

Graduate School of Economics



Kyoto University

Management Communication B

UNIT 6

Global Business Negotiation

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Today's Topics

- 
1. A comparative Perspectives on American Negotiation Style
 2. Cross-border Negotiations
 3. Cultural Factors
 4. Negotiations in Specific Regions
 5. International Business Negotiation Guidelines

Learning Objectives

The following key points constitute the main learning objectives of this unit:

1. Understanding how negotiators of different cultural origins will most commonly react;
2. Understanding cross-cultural business negotiations.



TOPIC 1.

**A comparative Perspectives on
American Negotiation Style**

The American Negotiation Style

- For Tommy Koh:

- Strengths:

- (1) Good preparation
- (2) Clear and plain speaking
- (3) A focus on pragmatism over doctrine
- (4) Ability to recognize the other party's perspective
- (5) Good understanding of the concession-making process
- (6) Candid and straightforward communication

- Weaknesses:

- (1) Serious intergovernmental agency conflicts
- (2) Separation of political power between the presidency and Congress
- (3) The influence of interest groups on negotiations
- (4) Media interference
- (5) Negotiator impatience
- (6) Cultural insensitivity

The American Negotiation Style

- For Samfrits Le Poole:
 - American business negotiators have an “arrogant ignorance”
 - Europeans are much more adept at cross-border negotiations
 - The geography of Europe provides them with the opportunity to understand an international perspective from a very early age

The American Negotiation Style

- For McDonald*:

- Weaknesses:

- (1) Impatience

- (2) Arrogance

- (3) Poor listening skills

- (4) Insularity

- (5) Legalism

- (6) Naïveté

- Strengths:

- (1) Friendliness

- (2) (believe in) fairness and honesty

- (3) Flexibility

- (4) Innovativeness

- (5) Risk-taking

- (6) Preparedness

- (7) Pragmatism

* McDonald article is available at

http://www.unc.edu/depts/diplomat/archives_roll/2001_03-06/mcdonald_negot/mcdonald_negot.html

Not Everyone Negotiates Like Americans

Negotiators from different countries were equally effective when they negotiate with other people from their own country (intracultural)

- The ways the negotiators negotiated were different
- For instance:
 - In American negotiations, higher profits are achieved by making opponents feel *uncomfortable*
 - In Japanese negotiations, higher profits are associated with making opponents feel comfortable
 - Brazilians increase profit by power and deception tactics;
 - Chinese ask more questions, say no less, interrupt more

Not Everyone Negotiates Like Americans

Negotiators from different countries sometimes obtained different outcomes when negotiating with people from another country (Cross-cultural)

- For instance:
 - Japanese and English-Canadian negotiators received lower profit levels when they negotiated cross-culturally
 - American negotiators negotiated the same outcomes in cross-cultural and intra-cultural negotiations

Who Negotiates Better?

- Different nationalities negotiating within national boundaries
 - Similar outcomes across nations
 - Different processes (Americans increase profits by making opponent uncomfortable, Japanese opposite is true; Brazilians increase profit by power and deception tactics; Chinese ask more questions, say no less, interrupt more)
- True cross-cultural negotiations
 - Poorer outcomes for Japanese and English-Canadian
 - No harm for American (more satis.) or French-Canadian (more coop)

Negotiation process/timing for Americans in domestic vs. international negotiations

Domestic



International



Key

1- orientation & fact-finding

2- resistance

3- reformulation of strategies

4- hard bargaining & decision-making

5- agreement

6- follow-up

Negotiating Strategies in Other Countries

- Opening offer

- Close to final settlement where bargaining is not expected (e.g. Australia, Sweden)
- Expect lots of bargaining in some nations (e.g. Russia, Egypt, China)
- Rule (*that won't always work, so apply with caution*): if a culture has a long history of bartering & bargaining, expect to negotiate hard.

- Detail vs. big-picture in presentation

- Detail where culture emphasizes formality, logic, data, organization (e.g. Germany, UK, Swiss, Japan)
- Broad concepts preferred in some other areas (e.g. Latin America, Middle East)

Negotiation Strategies in Other Countries

- Dealing With Disagreement
 - Subtle, quiet vs. demonstrative
 - In East Asia, “no” is almost a dirty word
 - In Middle East, exaggerated is normal
- Patterns of concessions
 - In some nations, given unwillingly (US, S. Afr., Brazil)
 - In others, declining pattern is norm (Australia, NZ, Taiwan, Thailand)
 - Escalating in others (Indonesia, Philippines, India, Kenya)
- Calling other on “dirty tricks”
 - Be **EXTREMELY** cautious where “face” is important (East Asia, Middle East)



TOPIC 2.

What Makes Cross-Border Negotiations Different?

- Environmental Context
- Immediate Context

Environmental Context

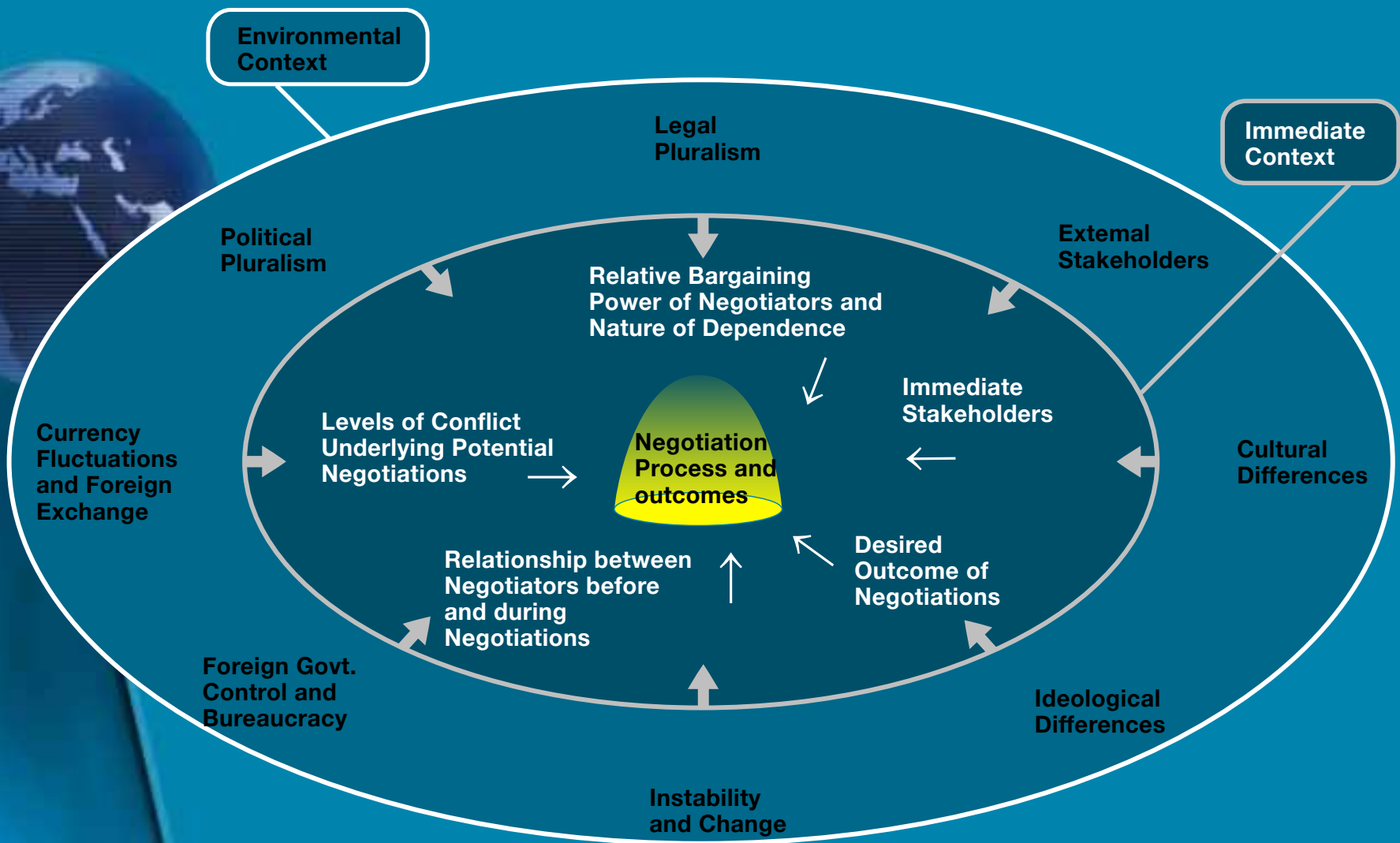
“Forces in the environment that are beyond the control of either party”:

- Political and Legal Pluralism
- International Economics
- Foreign Governments and Bureaucracies
- Instability
- Ideology
- Culture
- External Stakeholders

Immediate Context

“Factors over which the negotiators have influence and some measure of control”:

- Relative Bargaining Power
- Levels of Conflict
- Relationship between Negotiators
- Desired Outcomes
- Immediate Stakeholders



How Do We Explain Global Negotiation Outcomes?

Global negotiations can be much more complicated

- Simple arguments cannot explain conflicting global negotiation outcomes
- The challenge is to:
 - Understand the multiple influences of several factors on the negotiation process
 - Update this understanding as circumstances change



TOPIC 3.

Cultural Factors

Hofstede's Dimensions and Negotiation

- **Power Distance**

- extent to which power differentials are expected and honored
- Low : Anglo/Germanic/Scandinavian
- High: Developing Nations, particularly Asia
- *Effect: As power distance increases, more approval from higher ups and less involvement from lower levels.*
- *Also, we can expect more formality in negotiations with people from high power distance cultures, and they may be upset if you do not appear to be of sufficient status.*

Hofstede's Dimensions and Negotiation

- **Individualism/Collectivism**

- extent to which society is organized by individuals vs. groups
- Ind.: Western European - based societies
- Coll.: Latin America, South Asia, Africa
- Generally, wealthier societies tend to be more individualist
- *Effect: Relationship stability over time emphasizes, individual negotiators vs. group of negotiators, importance of consensus, value placed on individual "winner", emphasis on group vs. individual goals, rewards, communication in negotiation.*

Hofstede's Dimensions and Negotiation

- Masculinity/Feminity

- extent to which values fit traditional gender-based stereotypes
- M: Japan, Anglo/Germanic
- F: Scandinavia.
- *Effect: Masculinity associated with competitiveness vs. understanding & compromise – should expect strong relationships with distributive vs. integrative styles.*

(not always true; e.g. Japan is a M-society but the dominant negotiation style is a F-associated one)

Hofstede's Dimensions and Negotiation

- Uncertainty Avoidance

- degree of discomfort with unstructured situations
- High: no strong pattern, but many Hispanic & nations
- Low: no strong pattern, but Anglo/Scandinavia
- *Effect: High prefers stable rules and procedures, less adaptive. High also tends to be more risk-averse – risk aversion has played into many negotiation dynamics. High tends to do business ritualistically & formally.*

Q. Could you try to categorize Japan, China?

How Do Cultural Differences Influence Negotiations?

- Differing definitions of negotiation
- Differing selection of negotiator criteria
- Differing degrees of protocol
- Communication
- Differing views about time
- Differing risk propensities
- Differing emphasis of groups versus individuals
- Nature of agreements

Culturally Responsive Negotiation Strategies

Based on the level of familiarity that a negotiator has with the other party's culture:

- Low Familiarity
- Moderate Familiarity
- High Familiarity

Some may be used unilaterally

Others involve the participation of the other party (joint)

Low Familiarity

- Employ Agents or Advisers (Unilateral Strategy)
 - Familiar with the cultures of both parties
 - Useful for negotiators who have little awareness of the other party's culture
- Bring in a Mediator (Joint Strategy)
 - Encourage one side or the other to adopt one culture's approaches or mediator culture approach
- Induce the Other Party to Use Your Approach (Joint Strategy)
 - The other party may become irritated or be insulted

Moderate Familiarity

- Adapt to the Other Party's Approach (Unilateral Strategy)
 - Making conscious changes to your approach so it is more appealing to the other party
- Coordinate Adjustment (Joint Strategy)
 - Both parties make mutual adjustments to find a common process for negotiation

High Familiarity

- Embrace the Other Party's Approach (Unilateral Strategy)
 - The negotiator needs to be completely bilingual and bicultural
- Improvise an Approach (Joint Strategy)
 - Craft an approach that is specifically tailored to the negotiation situation, other party, and circumstances
- Effect Symphony (Joint Strategy)
 - The parties to create a new approach that may include aspects of either home culture or adopt practices from a third culture

Other Cultural Variables

- Time
 - present vs. future vs. past orientation
 - Time as linear vs. time as circular
 - *Can affect timing/urgency of N's, and also what sorts of time-related objectives (short-term vs. long-term) are valued more*
 - *Americans often seen obsessed with time.*
- Universalism vs. particularism
 - Can ideas/practices be applied everywhere every time, or do circumstances dictate application?
 - *Use of precedent vs. adapting styles/processes/agreements to situations*
- Achievement vs. attribution
 - Is status conferred by what you've done or who you are?
 - *How will a person be viewed in a N situation?*

Some Communication Differences

- Verbal communication
 - Is message conveyed in context, or is it explicitly what is stated?
 - *Americans often believed to be frank and honest.*
- Non-verbal
 - Handshakes
 - Conversational distance
 - Facial & bodily expressiveness & animation, gestures, etc.
 - Very difficult to interpret because subtle and great differences across cultures
 - *Look for patterns in order to interpret*
- The concept of “face” (having a high status in the eyes of one's peers)



Cultural Differences Affecting other Negotiation Processes

- Relationships orientation

- Lack of trust across cultural differences → trust building essential

- Emotional Aspects

- Sensitivity is low for US, high for Latin America
- Loyalty – to self in US, to organization in Japan

- Decision Making Frame

- In Japan & France, statu quo is the normal frame of reference
- In US change is acceptable, even encouraged, decisions made quickly

More Cultural Differences

- Contracts

- Advisable to use more paper, since cultural misunderstandings more likely

- Bureaucracy

- Chinese businesses/organizations are bureaucratic?

- Women's issues

- Japan is relatively conservative regarding women's roles in business (fortunately, things are changing)
- Rule: less developed & Islamic countries: greater disparity
 - Women negotiating in these countries should be introduced by a very high-status person and demonstration of expertise is critical



TOPIC 4.

Negotiating in Specific Regions

Negotiating in Specific Regions

- The next 4 slides are FYI only and far from complete
- There are important differences across nations within regions (e.g., Japan vs. China in East Asia)
- **Remember you are negotiating with an individual(s) who may or may not fit cultural norms to a “T”!!!**

Negotiating in Western Europe

- Timing – punctual, relatively fast-paced
- Individualistic, status-conscious, slow-developing friendships, emphasis on initiative & achievement
- Loyalty & hard work are valued
- Greater hierarchy
- Speaker: articulate & intellectual, formal, logical, and subtle
- Low emotionality, reserved
- Moderate initial demands, issues sequentially processed, slow concessions

Negotiating in Eastern Europe

- Timing – moderate, relatively slow
- Individualistic, status-conscious, emphasis on initiative & achievement
- Emphasize on personal relationship: very low. High influence of third party
- Greater hierarchy. Distance: personal space shorter; high degree of bureaucracy
- High emotionality, low sensitivity
- Speaker: argumentative, formal, logical, direct, little small talk
- High initial demands, issues sequentially processed, slow concessions

Negotiating in Latin America

- Time is abstract and organized around events, not the clock, not punctual, slow negotiations
- Important to understand Spanish/Portuguese influence
 - L.A. settled by elite (US/Canada by those fleeing Europe)
 - Strong hierarchies
 - Loyalty to person, not laws or constitution
- Individualistic but not based on achievement, rather on personal qualities
- Spontaneous, big picture decision-making style
- Strong sense of dignity
- Must establish relationships through exchange of favors; only way to get things done is through friends or “friends of friends”
- Very animated & passionate, close personal space, soft handshakes
- Moderate first offers, slow concessions, issues are sequential

Negotiating in the Middle East/North Africa

- Time – not punctual or planning-oriented (too much attempt to control the future invites trouble). Ramadan is especially slow for business.
- Group oriented
- Much time upfront spent in developing relationships
- Arabs use intuition, and are emotional.
- Israelis are direct, Arabs indirect, vague, often to point of exaggeration & filled with fantastic metaphors
- “No” is uncommon; look for a hesitant “yes” instead – white lies common form of courtesy
- Saying “I don’t know” → you are of little account
- Strong eye contact, close personal space, easily upset
- High initial demands, slow concessions, issues sequential, extreme “face” orientation, truth is revealed very slowly because it is considered dangerous

Negotiating in Asia

- Old cultures, socially stratified, Confucian ethic
 - Courtesy rituals, formality, politeness, modesty, loyalty to group and deference to elderly, non-confrontational
- Negotiations slow, relationship orientation & group negotiation style with team consensus critical – implementation usually quick
- Very collectivist
- Words mean little, conversation very indirect
 - “No” uncommon; might get a “we’ll study this further” instead
- Reserved body language, average-to-close personal space, not irritable
 - Sensitivity valued but not overstated
- Moderate-high initial offers, multiple issues presented at once, slow concessions, logical decisions
- “Face” is critical

Doing as the Romans do

- This is common advice when negotiating internationally

BUT...

- Negotiators may not be able to modify their approach effectively; other side may also try to modify
- Knowing how a given nationality negotiates with its peers may be misleading for your negotiations with them

SO...

- Moderate adaptation may be better
- Consider cultural “brokers” when very unfamiliar with a country
- **ABOVE ALL: BE PREPARED.**



<http://www.taka123.com/travel/italia/roma/roma005.html>



TOPIC 5.

**General Guidelines for
International Negotiations**

Source (topic 5): Ghauri & Usunier. 2003. International Business Negotiations, 2nd ed. Pergamon

Preparing for the negotiation

Rule 1: Gather factual information:

- Learning about future partner:
 - People & networking: team composition (background, status).
 - Look for the match between your and the other parties' organization.
 - Check what sort of people are involved from their side: team or individuals, technical or commercial people.
 - Check which level of people is involved: marketing/purchasing managers, vice-presidents or CEO.
 - Check for any restrictions regarding trade or business between the two countries (laws governing licensing, joint ventures, foreign exchange and remittance of funds...)
 - The other party's decision-making process & style
 - Environmental data (sensitive sectors: agriculture, food, energy, pharmaceutical industries...)
 - Possible competitors: who are they, their status in the process, their strengths & weaknesses compared to your company (for each of their strengths, you must have a counter-offer)
 - The role of governments

Preparing for the negotiation

- **Rule 2.** Asses intercultural obstacles as early as possible: try to know how your culture and the ways in which it differs from that of your opponents affect what happens at the negotiation table.
- **Rule 3.** Prepare for the type of deal that will be negotiated
 - In licensing agreements for example, you have to decide whether royalties will be paid on total production, sales or as a lump sum. The most important factor here is to compare potential revenues and costs with the expenses and income to be generated by entering the market through other ways.
 - In case of joint ventures, the most important area of conflict is the objectives of the parties involved.

Strategy Formulation

Rule 4. Prepare Walk-Away Options

- It is important to define what winning means to you as well as what *not winning* means to you.

Rule 5. Prepare for Tough Strategies on the Other Side

- You must prepare for a tough strategy from the other party and have a counter strategy.

Face to Face Negotiations

Rule 6: Control Location and Tactics

- Negotiate at home whenever you have the possibility.
- Don't always use the same style.
- The nature of distributive vs. integrative phases may depend upon the type of issues discussed, for example, price vs. technical specifications.

Rule 7: Change Negotiation Style when Needed

- One should be ready to signal firmness without directly applying a tough strategy (as a matter of retaliation).
- Negotiators tend to make extreme initial demands, to view adversary concessions as weakness, to be tough in concessions and to ignore deadlines.

Face to Face Negotiations

Rule 8: Control your Concessions

- Plan and time your concessions beforehand. Concessions can be viewed and interpreted in rather opposite ways: either as a sign of openness, willingness to co-operate or as a sign of weakness and readiness to give more.
- Normally you should give your concessions in small steps, and for each of those steps, you should try to get something in return. Do not give too many concessions in a row, it will harm your credibility.

Rule 9: Allow Yourself Plenty of Time

- To allow yourself to be patient, you have to keep your timetable to yourself. Never tell the other side when you will have to leave because this gives them the opportunity to put your team under time pressure.
- In particular, give yourself time to think: do not respond too quickly to new propositions.

Face to Face Negotiations

Rule 10: Be Flexible with the Negotiation Agenda

- The maintenance of flexibility of parties and issues is important, especially when it concerns issues like terms of payment, credit facilities, delivery time and of course, price. These issues are interrelated and cannot be discussed or agreed upon separately.

Rule 11: Manage the Communication Process

- You should articulate properly and speak very slowly.

Rule 12: Check Non-Verbal Communication

- Because people can't control the response of their eyes, which is a dead give-away, many Arabs wear dark glasses, even indoors.
- Be careful and observant on non-verbal communication and read between the lines.

Face to Face Negotiations

Rule 13: Avoid the Threat of Litigation

- The presence of lawyers, especially early in process, and a very punctilious attitude when drafting clauses may be interpreted by the other party as a signal of distrust.
- The advice therefore would be to exclude lawyers and accountants from the negotiation table from in the early stages of the negotiation (and probably even face-to-face negotiation). They may, however, be quite important doing a counseling job and working behind the scenes. They should show up only in the last phases of the negotiation process when the parties are finalizing the agreement.