important for intercultural negotiations. Therefore, negotiators need to consider an overall strategy, stages, and specific tactics to use prior to each intercultural negotiation.

Moran and Stripp (1991) present a framework for analyzing intercultural negotiations. The framework distinguishes four components and each component represents key stages of the negotiation process. Each component is also subdivided into one or more variables. A total of 12 variables form a comprehensive checklist that intercultural negotiators should check when negotiating with foreign counterparts.

The Four Components

According to the framework, negotiation is a cyclical process, and it consists of four stages, namely, policy formulation, interaction, deliberation and outcome (see Figure 1).

Figure 1. Global Negotiations Flowchart
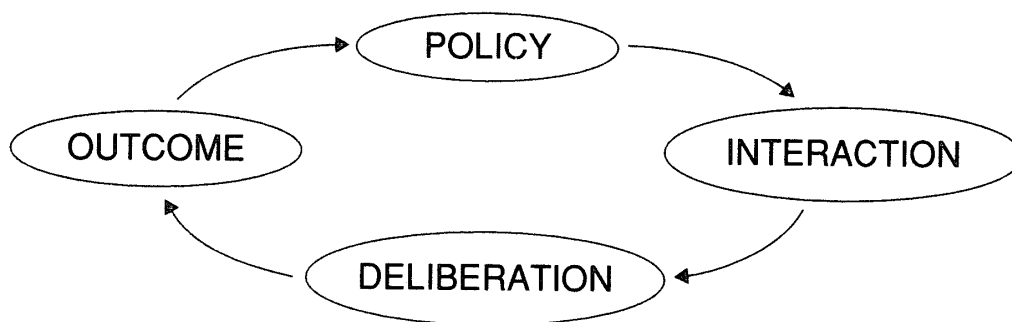
Source: Moran and Stripp (1991)

First, "policy" is defined as the initial stage in which negotiators consider the vital interests of a business and the customary course of action used to protect and promote those interests. Second, "interaction" is the stage of information exchange during which both sides propose offers and counteroffers. Third, "deliberation" is the stage in which negotiators evaluate the interaction and standardize understanding of their counterpart's requirements, and reformulate expectations. Finally, "outcome" refers to the final understanding reached by both sides. Whatever the outcome, this is the stage to evaluate negotiations, and the evaluation of the outcome will be reflected in the "policy" of future negotiations.

The Twelve Variables

The four components of the negotiation process are further divided into twelve variables that can influence the performance of intercultural negotiations. By selectively categorizing information using these twelve variables, negotiators can develop a profile of their counterpart's values, attitudes and behaviors toward negotiation. This profile will help intercultural negotiators make intelligent decisions and take appropriate actions before, during, and after negotiations by predicting and interpreting the actions taken by their foreign counterparts. These variables and their contents are listed in Table 3.

Table 3.   Framework for Global Business Negotiations

Components	Variables	Contents	Negotiator's Profile
I . Policy	1. Basic Concept of Negotiation 2. Selection of Negotiators 3. Role of Individual Aspirations 4. Concern with Protocol	Counterpart's philosophy Why they were selected Negotiator's interests How each side acts	Strategic—Synergistic Technical—Social skills ability Organization—Self Formal—Informal
II. Interaction	5. Significance of Type of Issue 6. Complexity of Language 7. Nature of Persuasive Argument 8. Value of Time	Which things are important Communication method Type of persuasion Use of time and duration of negotiation	Substantive—Relationship-based Verbal—Nonverbal Logic—Emotion Strict—Relaxed
III. Deliberation	9. Bases of Trust 10. Risk-Taking Propensity 11. Internal Decision-Making Systems	What makes them trust someone Handling of risk Who makes decisions and how	Law—Friendship Cautious—Adventurous Authoritative—Consensual
IV. Outcome	12. Form fo Satisfactory Agreement	Form of agreement expected	Explicit—Implicit

Source: Moran and Stripp (1991)

   1) "Basic concept of negotiation" consists of two opposing philosophies regarding proper approaches to the negotiation process: strategic and synergistic. Under the strategic negotiation model, each side desires to get as much as possible of limited resources, and, therefore, one party's benefit becomes the loss of the other party. On the other hand, under the synergistic negotiation model, each party can obtain their own interests at no expense to others, by taking several alternative ways to make

resources unlimited.

2) "Selection of negotiators" is the negotiator's capability for estimating why members of the counterpart team were chosen. It consists of technical skills and social skills. Technical skills are expertise and abilities in a particular field, such as managerial skills, linguistic knowledge and legal knowledge. Social skills include the negotiator's personal attributes and status, such as affability, position in organizations and seniority.

3) "Role of individual aspirations" is a method of identifying the counterpart's goal out of the two goals categorized: organization-oriented and self-fulfilling. Under organization-oriented goals, negotiators act on behalf of their companies, whereas, under self-fulfilling goals, negotiators may act for their own personal interests.

4) "Concern with protocol" consists of two opposing types of practices for diplomatic interaction in codes of ceremony and procedure: formal and informal. Under formal protocols, negotiators stress adherence to strict and detailed rules that govern manners and conduct. To the contrary, under informal protocols, negotiators scarcely adhere to rules that govern manners and conduct.

5) "Significance of type of issue" regards the kinds of issues at negotiation, and it consists of two opposing types of issues: substantive and relationship-based. Under substantive issues, negotiators focus on the control and use of resources. On the other hand, under relationship-based issues, negotiators focus on their mutual or reciprocal interest concerning the ongoing topic.

6) "Complexity of language" means the communication method of transmitting messages during negotiation, and it consists of two basic ways: verbal and nonverbal. Through verbal communications, information is transmitted by elaborate codes that make messages explicit and specific. On the other hand, through nonverbal communications, expression by eye contact, facial expression and gesture considerably helps transmit messages.

7) "Nature of persuasive argument" represents the approaches to persuasion and consists of two basic styles: logic and emotion. Under logical persuasion, negotiators try to use their tactics with empirical evidence. On the other hand, under emotional persuasion, negotiators try to use their tactics to appeal to their counterparts by expressing their emotions, or referring to their values or beliefs.

8) "Value of time" is the basis on which negotiators use their time for negotiation meetings. It is divided into two types: strict and relaxed. When focusing on punctuality, negotiators compartmentalize events and concentrate on one thing at a time. On the other hand, when focusing on achievement, negotiators focus on the completion of transactions rather than adherence to preset schedules and, therefore, appointments are frequently broken and important new plans precede them.

9) "Bases of trust" is the foundation on which negotiators can rely on their counterparts' information, and have confidence that joint decisions will lead to a desired outcome. Negotiators base trust on either law or friendship. Based upon law, a higher authority will force performance. On the other hand, based upon friendship, negotiators rely upon the friendly, harmonious nature of their relationship to ensure their agreement.

10) "Risk-taking propensity" is the propensity that negotiators anticipate a possible outcome with uncertainty, and it is represented by two opposing types: cautious and adventurous. If a negotiator shows a tendency to choose a higher probability of

success for a lower reward, the negotiator is labeled as a cautious negotiator. On the other hand, if a negotiator shows a tendency to choose a lower probability of success for a higher reward, the negotiator is labeled as an adventurous negotiator.

11) "Internal decision-making systems" denotes the system by which organizational decisions are made on the basis of past company experience, company structure, and internal communication. It is roughly classified into two systems: authoritative and consensual. In the authoritative decision-making system, the leader of the negotiating team makes decisions without much concern for consensus. On the other hand, in the consensual decision-making system, the team leader may consult with his/her superiors.

12) "Form of satisfactory agreement" is the final variable in the negotiation process to confirm the agreement of negotiation between parties. It is roughly divided into two opposing types: explicit and implicit. Explicit and detailed written contracts cover all contingencies through an outside enforcement agency. On the other hand, implicit oral agreements covering unforeseen future possible changes are made through negotiators' personal relationships.

Conclusion

In order to achieve agreement in intercultural negotiations, negotiators are required to manage cultural differences between parties, in addition to the complexity of domestic negotiations. Because such a large variety of cultural factors exist among nations, which are reflected in negotiation styles, it is critical for negotiators to identify the kind of problem-solving approaches which are most appropriate for each intercultural negotiator.

Therefore, understanding cultural differences is vital for successful intercultural negotiations. Also, objective measurement of culture is important to overcome misunderstanding caused by stereotyping and prejudice about other cultures. Among several approaches to identify cultural differences, Hall's concept of "cultural context" and Lane's "six dimensions of cultural orientations" seem to be useful tools to identify the characteristics of each culture based on established dimensions.

Recently, empirical studies to examine differences in intercultural negotiations have increased. The results of these studies confirm the hypotheses suggested in previous conceptual studies, and present the practical implications of negotiation tactics of each country type for intercultural negotiations.

A negotiation process model demonstrated by Moran and Stripp (1991) also presents a useful framework for successful intercultural negotiations, by predicting a profile of the counterpart's negotiation style. This profile will help intercultural negotiators consider a strategy and specific tactics to use at each specific stage.

Along with the advancement of globalization, intercultural negotiations for international business will become more important every year. The role of intercultural negotiators is extremely important in order to achieve successful international business negotiations. To become a successful intercultural negotiator, it is crucial to be sensitive about differences between the values, attitudes and behaviors of one's own society and people in other countries, and to overcome differences in strategies and tactics at each stage of the negotiation process.

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