

International Management



Chapter 5 Cross-Cultural Negotiation and Decision Making

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Chapter Learning Goals

5.1 To become familiar with the role of negotiation in implementing a firm's strategy, and the various stakeholders who must be considered

5.2 To learn the stages of the negotiation process and how to prepare for cross-cultural business negotiations

5.3 To gain insight into the various types of negotiating styles around the world

5.4 To recognize that managing negotiation requires learning about the culturally based behavioral differences, values, and agendas of the negotiating parties and how to build trust for successful negotiations

5.5 To appreciate the variables in the decision-making process and understand the influence of culture on decision making

Learning Objective 5.1



To become familiar with the role of negotiation in implementing a firm's strategy, and the various stakeholders who must be considered

What is Negotiation?

The process of discussion by which two or more parties aim for mutually acceptable agreement

- ❖ Goal of successful negotiation
- ❖ Complex activity
- ❖ Complicated task

Negotiations by Global Managers

- ❖ Specific plans for strategies and for continuing operations
- ❖ May also be faced with negotiating with government-owned companies
- ❖ Managers must prepare; operational details must be negotiated:
staffing, raw materials, profits, etc.
- ❖ Decision-making processes are key

Important Differences

- ❖ Amount and type of preparation
- ❖ Tasks versus interpersonal relationships
- ❖ General principles versus specific issues
- ❖ Number of people present and their influence

Stakeholders in Cross-Cultural Negotiation

EXHIBIT 5-1 Stakeholders in Cross-Cultural Negotiations

Headquarters (HQ) employees
Suppliers
Home government

Investors
Alliance partners
Contractors

Host government
Distributors
Expatriate employees



Home consumers

All citizens
Special interest groups

Host local employees
Host consumers

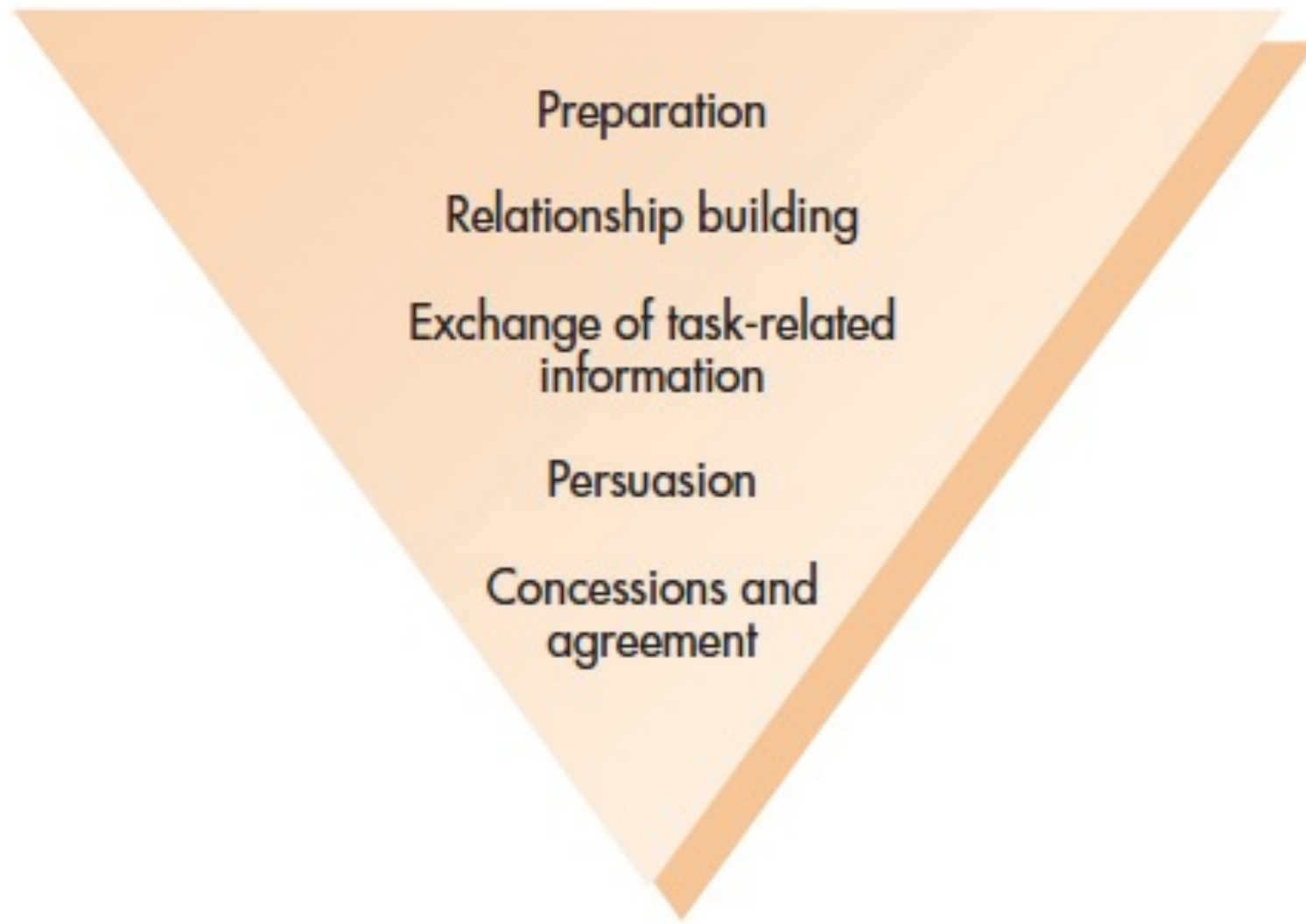
Learning Objective 5.2



**To learn the stages of the negotiation process
and how to prepare for cross-cultural business
negotiations**

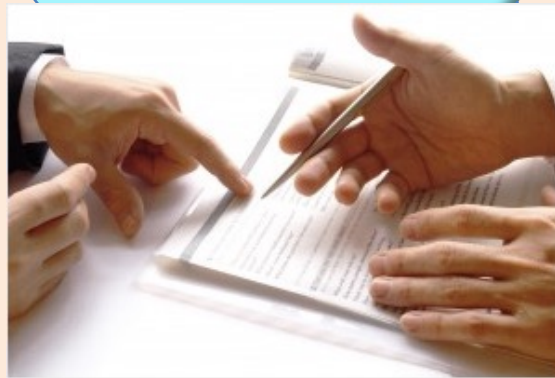
The Negotiation Process

EXHIBIT 5-2 The Negotiation Process



Stage One: Preparation

- ◆ Develop profile of counterparts.
- ◆ Find out likely demands, team composition, and counterpart authority.
- ◆ Choose a negotiation site
 - ❖ British/French Channel negotiations – alternating



Stage Two: Relationship Building

- ◆ Getting to know one's contacts and building mutual trust
- ◆ Non-task sounding (small talk)
 - ❖ Use an intermediary.
 - ❖ "I have come as a mediator"



Image Source: <https://www.linkedin.com/pulse/20140909010120-1073411-five-basic-principles-for-better-negotiation-skills>

Adapted from Deresky, Helen (2021, 2017, 2014): International Management, Managing Across Borders and Cultures , pp.147, 8th Edition , , Prentice Hall.

Stage Three: Exchanging Task-Related Information

- ◆ Cultural differences remain an issue.
 - ❖ *The French enjoy debate and conflict.*
 - ❖ *Mexicans can be suspicious and indirect.*
 - ❖ *The Chinese ask many questions, but provide ambiguous information in return.*
- ◆ Show understanding of the



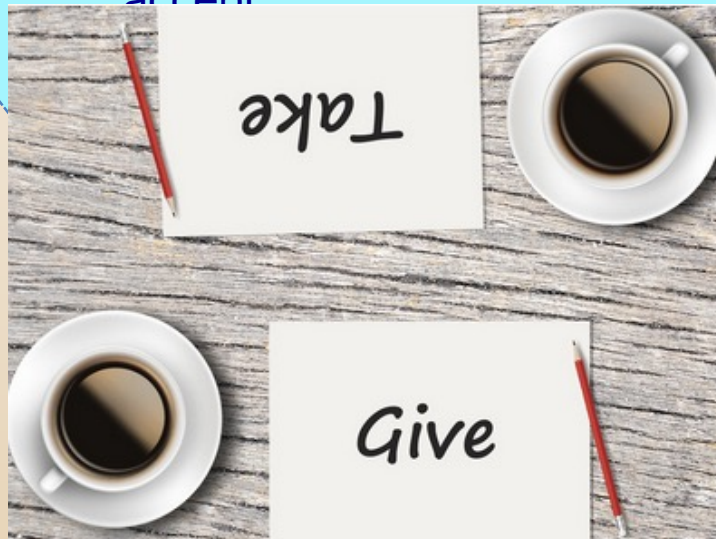
Stage Four: Persuasion

- ◆ Dirty tricks are in the eye of the beholder
 - ❖ *False information*
 - ❖ *Ambiguous authority*
 - ❖ *Non-verbal messages*
 - ❖ *Individualism vs. Collectivism*



Stage Five: Concessions and Agreement

- ◆ Starting with extremes may be most effective
- ◆ Linear vs. holistic
- ◆ Importance of contracts
- ❖ **Russians** and the **Chinese** start with extreme positions
- ❖ **Swedes** start with what they will accept



Learning Objective 5.3



To gain insight into the various types of negotiating styles around the world

Comparison of Negotiation Styles

Japanese	North American	Latin American
Hide emotions	Deal impersonally	Emotionally passionate
Subtle power plays	Litigation, not conciliation	Great power plays
Step-by-step approach	Methodological organization	Impulsive, spontaneous
Group good is the aim	Profit is the aim	Group/ individual good is aim

Successful Negotiators around the World: Americans

- ❖ Know when to compromise, but stand firm at the beginning. Accept compromises only when there is a deadlock
- ❖ Refuse to make concessions beforehand and keep their cards close to chest
- ❖ Keep a maximum of options open before negotiation, operate in good faith, and wait for the party to make the first move
- ❖ State their position as clearly as possible, respect the “opponents,” are fully briefed about the negotiated issues, have a good sense of timing and are consistent

Successful Negotiators around the World: Indians

- ❖ Look for and say the truth, not afraid to speak up
- ❖ Exercise self-control
- ❖ Respect other party, look for solutions acceptable to all parties
- ❖ Will change their minds, even at risk of seeming inconsistent and unpredictable
- ❖ Humble and trusts the opponent



Image Source: <http://indianexpress.com/article/india/india-news-india/visit-to-kabul-lahore-a-diplomatic-coup-ex-cabinet-secy-naresh-chandra/>

Successful Negotiators around the World: Arabs

- ❖ Protect honor, self-respect, dignity, and, thus, are trusted and respected
- ❖ Avoid direct confrontation
- ❖ Come up with creative, honourable solutions
- ❖ Are impartial and can resist pressure
- ❖ Can keep secrets
- ❖ Control temper and emotions



Successful Negotiators around the World: Brazilians

- ❖ Emphasize preparation and planning.
- ❖ Tend to have, as well as sound judgment and intelligence, product knowledge, and competitive spirit.
- ❖ Value an ability to think during pressure situations.
- ❖ Tend to be verbally expressive during negotiations.
- ❖ Tend to have an ability to perceive and exploit power during negotiations.



Successful Negotiators around the World: Swedes

- ❖ Quiet, thoughtful, polite, straightforward
- ❖ Overcautious, but flexible
- ❖ Slow to react to new proposals, but eager to be productive and efficient
- ❖ Able to hide emotions, afraid of confrontation



Successful Negotiators around the World: Italians

- ❖ Have a sense of drama, do not hide emotions
- ❖ Good at reading facial expressions and gestures
- ❖ Want to make a good impression and use flattery, but are distrusting
- ❖ Handle confrontation with subtlety and tact



Learning Objective 5.4



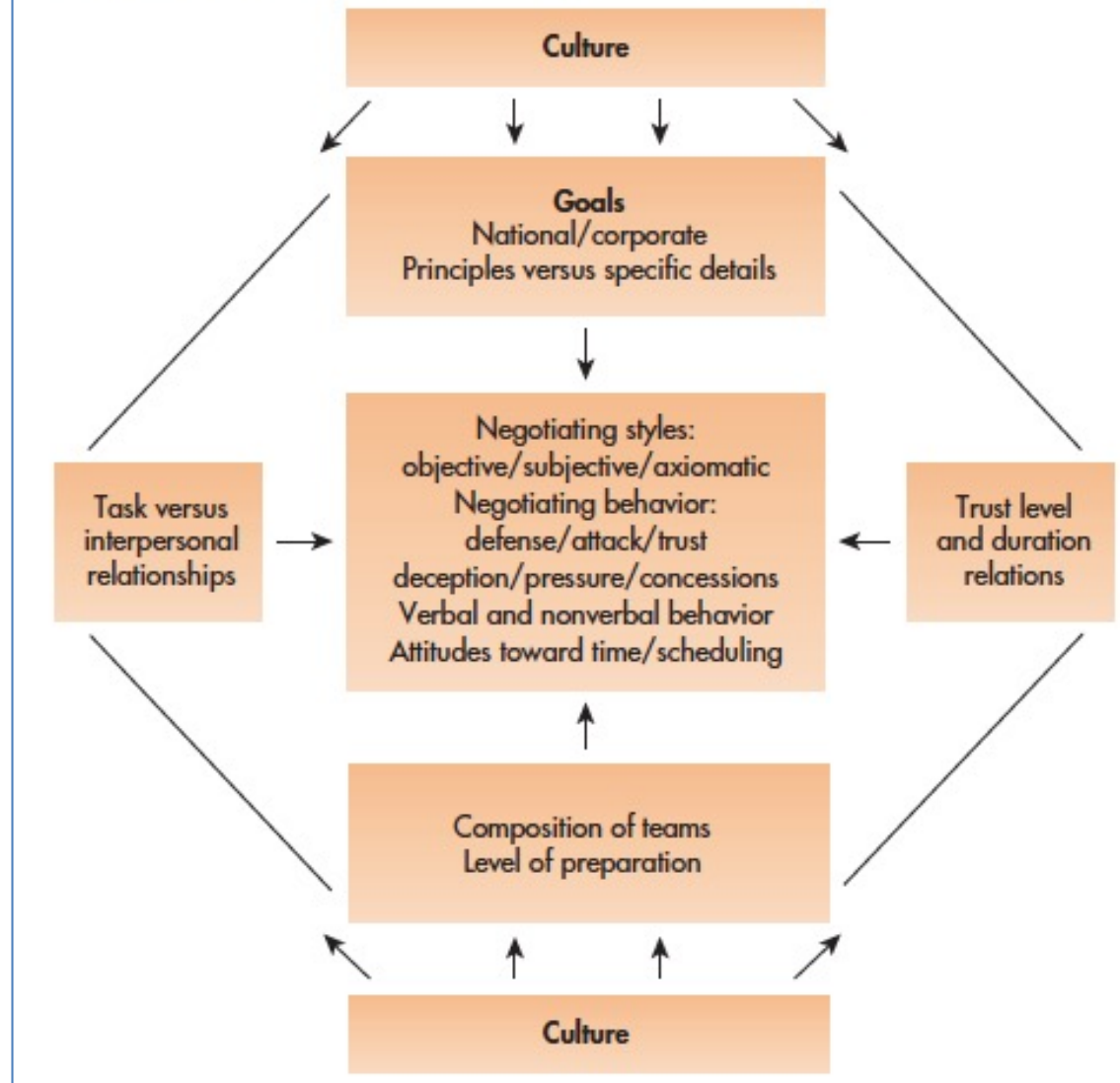
To recognize that managing negotiation requires learning about the culturally based behavioral differences, values, and agendas of the negotiating parties and how to build trust for successful negotiations

Managing Negotiation



Cross-Cultural Negotiation Variables

EXHIBIT 5-5 Cross-Cultural Negotiation Variables



Cultural Impact on Price Offers

Price Offerings	Japanese	U.S.	Chinese	Arabians	Mexicans
1st Offer	+/-10 – 20%	Fair +/-5-10%	+/-20 -50%	+/-20 -50%	Fair
2nd offer	+/-5%	Add to package	+/-10%	+/-10%	Additional Incentive
Final Offer	No further concessions	The Whole Package	-25-30%	-25%	Total

Successful Negotiators

- ❖ Consider a wider range of options and pay greater attention to areas of common ground
- ❖ Tend to make twice as many comments regarding long-term issues
- ❖ More likely to set upper and lower limits regarding specific points
- ❖ Make fewer irritating comments: “We’re making you a generous offer”
- ❖ Make counter proposals less frequently and use fewer reasons to back up arguments
- ❖ **Actively listen**

Dealing with Translators

Avoid	Avoid using your counterpart's interpreter
Brief	Brief the translator prior to the negotiation
Monitor	Monitor the translator's agenda
Speak in	Speak in short segments and pause briefly

Negotiations Supported by Technology

Negotiation Support System (NSS)

- ❖ Increase likelihood of agreement
- ❖ Decrease direct and indirect costs
- ❖ Maximize optimal outcomes

Web Application

- Provide support for phases and dimensions such as:
 - Multiple-issue, multiple-party business transactions of a buy-sell nature
 - International dispute resolution
 - Internal company negotiations and communications

E-Negotiations

Advantages

- ❖ Speed
- ❖ Less travel
- ❖ Laying out much objective information over time

Disadvantages

- Not being able to build trust and interpersonal relationships
- Nonverbal nuances are lost
 - Video conferencing may be a good compromise

Managing the Conflict Resolution

Instrumental-Oriented Conflict

- To negotiate on the basis of factual information and logical analysis

Expressive-Oriented Conflict

- To handle a situation indirectly and implicitly, without clear delineation of the situation by the person handling it

Negotiation Conflicts Between Low Context and High Context Cultures

Low Context Conflict Area

- **Explicit and direct, linear presentation of facts**
- **Individualistic, short-term oriented**
- **Task-oriented, up-front, impatient**

High Context Conflict Area

- **Implicit, circular logic**
- **Collective, decisions by consensus; long-term oriented**
- **“Face” and relationship-oriented; non-confrontational, patient**

China

MAP 5.1 China



Comparative Management in Focus: Negotiating with Chinese

❖ Two problems:

- ❖ *Chinese desire for details*
- ❖ *Apparent insincerity*

❖ Saving face:

- ❖ *Lien*
- ❖ *Mien-tzu*

❖ Importance of harmony

- ❖ *Guanxi*
- ❖ *Guanxihu networks*

❖ Two stages of Chinese negotiation

- ❖ *Technical*
- ❖ *Commercial*

Comparative Management in Focus: Negotiating with Chinese

- ❖ Some recommendations:
 - ❖ Practice patience.
 - ❖ Accept prolonged stalemate.
 - ❖ Refrain from exaggerated expectations.
 - ❖ Establish a contact in China
 - ❖ Remember to save 'face' for everyone

Learning Objective 5.5



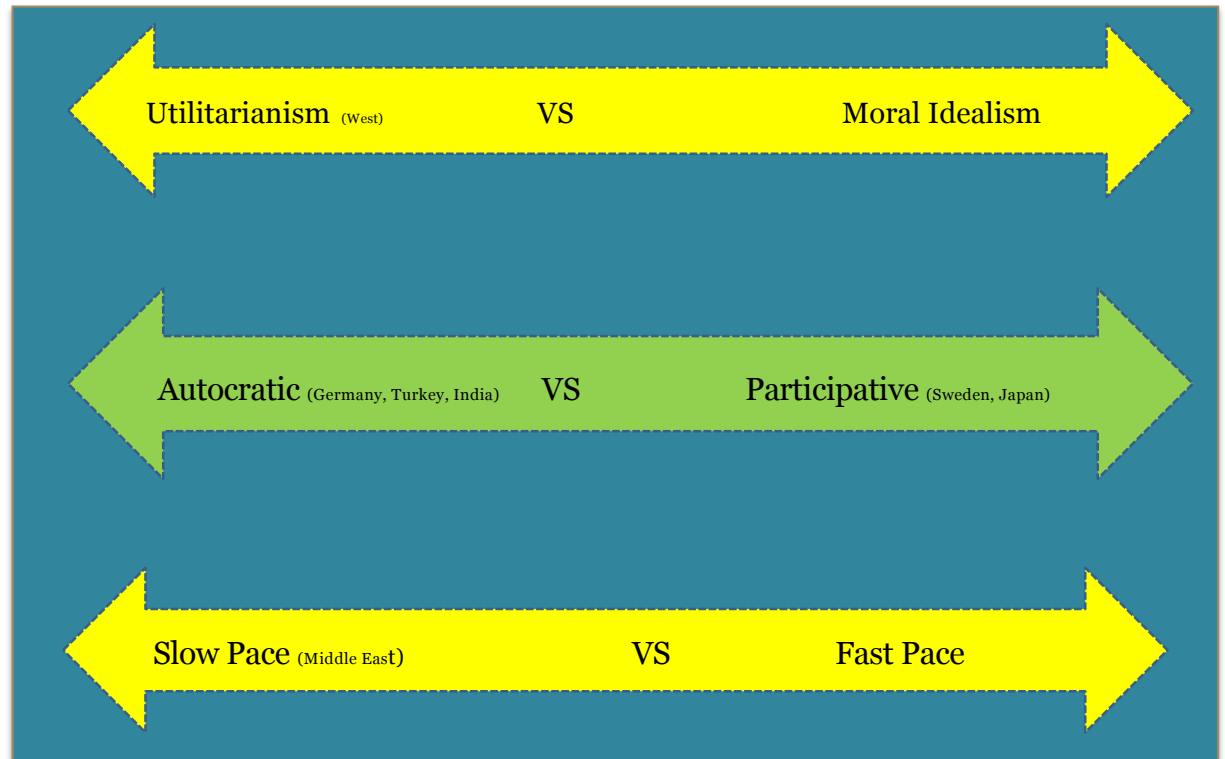
To appreciate the variables in the decision-making process and understand the influence of culture on decision making

The Influence of Culture on Decision Making

- ❖ International managers must understand the influence of culture on decision-making styles and processes
- ❖ Culture affects decision making through the broader context of the nation's institutional culture
- ❖ Culture produces patterns of decision making
- ❖ Culture affects each individual decision-maker's perception or interpretation of a situation

Approaches to Decision Making

- ❖ Utilitarianism versus Moral Idealism
 - ❖ a short-term, cost-benefit approach vs. long-term, societal approaches to decision making
- ❖ Autocratic versus Participative
- ❖ Slow Pace versus Fast Pace

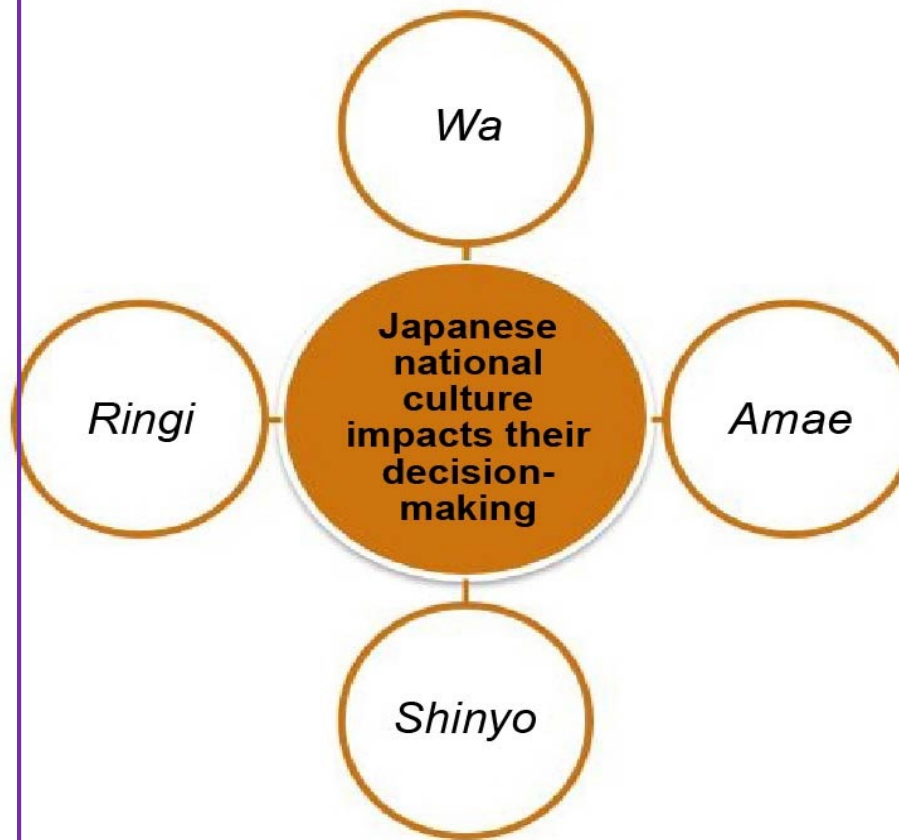


Comparative Management in Focus: Decision Making in Japanese Companies

A consensus building system:

- **Proposal Creation (稟議書 / Ringisho):**
A lower- or mid-level employee drafts a proposal document (ringisho) outlining a plan, idea, or request.
- **Circulation for Approval by stamps it with a hanko** (personal seal) to show approval, disapproval, or comments.
- **Consensus Building:**
The proposal moves **up the hierarchy**, gathering consensus. **Decisions are rarely made by one person alone, especially not unilaterally by a top executive.**
- **Final Approval:**
Once enough managers approve (and often with no objections), the proposal is finalized.

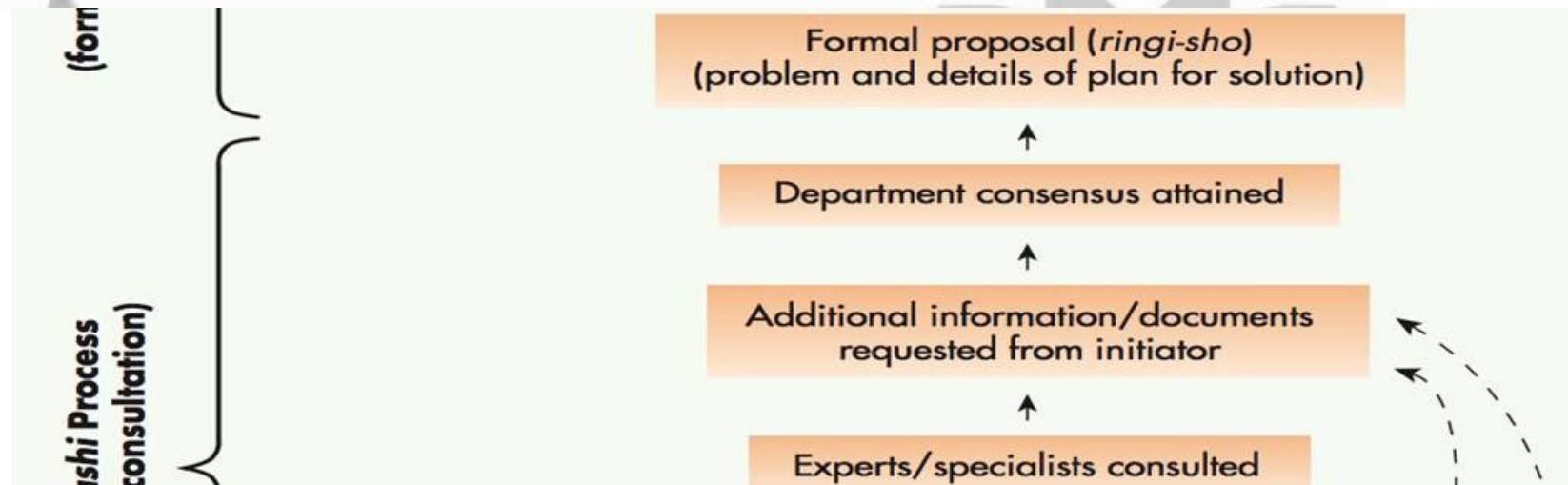
和: **peace and harmony, avoiding open conflict**



- Original meaning: be loved – spoiling someone or being spoiled
- 依赖: In Corporate culture: **Dependence among different levels**

信用: **Trust or credibility, trustworthy person**

Ringi-sho: A Decision Making System to Gain Consensus



Summary

- ❖ Managers need working knowledge of decision-making processes and negotiating tactics used by managers in different countries
- ❖ It is important to understand the cultural variables that influence negotiations and decision making, and how they influence these activities
- ❖ Managers should prepare for and conduct negotiations with cultural sensitivity.