

# Session 7

## Cross Culture Negotiation

# Part 1

## CULTURE AND NEGOTIATION

Differences in the expectations held by parties from different cultures are one of the major difficulties in any international business negotiation.

# The Pervasive Impact of Culture on Negotiation Behavior

Companies and countries do not negotiate—people do



- Cultural differences in international negotiation can cause problems at the levels of:
  - (1) Language
  - (2) Nonverbal behaviors
  - (3) Values
  - (4) Thinking and decision-making processes

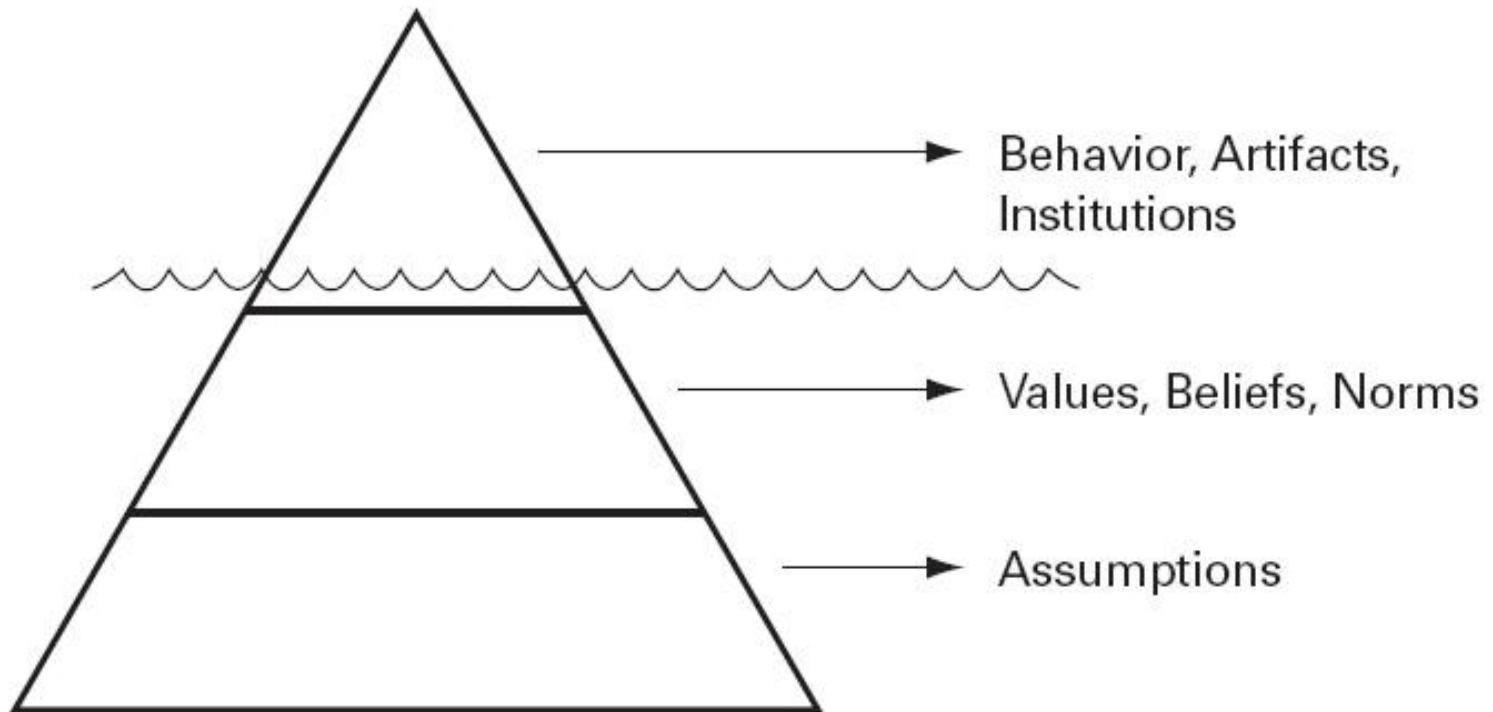
# What is Culture?

- “Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values.”  
-- *Geert Hofstede*
- “Culture is the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic ‘taken for granted’ fashion an organization's view of its self and its environment.” -- *Edgar Schein*

# Elements of Culture

- What are the visible attributes of culture? What are the elements that you can point to and say 'that is there to show and sustain this culture'?
  - Artifacts
  - Stories, histories, myths, legends, and jokes
  - Rituals, rites, ceremonies, and celebrations
  - Heroes
  - Symbols and symbolic action
  - Beliefs, assumptions, and mental models
  - Attitudes
  - Rules, norms, ethical codes, and values

# Culture as an Iceberg



*Source:* Adapted by Susan Schneider (HEC University of Geneva) from Schein, E. H. (1985). *Organizational culture and leadership*, p. 14. San Francisco: Jossey-Bass.

# Importance of Cultural Elements

- Notice these things, and how people react around them. Beware of transgressing cultural norms unless you deliberately want to do this to symbolize something (such as 'I do not agree with this').
- Cultural rules are also very powerful levers. If you question whether people are conforming, they will assert that they are (and likely be concerned by your questioning their loyalty). They can also be used as safety bolt-holes where people will head for when threatened.

— Brown, A. *Organizational Culture*, Pitman, London, 1995 —

# Hofstede's Cultural Factors

1. Power
2. Self
3. Gender
4. Predictability
5. Time





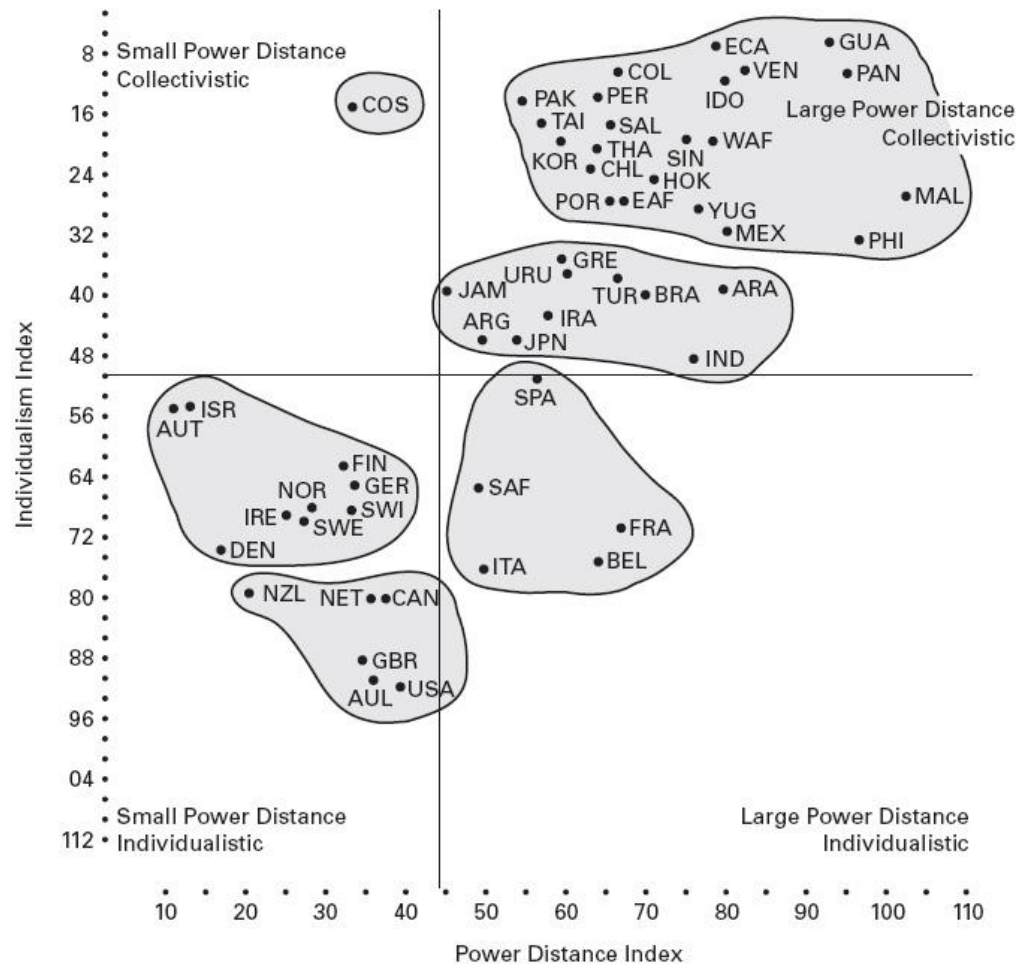
# Power

- Hofstede named this *Power Distance (PD or PDI)*. It is the extent to which less powerful members expect and accept unequal power distribution. High PD cultures usually have centralized, top-down control. Low power distance implies greater equality and empowerment.
- Malaysia, Panama, and Guatemala rated the highest in this category. The US was 38th.

# Self

- Hofstede named this *Individualism versus Collectivism (ID or IDV)*. In an individual environment the individual person and their rights are more important than groups that they may belong to. In a collective environment, people are born into strong extended family or tribal communities, and these loyalties are paramount.
- The US was number 1 here, closely followed by Australia and Great Britain.

# Power Distance and Individualism Profiles



Source: Hofstede, G. Culture's Consequences: International Differences in Work-Related Values,

# Gender

- Hofstede named this *Masculinity versus Femininity (MAS)*. It focuses on the degree to which “traditional” gender roles are assigned in a culture; i.e., men are considered aggressive and competitive, while women are expected to be more gentle and be concerned with home and family.
- Japan led the list, followed by Austria and Venezuela. The US was 15th.

# Predictability

- Hofstede named this *Uncertainty Avoidance* (UA or UAI). It defines the extent to which a culture values predictability. UA cultures have strong traditions and rituals and tend toward formal, bureaucratic structures and rules. Greece was number 1, followed by Portugal and Guatemala. The US was 43rd.

# Time

- Hofstede named this *Long- versus Short-term Orientation (LTO)*. It is the cultural trait that focuses on to what extent the group invests for the future, is persevering, and is patient in waiting for results.
- China led this dimension, followed by its Asian colleagues, Hong Kong and Taiwan. The US was 17th.



# Hall's Cultural Factors

## 1. Context:

- High vs. Low

## 2. Time:

- Monochronic vs. Polychronic

## 3. Space:

- The Need for Space
- High Territoriality vs. Low Territoriality

# Hall's Cultural Factor: Context

- **High context**

- In a high-context culture, there are many contextual elements that help people to understand the rules. As a result, much is taken for granted.
- This can be very confusing for person who does not understand the 'unwritten rules' of the culture.

- **Low context**

- In a low-context culture, very little is taken for granted. Whilst this means that more explanation is needed, it also means there is less chance of misunderstanding particularly when visitors are present.



# Context

## Contrasting the two:

- French contracts tend to be short (in physical length, not time duration) as much of the information is available within the high-context French culture. American content, on the other hand, is low-context and so contracts tend to be longer in order to explain the detail.
- Highly mobile environments where people come and go need lower-context culture. With a stable population, however, a higher context culture may develop.

# Context Comparison

HIGH CONTEXT CULTURE	LOW-CONTEXT CULTURE
Many covert and implicit messages, with use of metaphor and reading between the lines.	Many overt and explicit messages that are simple and clear.
Inner locus of control and personal acceptance for failure.	Outer locus of control and blame of others for failure.
Much nonverbal communication.	More focus on verbal communication than body language.
Reserved, inward reactions.	Visible, external, outward reaction.
Strong distinction between in-group and out-group. Strong sense of family.	Flexible and open grouping patterns, changing as needed.
High commitment to long-term relationships. Relationship more important than task.	Low commitment to relationship. Task more important than relationships.
Time is open and flexible. Process is more important than product.	Time is highly organized. Product is more important than process.

# Hall's Cultural Factor: Time

- **Monochronic time**
  - M-Time, as he called it, means doing one thing at a time. It assumes careful planning and scheduling and is a familiar Western approach that appears in disciplines such as 'time management'. Monochronic people tend also to be low context.
- **Polychronic time**
  - In Polychronic cultures, human interaction is valued over time and material things, leading to a lesser concern for 'getting things done' -- they do get done, but more in their own time. Aboriginal and Native Americans have typical polychronic cultures, where 'talking stick' meetings can go on for as long as somebody has something to say. Polychronic people tend also to be high context.

# TIME

MONOCHRONICATION	POLYCHRONICATION
Do one thing at a time.	Do many things at once.
Concentrate on the job at hand.	Are easily distracted.
Think about <u>when</u> things must be achieved.	Think about <u>what</u> will be achieved.
Put the job first.	Put relationships first.
Seldom borrow or lend things.	Borrow and lend things often and easily.
Emphasize promptness.	Base promptness on relationship factors.

# Hall's Cultural Factor: Space

- Hall was concerned about space and our relationships within it. He called the study of such space *Proxemics*.
- We have concerns about space in many situations, from personal body space to space in the office, parking space, space at home.

# Space

## The need for space

- Some people need more space in all areas. People who encroach into that space are seen as a threat.
- [Personal space](#) is an example of a mobile form of territory and people need less or greater distances between them and others. A Japanese person who needs less space thus will stand closer to an American, inadvertently making the American uncomfortable.
- Some people need bigger homes, bigger cars, bigger offices and so on. This may be driven by cultural factors, for example the space in America needs to greater use of space, whilst Japanese need less space (partly as a result of limited useful space in Japan).

# Space

## High territoriality

- Some people are more territorial than others with greater concern for ownership. They seek to mark out the areas which are theirs and perhaps having boundary wars with neighbors.
- This happens right down to desk-level, where co-workers may do battle over a piece of paper which overlaps from one person's area to another. At national level, many wars have been fought over boundaries.
- Territoriality also extends to anything that is 'mine' and ownership concerns extend to material things. Security thus becomes a subject of great concern for people with a high need for ownership.
- People high territoriality tend also to be low context.

# Space

## **Low territoriality**

- People with lower territoriality have less ownership of space and boundaries are less important to them. They will share territory and ownership with little thought.
- They also have less concern for material ownership and their sense of 'stealing' is less developed (this is more important for highly territorial people).
- People with low territoriality tend also to be high context.

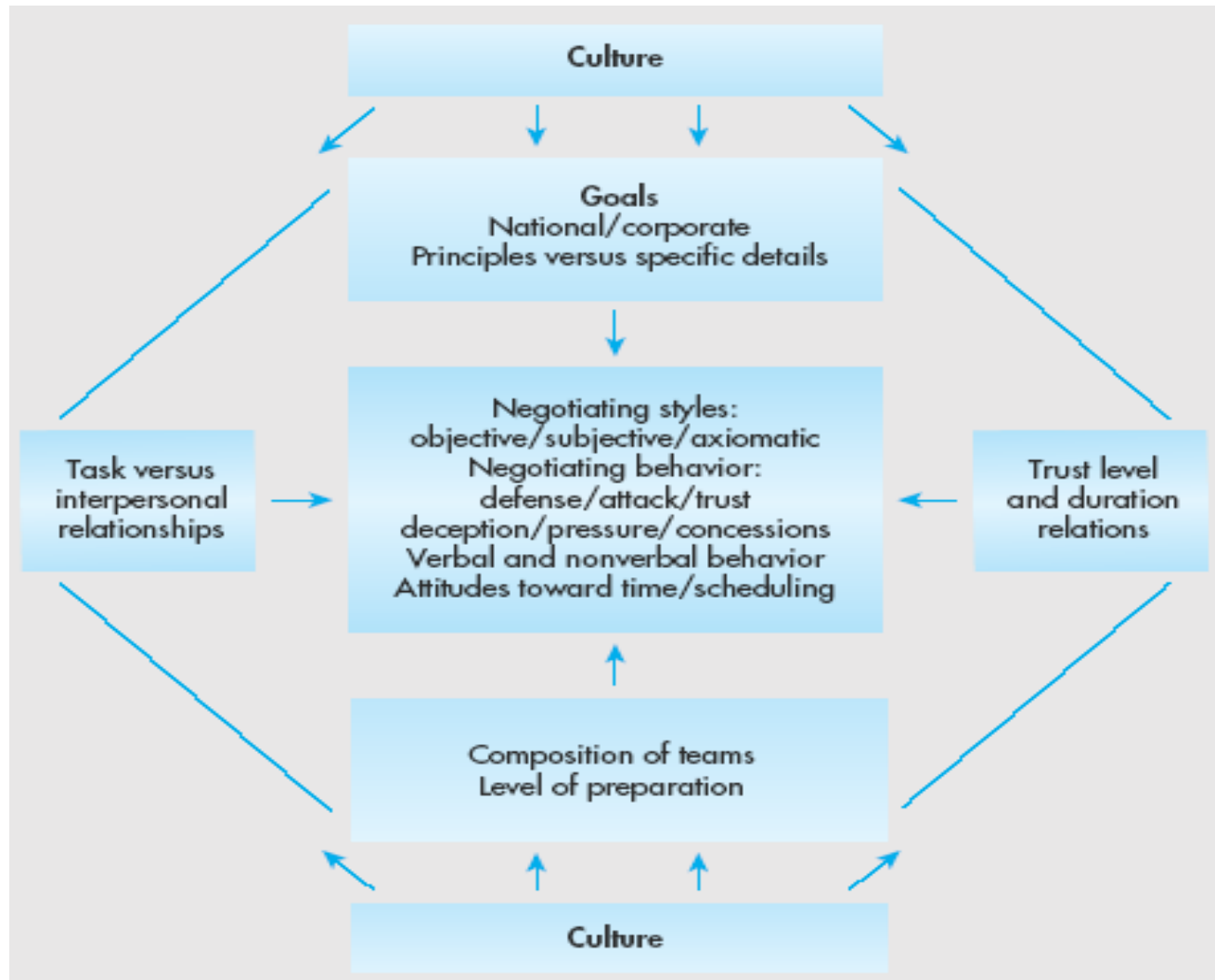


# Culture Dimension in Negotiation

Cultural Dimension		
<p><b>Goal:</b></p> <p>Individual versus Collective Orientation</p>	<p><u>Individualists/Competitors:</u></p> <p>Key goal is to maximize own gain (and perhaps the difference between oneself and others); source of identity is the self; people regard themselves as free agents and independent actors.</p>	<p><u>Collectivists/Cooperators:</u></p> <p>Key goal is to maximize the welfare of the group or collective; source of identity is the group; individuals regard themselves as group members; focus is on social interaction.</p>
<p><b>Influence:</b></p> <p>Egalitarianism versus Hierarchy</p>	<p><u>Egalitarians:</u></p> <p>Do not perceive many social obligations; believe one's value is determined by the resources one can offer, usually economic or intellectual.</p>	<p><u>Hierarchists:</u></p> <p>Regard social order to be important in determining conflict management strategies; subordinates expected to defer to superiors; superiors expected to look out for subordinates.</p>
<p><b>Communication:</b></p> <p>Direct versus Indirect</p>	<p><u>Direct Communicators:</u></p> <p>Engage in explicit, direct information exchange; ask direct questions; are not affected by situational constraints; face-saving issues likely to arise.</p>	<p><u>Indirect Communicators:</u></p> <p>Engage in tacit information exchange, such as storytelling, inference-making; situational norms.</p>

Source: Brett, J. (2007). *Negotiating globally: How to negotiate deals, resolve disputes, and make decisions across cultural boundaries* (2<sup>nd</sup> ed.). San Francisco, CA: Jossey-Bass.

# Culture's Roles on Negotiation



# Key Challenges of Intercultural Negotiation

- Expanding the pie
- Dividing the pie
- Sacred values and taboo trade-offs
- Biased punctuation of conflict
- Ethnocentrism
- Affiliation bias
- Faulty perceptions of conciliation and coercion
- Naïve realism

# Advice for Cross-Cultural Negotiators

- Anticipate differences in strategy and tactics that may cause misunderstandings
- Analyze cultural differences to identify differences in values that expand the pie
- Recognize that the other party may not share your view of what constitutes power
- Avoid attribution errors
- Find out how to show respect in the other culture
- Find out how time is perceived in the culture
- Know your options for change
  - Integration
  - Assimilation
  - Separation
  - Marginalization

## Part II

# PROFILE OF INTERNATIONAL NEGOTIATORS

# American Negotiators

## Two important cultural traits:

- The fear of falling away:
  - This fear is about losing their way and abandoning the American dreams of the forefathers, including being the "moral beacon" of the world. The original idea for America was relatively Utopian and there is a constant concern that this societal perfection will be eroded by the temptations of the material world.
- The fear of winding down:
  - This is a fear of losing the boundless energy of the forefathers which still pervades the dynamism of American business today. The great American Dream of rags to riches (and subsequent social and global position) is widely accepted as being gained through enormous energy and diligence. When this fades through laziness or the greater energy of other countries, such as India or China, then the fear is increased.

# American Negotiation Style

- For North Americans, negotiations are businesslike; their **factual appeals** are based on what they believe is objective information, presented with the assumption that it is understood by the other side on a logical basis.
- So when persuading Americans, either play on these fears or align with them to show how you, too are concerned about these things.



# Profile of An American Negotiator

- Knows when to compromise.
- Takes a firm stand at the beginning of the negotiation.
- Refuses to make concessions beforehand.
- Keeps his or her cards close to his or her chest.
- Accepts compromises only when the negotiation is deadlocked.
- Sets up the general principles and delegates the detail work to associates.
- Keeps a maximum of options open before negotiation.
- Operates in good faith.



# Profile of an American Negotiator

- Respects “opponent”.
- States his or her position as clearly as possible.
- Knows when he or she wishes a negotiation to move on.
- Is fully briefed about the negotiated issues.
- Has a good sense of timing and is consistent.
- Makes the other party reveal his or her position while keeping his or her own position hidden as long as possible.
- Lets the other negotiator come forward first and looks for the best deal.

# Negotiating with the Chinese

- Business people have two major areas of conflict when negotiating with the Chinese
  1. Amount of detail about product characteristics.
  2. Apparent insincerity about reaching an agreement.
- Chinese negotiation process is affected by three cultural norms
  1. Politeness and emotional restraint.
  2. Emphasis on social obligations.
  3. Belief in the interconnection of work, family, and friendship.

# Negotiating with the Chinese

- Tips to foreigners conducting business in China:
  - Practice patience.
  - Accept prolonged periods of stalemate.
  - Refrain from exaggerated expectations.
  - Discount Chinese rhetoric about future prospects.
  - Expect the Chinese to try to manipulate by shaming.
  - Resist the temptation to believe that difficulties are your fault.
  - Try to understand Chinese cultural traits.

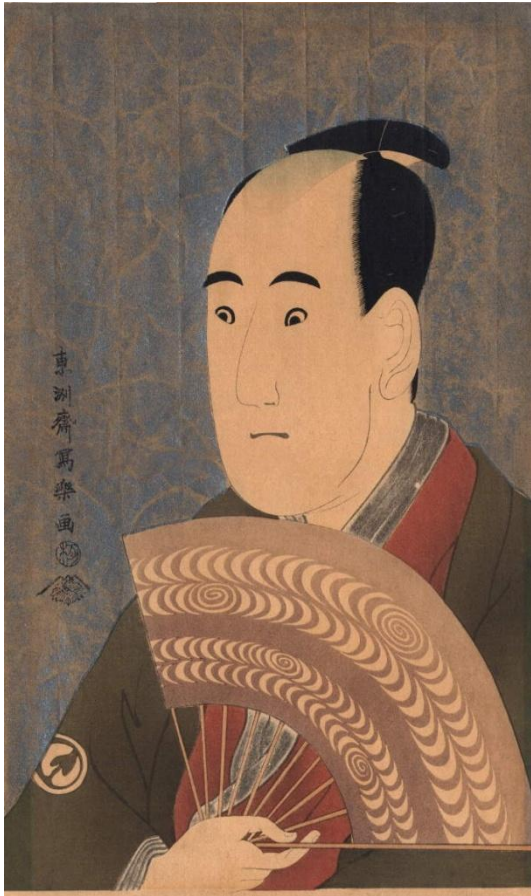
# Negotiating with the Chinese

- The Chinese think in terms of process that has no culmination. Americans think in terms of concrete solutions to specific problems. The Chinese approach is impersonal, patient and aloof. To Americans, Chinese leaders seem polite but aloof and condescending. To the Chinese, Americans appear erratic and somewhat frivolous.

- Henry Kissinger  
Newsweek, May 2001



# Japanese Negotiators



- Meet socially before beginning formal negotiation
- Establish and maintain harmony, avoid using aggressive tactics and threats, demonstrate friendship and sincerity.
- Wait for counterpart's signal before starting negotiation
- Japanese are information oriented-offer detailed explanations before making actual proposal
- All members involved in the process so indirectness is used in communication, decision is made after the discussion between the team.

# Japanese Negotiators

- Ensure to discuss long term generalized goals
- Patience and intelligence in collecting information without giving anything away is their style of negotiation
- Make the first proposal and receive counter proposal-focus on reciprocity
- Japanese examine all issues simultaneously in a more holistic approach
- Concessions are made only near the end of the talks and usually all at once-basic goals of long term mutual benefit

# Profile of an Arab Negotiator

- Protects all the parties' honor, self-respect, and dignity.
- Avoids direct confrontation between opponents.
- Is respected and trusted by all.
- Does not put the parties involved in a situation where they have to show weakness or admit defeat.
- Has the necessary prestige to be listened to.
- Is creative enough to come up with honorable solutions for all parties.
- Is impartial and can understand the positions of the various parties without leaning toward one or the other.



# Profile of an Arab Negotiator

- Is able to resist any kind of pressure that the opponents could try to exercise on him.
- Uses references to people who are highly respected by the opponents to persuade them to change their minds on some issues.
- Can keep secrets and in so doing gains the confidence of the negotiating parties.
- Controls his temper and emotions.
- Can use conference as mediating devices.
- Knows that the opponent will have problems in carrying out the decisions made during the negotiation.
- Is able to cope with the Arab disregard for time.



# Profile of an Indian Negotiator

- Looks for and says the truth.
- Is not afraid of speaking up and has no fears
- Exercises self-control.
- Seeks solutions that will please all the parties involved.
- Respects the other party.
- Neither uses violence nor insults.
- Is ready to change his or her mind and differ with himself or herself at the risk of being seen as inconsistent and unpredictable.



# Profile of an Indian Negotiator

- Puts things into perspective and switches easily from the small picture to the big one.
- Is humble and trusts the opponent.
- Is able to withdraw, use silence, and learn from within.
- Relies on himself or herself, his or her own resources and strengths.
- Appeals to the other party's spiritual identity
- Is tenacious, patient, and persistent.
- Learns from the opponent and avoids the use of secrets.
- Goes beyond logical reasoning and trusts his or her instinct as well as faith.

# Understanding Negotiating Styles

Japanese	North American	Latin American
Emotional sensitivity highly valued	Emotional sensitivity not highly valued	Emotional sensitivity valued
Hiding of emotions	Dealing straightforwardly or impersonally	Emotionally passionate
Subtle power plays; conciliation	Litigation not so much as conciliation	Great power plays; use of weakness
Loyalty to employer; employer takes care of employees	Lack of commitment to employer; breaking of ties by either if necessary	Loyalty to employer (who is often family)
Face-saving crucial; decisions often on basis of saving someone from embarrassment	Decisions made on a cost-benefit basis; face-saving does not always matter	Face-saving crucial in decision making to preserve honor, dignity
Decision makers openly influenced by special interests	Decision makers influenced by special interests but often not considered ethical	Execution of special interests of decision expected, condoned
Not argumentative; quiet when right	Argumentative when right or wrong, but impersonal	Argumentative when right or wrong, passionate
What is down in writing must be accurate, valid	Great importance given to documentation as evidential proof	Impatient with documentation as obstacle to understanding general principles
Step-by-step approach to decision making	Methodically organized decision making	Impulsive, spontaneous decision making
Good of group is the ultimate aim	Profit motive or good of individual ultimate aim	What is good for group is good for the individual
Cultivate a good emotional social setting for decision making; get to know decision makers	Decision making impersonal; avoid involvements, conflict of interest	Personalism necessary for good decision making

# Persuasion Tactics

Bargaining Behaviors and Definition	Frequency per Half-Hour Bargaining Session		
	Japanese	American	Brazilian
<i>Promise.</i> A statement in which the source indicated his or her intention to provide the target with a reinforcing consequence that source anticipates target will evaluate as pleasant, positive, or rewarding.	7	8	3
<i>Threat.</i> Same as promise, except that the reinforcing consequences are thought to be noxious, unpleasant, or punishing.	4	4	2
<i>Recommendation.</i> A statement in which the source predicts that a pleasant environmental consequence will occur to the target. Its occurrence is not under the source's control.	7	4	5
<i>Warning.</i> Same as recommendation, except that the consequences are thought to be unpleasant.	2	1	1
<i>Reward.</i> A statement by the source that is thought to create pleasant consequences for the target.	1	2	2
<i>Punishment.</i> Same as reward, except that the consequences are thought to be unpleasant.	1	3	3
<i>Positive normative appeal.</i> A statement in which the source indicates that the target's past, present, or future behavior was or will be in conformity with social norms.	1	1	0
<i>Negative normative appeal.</i> Same as positive normative appeal, except that the target's behavior is in violation of social norms.	3	1	1
<i>Commitment.</i> A statement by the source to the effect that its future bids will not go below or above a certain level.	15	13	8
<i>Self-disclosure.</i> A statement in which the source reveals information about itself.	34	36	39
<i>Question.</i> A statement in which the source asks the target to reveal information about itself.	20	20	22
<i>Command.</i> A statement in which the source suggests that the target perform a certain behavior.	8	6	14