

Intercultural Negotiation Process

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Intercultural Negotiation Process

Objectives

Upon completion of this chapter, you will

- be able to define the intercultural negotiation process.
- understand the steps in the negotiation process.
- know how to avoid mistakes commonly made in intercultural negotiations.
- be knowledgeable about intercultural negotiation models.
- understand negotiation strategies, including conflict resolution, in intercultural negotiations.
- understand various trade agreements that affect intercultural negotiation.

The increasing globalization of industries has necessitated an increase in strategic alliances and hence intercultural negotiations. **Intercultural negotiation** involves discussions of common and conflicting interests between persons of different cultural backgrounds who work to reach an agreement of mutual benefit. How competent and competitive firms are both domestically and internationally and how they handle customers and vendors from other cultures will determine how successful a firm is internationally. Some of the reasons global joint ventures and strategic alliances are on the increase include economic deregulation, rapid technological changes, large capital requirements, government-supported industries, economic maturation, and improved communications.

One of the most important differences in negotiating internationally rather than domestically is culture. Negotiators find out the negotiation model that their counterparts will use and then compare and contrast it with their own. A major mistake is to stereotype a national culture. Although you can learn a lot about how people in another culture negotiate, all negotiators from a country will not be the same. The less homogeneous a country is, the larger the range of negotiator styles you will find. This chapter includes steps in the negotiation process, intercultural negotiation models, and negotiation strategies.

STEPS IN THE NEGOTIATION PROCESS

Because negotiating with people from other cultures can be challenging, it is important to first get an overview of the negotiation process by examining the steps typically followed. These steps include site and team selection, relationship building, opening talks, discussions, and agreement. The negotiation process sets the stage for successful cross-border deals.

Preparation and Site Selection

When preparing to negotiate with a person of another culture, such variables as customs, etiquette, languages, and beliefs, in addition to product issues of price and terms, must be considered. Consulting someone who has lived in the target country or who has worked there is advisable. In addition, written materials and videos on negotiating in different countries are valuable resources.

The negotiation site is relatively unimportant to U.S. negotiators; they are comfortable negotiating in their office, over the telephone, or in another country. In some countries, however, the negotiation location is an important consideration. You may be expected to go to their country. Latin Americans and Asians, for example, expect you to go to them initially as they are more comfortable in their own territory (Leaptrott, 1996).

Other preparation includes locating an appropriate room that is large enough to accommodate seating, bearing in mind that seating is very important in cultures in which hierarchy must be acknowledged. In addition, remember that in Hong Kong, Taiwan, and Singapore, round conference tables are preferred, while in South Korea and Japan, rectangular tables are used. No one is seated at the ends of the table; the guests are seated on the "wall of honor," which is the side of the table near the wall that is farthest from the door (Wilén, 2000).

Team Selection

To have a successful negotiation experience, it is important to select the team members carefully. The number of people on the team; the age, gender, rank, and expertise of team members; and the personalities of potential team members are all important considerations. Whenever possible, include someone on the team who either is from the target culture or has spent time there. Expertise in the language is also a consideration; unless a team member can speak the language, the services of an interpreter may be necessary. The number of members on the team could range from two to three typically found on U.S. and Mexican teams to four to seven on Japanese teams. Inquiring ahead of time as to the size of the opponent's team is recommended so that team sizes are balanced. Age, gender, and rank are important considerations in most Asian countries as well as in Africa and the Middle East. Keeping the same team throughout negotiations is important for building a solid business relationship.

Negotiator selection is an important aspect of conflict resolution. Negotiators should be selected for their background (technical or social), emotional makeup, values, and viewpoints. It is important to find a negotiator whose qualifications most closely fit the requirements for the negotiations that will take place. Some important areas to be considered are gender, age, political affiliation, social class, cooperativeness, authoritarianism, and risk-taking propensity. Evaluating the negotiators from the other perspective is helpful in selecting or adapting your strategy (Cohen, 1998).

Evaluating yourself as an intercultural negotiator within the constraints of the situation is important. Be sure you clearly perceive your objectives, know the facts, and choose your strategies and tactics carefully. Negotiation is essentially communication with an encoder and a decoder. To the extent that the encoder and decoder share the same perceptions is the degree to

which their communications will be sent and received as intended. Communicating successfully with someone in your own society is often difficult; when you add different cultural concepts, different experiences, and different languages and word meanings, the possibility for miscommunication increases (Cohen, 1998).

Relationship Building

Although relationship building is relatively unimportant in the United States, in some countries sufficient time must be spent getting acquainted with the person with whom you want to conduct business. In Argentina, as in other Latin American countries, personal relationships are very important. To conduct business with governmental representatives, you need an intermediary to even get an appointment. In fact, all Hispanic countries have agents who specialize in making contacts between local firms and foreign companies (Leaptrott, 1996). In India, small talk and tea are important aspects of the negotiation process. The sweet milky tea that is offered should be accepted after an initial refusal; refusing the refreshments offered entirely is considered an insult (Morrison & Conaway, 2006). In Central and Eastern Europe, building relationships prior to conducting business is also important. Introductions are a necessary part of building the relationship. Establishing a relationship is also important in the Arab countries. Because Arabs conduct business only with friends, taking time to build a friendship is a necessity. However, with the friendship comes the implicit agreement to give assistance and support when needed. Although personal relationships are necessary to conducting business in Asian countries, establishing a friendship with potential business associates is not necessary. Locating an agent to serve as an intermediary with the targeted firm is recommended (Leaptrott, 1996).

Opening Talks

In the United States, as in many cultures, opening talks begin promptly, often with a short time spent in small talk. When negotiating with Australians, expect to engage in small talk for a short time to establish rapport before getting down to business (Morrison & Conaway, 2006). In Scandinavian countries, differences exist in what is considered customary during opening talks. People from Sweden arrive promptly, have a meeting agenda, and engage in small talk. Opening the presentation with a joke, however, is a mistake because the Swedes do not use humor during negotiations. In Finland, on the other hand, there is no small talk; they prefer to get down to business promptly (Turkington, 1999). Agendas, although viewed in a positive manner in the United States, may not be viewed as positive in some countries, such as in Latin America and the Middle East. In these countries more open interaction is preferred; agendas are viewed as a hindrance to effective negotiations. Likewise, in Japan agendas may not be used because Japanese negotiators prefer to discuss several topics at the same time. When negotiating with Asians, it is important to remember that during opening talks, they will expect your top-level executives to be present (Leaptrott, 1996).

In Arabic-speaking Islamic cultures, time is viewed in two ways: first, the earthly existence from birth until death and second, the heavenly existence that does not have a beginning and an end. While the two domains share the unit of time, the ratio is one earth day is equal to 50,000 heaven days. Also the heaven domain dominates the earth domain. Earth time is event oriented rather than clock oriented. Event time and clock time exist in the Arab world. Event time happens when something is ready, such as a meal has been prepared. In the past appointment times were unknown. Time is measured by how long it takes to complete a task. Western time is clock time, and time controls everything in Western life (Alon & Brett, 2007).

Discussions

During discussions, it is important to keep in mind that a variety of behaviors may be seen as the norm in certain countries. In Argentina, for example, negotiators may become quite emotional, although in France you may expect a lively discourse because they enjoy debating. Concessions during the discussions should be thought out ahead of time and handled skillfully. Your plan for concessions should take into account that in some countries, such as Mexico and the Middle East, compromise is viewed negatively. In addition, the timing and amount of the concession should vary with the country. In Australia, concessions tend to increase during negotiations, although in India they tend to decrease. During discussions with Asians, it is wise to keep in mind that they may smile, which usually indicates lack of understanding, or they may say, "Yes," which may actually mean, "Yes, I understand." In negotiations with Asians, it is sometimes advisable to move discussions to a more informal location, such as a restaurant or a golf course (Leaptrott, 1996).

Agreement

Closing the negotiations properly is very important. Delays are to be expected in such countries as India, so it is advisable to allow sufficient time for completing the deal. Likewise, when completing negotiations in India, it is wise to get both tax and legal advice prior to the final agreement (Morrison & Conaway, 2006). Delays are also common in Asian and Latin American countries; after reaching agreement, there is typically a long wait before final approval. The final written contract is vague by U.S. standards and is viewed as a guide for future negotiations rather than as a binding agreement as is true of U.S. contracts. You may, therefore, be continuing negotiations for some time even after both sides have signed the agreement (Leaptrott, 1996). Documenting the agreement is a stage where cultural differences need to be addressed (King & Segain, 2007).

To be successful in distributor agreements, Axtell (1994) suggests the following points that should be covered and agreed upon to assure success:

1. Effective dates of the agreement
2. Options at the end of the agreement
3. Place of jurisdiction
4. Terms of termination before agreement ends
5. Arbitration
6. Geographic boundaries of agreement
7. Degree of exclusivity
8. Description of products being distributed
9. Agreed-on sales quotas
10. Responsibility for import duty, freight, and insurance
11. Responsibility for warehousing, inventory control, and accounting
12. Information that must be reported to the sourcing company
13. Currency to be used for payment
14. Terms of payment
15. Provisions for secrecy
16. Competitive products that can or cannot be carried
17. Responsibility for warranty and repairs
18. Responsibility for advertising, merchandising, and public relations
19. Protection of patents and trademarks

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20. Responsibility associated with drop shipments and payment
21. Payment provisions of commissions and bonuses
22. Responsibility for taxes
23. Responsibility for indemnification
24. Responsibility for translation
25. Consideration of legal assignment, waivers, *force majeure*, notices, severability, and Foreign Corrupt Practices Act
26. Responsibility for setting prices

Many of these points can be handled ahead of negotiations and are controlled by lawyers during negotiations between U.S. firms. However, when you are dealing interculturally and multinationally, these points need to be addressed so that everyone understands both the letter and the intent of the contract.

When barriers develop during the negotiations, the negotiators need to be creative if the negotiations are important to their company. The negotiators must sift through the information to look for the conflict, look at the goals that underlie the demands, seek ways to reconcile the two sides, and, if agreement is not reached, decide whether to pursue the negotiations by changing the goals (Pruitt, 2000).

MISTAKES COMMONLY MADE DURING NEGOTIATIONS

Although effective negotiators are generally successful in their negotiation attempts, mistakes are sometimes made during the negotiation process that may have a negative impact on the outcome. Cellich (1997) identified the following mistakes sometimes made by negotiators:

1. Making a negative initial impression
2. Failing to listen and talking too much
3. Assuming understanding by the other culture
4. Failing to ask important questions
5. Showing discomfort with silence
6. Using unfamiliar and slang words
7. Interrupting the speaker
8. Failing to read the nonverbal cues
9. Failing to note key points
10. Making statements that are irritating or contradictory
11. Failing to prepare a list of questions for discussion
12. Being easily distracted
13. Failing to start with conditional offers
14. Failing to summarize and restate to ensure understanding
15. Hearing only what they want to hear
16. Failing to use first-class supporting materials

Skilled negotiators should avoid the preceding list of common mistakes, emphasize areas of agreement, and consider the long-term consequences of their agreements. A mistake sometimes made by U.S. negotiators because of their self-imposed time constraints is making concessions prematurely. Many times, the size of the concession is larger than necessary had more time been taken. If a concession is made too soon or if a large concession is made, the opponent is not as likely to see the concession as much of a gain. The Russians and the Chinese are very good at making concessions work for them. People of the United States also look at

negotiations from a legal point of view. Most cultures are not as concerned with the legal view but are concerned with having a good agreement, a shared perception, and a trust of the other side (Berger, 2006).

INTERCULTURAL NEGOTIATION MODELS

The model you choose to use when negotiating interculturally will depend on the people with whom you are negotiating as well as on your own personal biases. Research has shown that social, cultural, political, and legal issues; timing of delivery; payment; terms of payment; role of consultants; and authority to make binding decisions take up most of the negotiation time, so researching a particular company and culture could greatly reduce the time spent in negotiation (Ghauri, 1983).

People tend to negotiate interculturally as they do intraculturally unless they realize they need to adapt to another culture. The effect of culture in intercultural negotiation is one of relative, not absolute, values. The negotiations will proceed as smoothly as the abilities of all participants to be empathetic and to adapt to each other's cultural constraints. For example, the Russian negotiating tactics include a need for authority, a need to avoid risk, and a need to control. Negotiating style is not neutral; it is culturally based and somewhat subconscious. A clash of negotiating styles can lead to a breakdown in the negotiation (Cohen, 1998).

Protocol helps maintain the cultural values of a country. Therefore, businesspeople who are going to negotiate outside their own culture need to learn as much about the other culture as possible. When you understand the opposition, you can formulate a course of action more accurately and obtain your goals (Leaptrott, 1996).

Game theory holds that protocol ensures that the rules of behavior are the same for both parties; however, if one party does not understand the rules, that party will not win in the negotiations.

For example, the Japanese protocol is to never say "no." A negotiator must know and understand the many meanings of "yes" to know whether a contract is forthcoming or not. (Leaptrott, 1996)

Two main negotiating styles used currently are the problem-solving approach and the competitive approach. Interculturally, the **problem-solving approach** has been identified with the need to consider national cultural characteristic differences and/or organizational cultural differences that lead to differences in communication. The **competitive approach** is more individualistic and persuasion oriented. The competitive approach also looks at a solution that is best for the negotiator's own side versus a win-win style of negotiation. The problem-solving approach to negotiation leads to adaptation by the negotiator to the negotiator's counterpart through information exchange of needs. This is accomplished by gaining information on the opposition's people. Each of the variables are affected by the cultural protocol from which both sides come, and the more difference there is between their cultures on the protocols, it follows that more problems could exist when they are working through the negotiation variables. The more the negotiators are problem-solving oriented, the more they will use the problem-solving approach to negotiation. The competency of businesspersons' intercultural communication will determine how effective they are in using the problem-solving approach (Chaisrakeo & Speece, 2004).

Three other negotiation approaches have been promulgated: compromising, forcing, and legalism. **Compromising** seeks a middle ground between the two parties. Although

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compromising distributes the outcomes equally between the parties, it does not maximize the joint gain. **Forcing** is used to make the other party comply and is closer to the competitive approach. **Legalism** uses legal documentation to force the other partner to comply and is again closer to the competitive approach (Lin & Miller, 2003).

A Thai working in a Swiss multinational says: "National culture always influences the style of negotiation either directly or indirectly... This culture comes into our life from everywhere in our country. So there is no doubt... it must affect our bargaining style."

In contrast, a United Kingdom worker says: "I don't see that culture will affect my bargaining style. I got bargaining skills from my working experience. I also learned it from my supervisor and my friends. Individual personality should be another factor that has an effect on negotiating style but not national culture." (Chaisrakeo & Speece, 2004, p. 274)

A person's negotiating strategy may achieve a compromise agreement (distributive deal) or an integrative agreement (integrative deal). The **compromise agreement** is reached when two parties find a common ground between their individual goals; the result is a lower joint benefit. For example, if one side offers to sell a product for \$35 per unit and the other side offers to buy it for \$25, a compromise of \$30 can be reached that yields a lower joint benefit. With an **integrative agreement**, the two parties reconcile their interests to yield a high joint benefit. Negotiators should seek integrative agreements rather than compromise agreements because integrative agreements tend to be more stable and more mutually rewarding and usually benefit the broader community represented by the two parties. Research does not support one culture's using either an integrative or a distributive strategy primarily. Negotiators tend to learn to use both during negotiations (Brett, 2007).

The five methods of reaching integrative agreements described by Pruitt (2000) are expanding the pie, nonspecific compensation, logrolling, cost cutting, and bridging. Expanding the pie involves receiving additional resources. Nonspecific compensation involves repaying the party who does not receive what he or she requests in some unrelated way. Logrolling, which may be viewed as a variant of nonspecific compensation, involves both parties, rather than only one, being compensated for making concessions requested by the other party. Each party makes concessions on low-priority issues in exchange for concessions on high-priority issues. The cost-cutting solution involves the reduction of one person's costs while the other person gets what he or she wants. Bridging involves devising a new option for situations in which neither person gets his or her initial demands (Brett, 2007; Pruitt, 2000).

A cease-fire in the Yom Kippur War found the Egyptian Third Army surrounded by Israeli forces. A dispute arose about the control of the only road available for bringing food and medicine to this army, and the two parties appeared to be at loggerheads. After a careful analysis, the mediator, Henry Kissinger, concluded that Israel wanted actual control of the road while Egypt wanted only the appearance that Israel did not control it for the sake of public relations. A bridging solution was found that involved continued Israeli control but the stationing of United Nations soldiers at checkpoints on the road so that the Egyptians seemed to control it. (Pruitt, 2000, p. 503)

The high or low national cultural context of a negotiator, the organizational culture, the negotiator's own cultural context, and the cultural contexts of their counterparts determine the negotiators' abilities to adapt to each other during the negotiation process. This ability of

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the people in an organization to integrate other cultures' views into their own cultural intelligence is paramount to an organization's being successful in negotiating in other cultures.

For a negotiation to be effective, the people must work toward an agreement. This involves the people's working to build a relationship rather than a transaction. They need to exchange information honestly and openly. The negotiators must be careful in their use of persuasion tactics. Although Western societies favor rational argument, which can be aggressive and competitive, their Eastern counterparts tend to be more polite and restrained (Thomas & Inkson, 2004).

Kozicki (1998) presents a four-stage negotiation model—investigative, presentation, bargaining, and agreement. The investigative stage includes preparation or knowledge gathering about the other side and their goals. The presentation stage is a challenge because of cultural, perceptual, environmental, and power differences. The bargaining stage depends on cultural differences and the ability to stay disciplined and controlled. The agreement stage is the point at which the negotiators finalize the deal and set the stage for a continued relationship. Often people associate negotiation with only the bargaining stage, but negotiations are much more than bargaining.

Although these four stages work well in the United States, when negotiating internationally, it may be advisable to change your strategy. According to Brett (2007), those negotiators who negotiate the high-net-value integrative and distributive deals across cultures can be described as pragmatic individualists, cooperative pragmatists, and indirect strategists. The pragmatic individualist sets high targets, searches for information, makes trade-offs, and avoids distraction concerning power. The downside of the pragmatic individualist is time because their partner may feel a long-term relationship is not being established. The cooperative pragmatist is concerned with the outcome for all parties. Many questions will be asked and answered, and power will be dealt with indirectly. Cooperative pragmatists negotiate integrative deals and realize distributive outcomes. As long as the trust is genuine between the two sides in a negotiation, there should be few problems. However, a pragmatic individual may take advantage of a cooperative pragmatist because of the cooperative's need to trust. Indirect strategists are not sure about the power situation and choose to search for information indirectly. This tends to be successful within a culture that uses the indirect strategy but a problem when negotiating with a culture that is not using the indirect strategy. The indirect strategy uses cues that may be too subtle for many cultures. It is also difficult for negotiators from indirect strategy cultures to negotiate with members from a direct strategy culture. When you have direct and indirect negotiators, the conflict will not make integrative agreements possible but will make distributive agreements possible. Because these three models are used in different cultures, successful negotiators need to learn about all three and be able to use the method that will work best with the particular culture with whom they are negotiating. U.S. Americans, in particular, need to be aware of their shortcomings, which are well known to many of their opponents. To people of many cultures, people in the United States always seem to be in a hurry. It is generally known that U.S. negotiators are often in a rush and may not be as completely prepared as the other side.

A young U.S. businessman related a story about negotiating a joint venture with a Japanese company. As they negotiated, it was apparent that the Japanese company knew everything about the U.S. company—who its customers were, production capacity, sales history, financial status—and the U.S. firm had only a little data on the Japanese firm. The Japanese had expected the U.S. firm to be better prepared for their visit and took their business elsewhere.

NEGOTIATION STRATEGIES

Negotiation strategies are plans organized to achieve a desired objective. Because strategies are used to elicit desired responses, negotiations can take many forms. Predicting the opponent's response is essential to strategic planning. Intercultural negotiation strategies differ from intracultural styles for most cultures.

Mark McCormack explained how negotiations can be win-win in his book, *What They Don't Teach You at Harvard Business School*:

"I find it helpful to try to figure out in advance where the other person would like to end up—at what point he will do the deal and still feel like he's coming away with something. This is different from 'how far will he go?' A lot of times you can push someone to the wall, and you still reach an agreement, but his resentment will come back to haunt you in a million ways." (McCormack, 1984, p. 149)

Upon what are negotiation strategies based? Assuming that people act on the basis of their own best interests, the question then becomes how to determine whether this is the deal to accept, or, more broadly, how to determine the truth? Different cultures arrive at truth in negotiations in one of three ways: faith, fact, and feeling. Persons operating on faith care that your religious or political ideology matches theirs. For example, small nations that believe in self-sufficiency may reject a good deal simply because they want their own people to do the work, even though your product is clearly superior and lower priced. Thus, presenting facts to these persons is futile. Persons who believe in facts are often predictable; they give the contract to the lowest bidder. Most of the people in the world are more concerned with feelings and relationships; they believe in building a relationship over time and will not buy from someone else just because they can get a lower price. Both sides have to have an idea of their Best Alternative to a Negotiated Agreement (BATNA). BATNA is a process of determining the terms that are too unfavorable and the terms that are in your interest to accept; you then make sure you do not reject the acceptable terms and that you reject the unfavorable terms. BATNA becomes your lowest denominator—the price at which you will walk away from the negotiations (Berger, 2006).

U.S. Americans tend to make fewer adjustments to their opponent's behavior, and they change their negotiation strategy less than other cultures when dealing interculturally. This tendency is partially due to the fact that U.S. persons lack sufficient motivation to change their behavior in negotiation encounters because, in the past, the world has wanted what the United States produced. The more U.S. negotiators learn about negotiation styles of other cultures, however, the more they are beginning to make adjustments.

Negotiation strategies also include the preparation details; tactics; conflict resolution and mediation; and observations, analysis, and evaluation.

Preparation

Choosing where the meeting will be held is the first consideration in making preparation. When a meeting is held on your turf, you have more power; but you also have more responsibility for seeing to your counterpart's comforts. If the meeting is held on your counterpart's turf, he or she has the power and responsibilities. When it is held at a neutral location, members of each team are responsible for their own comforts.

In addition to selecting the location and determining the cultural protocol of the location, Leaptrott (1996) points out that preparation involves gathering information about the members

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of the other negotiation team, defining objectives, preparing a strategic plan, gathering ideas on applying your strategies within the protocol, researching the etiquette rules of the other culture, and viewing negotiations as an obstacle course to complete in order to achieve your goal. Although it is important to be prepared for questions, it is also important to safeguard strategic information that you do not want to share.

Tactics

Tactics are maneuvers used for gaining advantage or success. Tactics can take the form of verbal, nonverbal, or situational tactics. The attributes the receiver attaches to the tactic can be so distracting that the receiver has a distorted perception of the point that is communicated. Jokes often used by people of the United States to “break the ice” are examples of such tactics. Although these work well when the negotiations are between U.S. companies, jokes generally do not translate well to other cultures. Jokes are often perceived as derogatory toward a particular person, and in group-oriented cultures, this type of humor may be considered offensive (Berger, 2006).

In addition to jokes, other verbal tactics are promises, threats, recommendations, warnings, rewards, punishments, normative appeals, commitments, self-disclosure, questions, and commands. Nonverbal tactics include tone of voice, facial expressions, body distance, dress, gestures, silence, and symbols. Situational tactics include location, time constraints, and physical arrangements.

Distracting tactics can be detrimental to the negotiation process. Allowing insufficient time for the negotiations is typical of cultures that want to get “right to business.” By doing so, the other negotiating team may feel you are uninterested in a long-term relationship; consequently, they are not interested in what your team may have to say.

Whether the climate during negotiations is supportive or defensive depends on how the cultures negotiating view each other. What one culture considers defensive, dominating, retaliatory, and threatening may be considered normal by the other culture. However, if a negotiator is perceived, rightly or wrongly, as defensive or supportive, the other team will respond according to its perceptions and not according to what was intended. Climate is a very important area to research to read your opponents correctly. One way to avoid being defensive is to ask questions and learn what your opponent is thinking. Clarify or restate what you understand to have been said and ask if that is correct. Try to follow the other side as it explores the issues rather than always taking the leadership role. Use role reversal to understand and appreciate the other side’s position.

Conflict Resolution and Mediation

Conflict resolution involves a series of questions: How do we know if there is conflict? Is the conflict increasing or decreasing? Is the time to resolve the conflict now? What are the tactics to resolve the conflict? Is the conflict irresolvable? How do you tell if there is conflict or simply a lively debate? What is often an emotional, verbal disagreement for one culture can be a display of sincerity for another culture. In many countries and cultures, courts are third-party intermediaries.

Learning the social system and cultural values of the other negotiators will help you identify the signs of conflict or prevent the conflict from developing. Knowing whether to cultivate a personal relationship, being conscious of rank and position, understanding the thought patterns of other negotiators, and knowing how to establish trust are essential to successful conflict resolution. Because of culture differences, negotiators may focus on different aspects of the negotiations as being more important. A U.S. negotiator, for example, may focus on legal and financial

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agreements, although the Mexican or Japanese negotiator may emphasize personal relationships (Samovar, Porter, & McDaniel, 2009). Communicating respect, being nonjudgmental, realizing that perceptions are personal, showing empathy, and tolerating ambiguity can help you avoid conflict and negotiate successfully.

A U.S. software engineer, while working with an Israeli client on a project, observed the Israeli's different ways of approaching and discussing issues. He observed, "There is something pretty common to the Israeli culture; they like to argue. I tend to try to collaborate more, and it got very stressful for me until I figured out how to kind of merge the cultures." (Brett, 2007, p. 33)

If you have done your homework and are still having conflicts that defy resolution, you might want to turn to a third party, a mediator. Mediation is the use of a third party to settle differences between negotiating teams to bring them to common agreement. Mediation may be the fastest road to discovering the negotiation barriers. If you are dealing with members of a culture who do not like confrontation, who are afraid of losing face, or who are causing you to lose face, using a mediator may be the best path to follow (Berger, 2006).

According to Lewicki, Barry, Saunders, and Barry (2011), a mediator can sometimes productively solve disputes. A mediator first stabilizes the setting, including greeting the participants, designating seating, identifying each person, stating the purpose of the mediation, and confirming his or her neutrality. After setting this stage, the mediator gets a commitment from the participants to proceed in a businesslike manner. The second step helps the parties communicate in an orderly fashion. The mediator decides who is to speak first and provides a rationale to the group. As each participant speaks, the mediator takes notes, actively restates the points being made, is a calming influence, and focuses on the issues. The mediator then summarizes, asking the speakers for their agreement. Next, the mediator helps the participants set priorities. The third step is to help the parties solve their disagreements. The negotiator asks everyone to list alternative possibilities for settlement and a workable alternative, increases understanding of the alternatives, and rephrases them if necessary. Finally, the fourth step involves clarifying the agreement, checking to be sure both sides are in agreement and understand the terms, establishing a time for follow-up, emphasizing that the agreement belongs to the parties and not the mediator, and congratulating the negotiators on their resolution.

The best way to avoid conflict is to prepare, plan, and respect the culture with whom you are negotiating before negotiations commence. Be sure you know and respect the customs of the other negotiator's culture and be careful of gestures, nuances in meanings, and taboos of the other culture. Avoid using jargon, idioms, or slang. Realize that even if you are using a bicultural interpreter, often equivalent concepts do not exist between different languages. Many times a picture will help with explanations; therefore, you might want to bring photographs, drawings, overhead transparencies, samples, or anything else that can help the other side understand your presentation.

For the negotiation process to proceed expeditiously, observing, analyzing, and evaluating what happens between negotiators is important.

Observations, Analysis, and Evaluation

As negotiations proceed, you need to be very observant of changes from your initial expectations, analyze the differences, and adapt your negotiation strategy accordingly. Constant evaluation of verbal, nonverbal, and group interaction is necessary to negotiate from the best position possible.

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For negotiations to be successful, they must allow both parties to gain something—a win-win situation—although the parties probably will not gain equally.

Analysis involves defining the problem by separating and subjectively assessing probabilities, values, risk attitudes, time preferences, structuring and sequencing of the counterpart's choices, and the unknown. In addition, the people who are involved in the negotiation, their style of negotiating, the national culture, the differences in the two cultures, and the interpreters and translators need to be analyzed and evaluated. The developmental process of observing, analyzing, and evaluating is completed for each step in the negotiation process. Detailed outlines of the items in the negotiation process that need to be constantly observed, analyzed, and evaluated include the following (Casse & Deol, 1991):

1. Physical location of the negotiations
 - managing power
 - time and opportunity management—timely actions based on opportunity analysis provide needed edge in highly competitive situations
2. Agenda or policy issues in the negotiation
 - basic concept of negotiation
 - selection of negotiators
 - role of individual aspirations
 - concern with protocol
 - significance of type of issue
3. Preliminary statement and limitation considerations
 - complexity of language—need a means to communicate clearly
 - nature of persuasive argument
 - value of time
 - appreciation of cultural differences—anticipation of their moves
 - mutual understanding
 - negotiation is more art than science—be natural
 - statement of anticipation for the negotiations
4. Deliberation and solution of some issues and identification of the issues of no agreement
 - bases of trust
 - risk-taking propensity
 - internal decision-making systems
 - persuasion—establish credibility
 - selling—create the need
5. Preliminaries to final negotiations
 - narrow down differences—achieve consensus
 - emphasize commonalities of interest
 - understand limitations of your counterparts—use empathy
 - systematically search for alternatives
 - use conflict management
6. Final negotiations
 - give and take necessary in bargaining process
 - win-win negotiations for generating positive feelings

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7. Contract or confirmation of agreement
 - satisfactory agreement
 - including country of dispute resolution
 - importance of written documents in countries involved
8. Implementation of the agreement
 - Both written and unwritten aspects of negotiation are important

Intercultural negotiation assumes that the parties are from different cultures and may not share the same values, beliefs, needs, and thought patterns. During the interaction periods of the negotiation, the values, beliefs, needs, and thought patterns that are not shared by both groups can cause many unanticipated problems. The negotiator must become adept—through continual observation, analysis, and evaluation—at catching the problems and adapting the negotiation strategy accordingly.

TRADE AGREEMENTS

Trade agreements are the laws under which U.S. business must function when exporting. All exports are controlled by the government of the country where they are produced. General and validated are two types of trade agreement licenses. Because the general license is never actually issued, many firms do not realize they are operating under such a license. The validated license is very specific, and the Department of Commerce will assist companies with the regulations that apply. The **validated license** allows a specific exporter to export specific products to specific places. To find out more about validated licenses, obtain a copy of *Export Administration Regulations* from the Department of Commerce. Another book from the Department of Commerce that will prove useful to the overseas negotiator is *Basic Guide to Exporting*, United States Government Subscription, <http://bookstore.gpo.gov/index.html>.

Free trade zones (FTZ) or trade blocs are zones of international commerce where foreign or domestic merchandise may enter without formal customs entry or custom duties. The North American Free Trade Agreement (NAFTA) is an expansion of the FTZ concept, as is the European Union (EU).

The NAFTA, among the United States, Canada, and Mexico, was ratified in 1993 (see Figure 1) and took effect January 1, 1994. In 2008, all import and export taxes on qualified

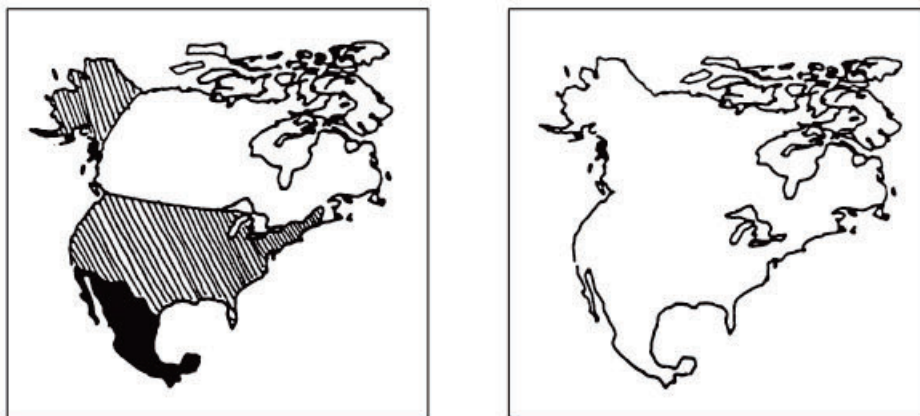


FIGURE 1 Before and After NAFTA

Intercultural Negotiation Process

goods between the three countries was revoked, and all qualified materials and services flowed freely among the three countries. NAFTA deals with trade in goods, technical barriers to trade, government procurement, investment, services and related matters, intellectual property, and administrative and institutional provisions. The objectives of NAFTA are the following:

1. To eliminate barriers to trade and facilitate cross-border movement of goods and services
2. To promote fair competition
3. To increase investment opportunities
4. To provide adequate and effective protection for intellectual property
5. To develop effective procedures to handle disputes
6. To expand cooperation and increase benefits to the three countries (North American Free Trade Agreement [NAFTA], 1992)

Many different products are covered by NAFTA; tariff implementation was completed in 2006. Regional economic integration is happening all over the world. A few of the current trade blocs are provided in Table 1 (ALADI, 2012; Asia-Pacific Economic Cooperation [APEC], 2008; Bolivarian, 2012; Community, 2011, European Union, 2008; Free trade agreement, 2012; Foxley, 2010; Trade bloc, 2008).

TABLE 1 Trade Agreements

| Acronym | Name | Member Nations |
|----------|--|--|
| AEC | African Economic Community | (It is expected that the ECOWAS, CEMAC/ ECCAS, SACU/SADC, COMESA/IGAD, and EAC will all join the AEC in 2019) |
| ALADI | Latin American Integration Association | Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela |
| ALBA | Bolivarian Alternative for the Americas | Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, St. Vincent and Grenadines, and Venezuela |
| APEC | Asia-Pacific Economic Cooperation | Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, United States, and Vietnam |
| ASEAN | Association of Southeast Asian Nations | Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam |
| CACM | Central American Common Market (block currently stalled because of DR-CAFTA) | Guatemala, Costa Rica, El Salvador, Honduras, and Nicaragua |
| DR-CAFTA | Dominican Republic-Central America Free Trade Agreement | United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic |

(continued)

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TABLE 1 Continued

| Acronym | Name | Member Nations |
|----------------|--|---|
| CAN | Andean Community | Bolivia, Colombia, Ecuador, and Peru |
| CARICOM | Caribbean Community | Antigua, Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad, and Tobago |
| CEFTA | Central European Free Trade Agreement | Croatia, Albania, Bosnia, Herzegovina, Macedonia, Moldova, Serbia, and Montenegro |
| CEALC | Latin American and Caribbean Community (New is in the formation stage, meetings suggest 2013 as activation date) | Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela |
| CEMAC | Economic and Monetary Community of Central Africa | Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, and Gabon |
| COMESA | Common Market for Eastern and Southern Africa | Sudan, Ethiopia, Eritrea, Djibouti, and Comoros |
| EAC | East African Community | Burundi, Kenya, Rwanda, Tanzania, and Uganda |
| ECOWAS | Economic Community of West African States | Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo |
| EU | European Union | Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom |
| EEC | Eurasian Economic Community | Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan |
| EFTA | European Free Trade Association | Iceland, Norway, Switzerland, and Liechtenstein |

(continued)

Intercultural Negotiation Process

TABLE 1 Continued

| Acronym | Name | Member Nations |
|-------------------|---|--|
| GAFTA | Greater Arab Free Trade Area | Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the State of Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen |
| G-3 | G-3 Free Trade Agreement | Mexico, Colombia, and Venezuela |
| GUAM | Organization for Democracy and Economic Development | Azerbaijan, Georgia, Moldova, and Ukraine |
| MCCA | Central American Common Market | Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua |
| MERCOSUR | Southern Common Market | Brazil, Argentina, Paraguay, and Uruguay |
| NAFTA | North American Free Trade Agreement | Canada, United States, and Mexico |
| PARTA or PIF | Pacific Regional Trade Agreement | Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu |
| PICTA | Pacific Island Countries Trade Agreement | Cook Islands, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tona, Tuvalu, and Vanuatu |
| SAARC | South Asian Association for Regional Cooperation | Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka |
| SACU | Southern African Customs Union | Botswana, Lesotho, Namibia, South Africa, and Swaziland |
| SAFTA | South Asia Free Trade Agreement | India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan, and the Maldives |
| UNASUR/ UNASUL | Union of South American Nations (will join MERCOSUR and ANDEAN) | Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela |

Free trade zones are not without problems. The Brazilian government delegates said before signing the hemisphere-wide free trade zone that the United States was pushing too hard on Brazil. The Free Trade Area of the Americas (FTAA) talks at points came to a halt. Brazil was not pleased with the U.S. demand that private firms have the right to sue the Brazilian government over international investment issues; Brazil was also less than pleased with the request to tighten patent rights for U.S. pharmaceuticals (Samor, 2004). The FTAA was implemented in 2005.

The World Trade Organization (WTO) is a multinational trade agreement of which the United States is a member. WTO provisions are continually being negotiated or renegotiated. Many stalemates have occurred as countries vie to protect specific industries or commodities. The WTO deals with intellectual property, services, national treatment for services (members must treat other nations' members equal to or better than service suppliers in their own nation), market access for services, foreign investment, antidumping, subsidies, textiles,

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agriculture, market access, dispute settlement, and telecommunications. Small modifications to a product can change its tariff classification.

The European Union is a FTZ that continues to add countries. The EU is still working out problems due, in part, to the breakdown of the communist bloc countries, but the popularity of the EU is expected to grow in the future. The number of active trade agreements between the United States and other countries for specific products grows every year.

Currently the United States has free trade agreements in force with 17 countries: Australia, Bahrain, Canada, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore. As of October 21, 2011, President Obama signed free trade agreements with Colombia, Korea, and Panama, but they have not yet been implemented. The United States is also negotiating the Asia-Pacific trade agreement, which will be known as the TPP agreement (Free-trade Agreements, 2012).

NEGOTIATION STYLES

The following sections summarize the negotiating styles of the United States and selected countries, including the countries with which the United States conducts most of its international trade. Because individual differences exist in all cultures, it is wise to research the negotiation styles of countries with which you plan to conduct business.

Brazil

Negotiating with Brazilians can be time consuming as building a relationship before conducting business with someone is important. Brazilians will choose negotiation team members who are well informed and well educated. Keep the same members of your team throughout negotiations. Since Brazilians value personal relationships, changing team members would necessitate building new relationships that would extend negotiations. Team members should expect simultaneous, rather than sequential, discussions of all aspects of the contract. Using a local accountant and lawyer is recommended. Since Brazil is a hierarchical society, understanding how decisions are made is necessary. When compared to other countries in Latin America, Brazilians are more individualistic; team consensus is not a major consideration. Since Brazilians consider themselves Americans, U.S. negotiators should avoid using America to refer to the United States (Moran, Harris, & Moran, 2011; Morrison & Conaway, 2006).

Canada

Canada is a bilingual country, with French as the primary language in the province of Quebec and English in the other provinces. The English spoken is closer to British English in some areas and closer to U.S. English in other areas. Recently, a large group of Hong Kong-based businesspeople immigrated to Canada during the takeover of Hong Kong by the People's Republic of China; this move has introduced another culture into the country (Moran, Harris, & Moran, 2011). Canadians appear to be open and friendly, yet they are reserved, conservative, and very formal. They are also patriotic and lawful and observe strict rules of etiquette. Canadians are not and do not like being considered to be the same as U.S. people, nor do they consider their country part of the United States. Canadians tend to be individualistic. Respect the fact that Canadians are very proud of their heritage and that they were descendants of Loyalists and did not fight for independence from England. Otherwise, negotiation practices are similar to those in the United States.

China

China has been very ethnocentric because of its chosen isolation behind the Great Wall for some 2,300 years. Westerners have had difficulty doing business with the Chinese because they lack an understanding of the Chinese culture and the intrinsic differences between Eastern and Western mindsets. Protocol to follow during the negotiation process includes giving small, inexpensive presents. The Chinese require a high degree of interpersonal interaction and a high level of character from those with whom they do business. It is necessary to develop a relationship with the Chinese; they believe this takes time and cannot be accomplished in meeting rooms alone (Owen, Javalgi, & Scherer, 2007; Sprong, 2004). The Chinese may not openly state everything during negotiations. They do use silence, postponement of the current discussion, or changing the subject to indicate that they disagree with what is being proposed or said. However, disagreeing with a foreigner is acceptable because of the desire to reach a consensus. The more they are interested in an agreement, the more they entertain. When they are happy with an agreement, they will smile; however, very little negative emotion will be shown when there is disagreement. Disagreements are handled politely, such as proposing an alternative. Chinese negotiators prefer face-to-face meetings over written communication (Ngai, 2000).

The Chinese trust those who are in some way connected to other people they trust. Personal connections are the key to success in China. Finding a common friend to make introductions will help build such relationships quicker. However, the Chinese are some of the toughest negotiators in the world. Technical competence of the negotiators is necessary as well as a noncondescending attitude. The Chinese research their opponents thoroughly to gain competitive advantage during negotiation. Nothing is final until it is signed; they prefer to use an intermediary. The Chinese rarely use lawyers, and interpreters may have inadequate language skills and experience. The Chinese are very high context in their use of language and will not always state exactly what they want. Although Chinese negotiators imply that there is no compromise or third choice, in reality there is ample room for compromise. The Chinese look at a relationship as long term and are very good at stalling during negotiations (DeLozier & Chi, 2000; Moran et al., 2011; Owen et al., 2007).

France

France was the largest country in Western Europe before the reunification of Germany. Needless to say, this change has not enhanced French self-esteem. The French expect everyone to behave as they do when conducting business, including speaking their language. They are individualists and have a sense of pride that is sometimes interpreted as supremacy. The French enjoy conversation for the sake of conversation, but they are also very pragmatic about details of the proposed agreement during negotiations. During conversations away from negotiations, keep in mind that the French consider themselves world leaders in fashion, art, literature, cuisine, and diplomacy. The French follow a type of logic referred to as “Cartesian” logic when negotiating; it is based on principles previously established and proceeds from what is known, in point-by-point fashion, until agreement is reached.

Protocol, manners, status, education, family, and individual accomplishments are keys to success when dealing with the French (Moran et al., 2011). Trust has to be earned; they are impressed by results. The French prefer detailed, firm contracts.

The difference in the U.S.–French cognitive patterns and styles can be seen in reactions by the French to the Richard Nixon and Bill Clinton presidential scandals. The French have a difficult time understanding why people of the United States would want to drive a president from office over a moral or ethical issue. The French view the U.S. need to be morally correct in international situations as unnecessary.

Germany

Germany is now a unified country with the dismantling of the Berlin Wall in late 1989. In business, Germans are typically group oriented; however, as a people, they are rather individualistic. Protocol and regulations are important. Germans prefer explicit contracts and regulations and use power in negotiations (Tinsley, 2001). Dressing conservatively during negotiations, as well as using correct posture and manners, is strongly recommended. Germans tend to use a handshake at the beginning and end of meetings. Remember to use titles when addressing members of the negotiating team and to use “please” and “thank you” freely. Because the Germans believe friendships and personal relationships can complicate negotiations, they prefer to keep a distance between themselves and the other team of negotiators.

Germans tend to be detail oriented, so having technical people as part of the negotiation team is important. Being punctual is expected. Contracts are firm guidelines to be followed exactly. Corporate decisions are made at the top but with a great deal of input from workers. Quality is important, and decisions are pondered and carefully scrutinized to be sure that such quality exists in any projects they undertake. To a U.S. person, Germans may seem pessimistic because of their ability to entertain every conceivable negative point. After they accept a project, however, they give 100% to its successful implementation (Samovar et al., 2009; Tinsley, 2001).

India

In India, business is conducted in a formal yet relaxed manner. Bribery is common, and having connections is important. The left hand is not used in greetings and eating; it is important to request permission before smoking, entering the room, or sitting. Building relationships is important, and an introduction is necessary. Use titles to convey respect. Knowledge of local affairs is important to people of India. Intermediaries are commonly used. Because people of India place importance on building relationships, the negotiation process can be rather long by U.S. standards. Indian management is paternalistic toward subordinates. Because of status differences, Indians generally do not use group orientations; the decisions will be made by senior management. Indians, in an effort to maintain harmony, may tell the other party what it wants to hear. The phrase “no problem” should not be taken literally. People of India do not approve of displays of emotion. Negotiators must use patience and allow the Indians to take the lead in the negotiations. While punctuality is important, patience is required (Moran et al., 2011).

Japan

The negotiating practices of the Japanese companies are based on the keiretsu systems. A **keiretsu system** is a company group formed by the principal company and the partner companies that supply parts, equipment, financial support, or distribution of the final products. In Japan, every company in the keiretsu works to provide the customer the best product for the lowest price while maintaining an acceptable return on investment. A keiretsu group is viewed as a long-term commitment (Yonekura, 1991).

Communication is very complex with the Japanese. To avoid having someone lose face, lose the group harmony, or disappoint another person, the Japanese use very subtle and complex verbal and nonverbal cues. You need to read between the lines to interpret what has been said and to use more silence and less eye contact than is considered normal for U.S. Americans. Because the Japanese do not use “no” and have such subtle verbal and nonverbal cues, ask a number of questions to be certain you understand the intent of what is being communicated (Brett, 2007). Silence is an important aspect of Japanese nonverbal communication and should

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not be interrupted. Standing at the table, slouching, doodling, crossing the legs, or other informal behavior by sellers is considered disrespectful. The Japanese use status and power in negotiations as well as interest strategies and regulation arguments (Tinsley, 2001).

If a problem is found even after a written agreement is signed, the Japanese will resolve the difference through mutual agreement with the other party as they always consider contracts flexible instruments. Because Japan has very few business lawyers by U.S. standards, the Japanese are very suspicious of a negotiating team that includes lawyers.

Latin America

Latin Americans, which include people from Mexico and Central and South America, are quite different from U.S. persons in their manner of conducting business. Because Latin Americans may have trust issues with U.S. Americans, a negotiator must be careful to maintain the self-esteem of the Latin Americans. When trust is questionable or lost, the opportunity to negotiate is probably lost as well. Relationships are important because of the need to have contacts. Bribery is common, so the local contacts can help you determine who should be approached to get the business moving. The government is very involved in business.

Latinos emphasize general principles more than problem solving. A story told by a U.S. businessman illustrates the difference in approaches. The U.S. businessman was invited by a Guatemalan to supply equipment for a cereal factory the Guatemalan was planning to open in his country. The U.S. supplier focused on the financing of the purchases, the Guatemalan's credit rating, and how the Guatemalan was going to pay the supplying company. A German contractor, who eventually received the production line order, concentrated on how the production line was going to operate and meet the Guatemalan's needs. The Germans even sent a representative of the company to live on site for the first three months of production. The U.S. interest in the financial aspects of the contract was a turnoff to the Guatemalan. (Axtell, 1994)

Negotiators are chosen on the basis of their family connections, political influence, education, and gender. Latin Americans are very individualistic in business; however, they are very group oriented concerning family and friends. Handshaking and asking about the health and well-being of business contacts and their families are expected.

Because most agreements are consummated over lunch, suitable luncheon accommodations are important. Many meetings are held to allow a personal relationship to develop. Numerous meetings are the norm, and time is not seen as important. Latin Americans are people oriented rather than task oriented. Because body language is important and different from that in the United States, researching nonverbal aspects of communication is recommended (Moran et al., 2011).

The Netherlands

The Dutch have always been internationally oriented due to their trade dependency. They are a very open country and are very proud of their heritage and culture.

Lawmaker Geert Wilders called for a five-year halt to non-Western immigration after the killing of Dutch filmmaker Theo van Gogh by a Muslim extremist. He stated: "We are a Dutch democratic society. We have our own norms and values. If you choose radical Islam, you can

leave; and if you don't leave voluntarily, then we will send you away. This is the only message possible. The Netherlands has been too tolerant to intolerant people for too long. We should not import a retarded political Islamic society to our country. There is nothing to be ashamed of to say this." (Deutsch, 2004, p. A8)

Dutch negotiators are efficient and straightforward. However, because decisions are based on consensus, the decision-making process can be rather slow. The Dutch are tolerant and willing to listen to divergent points of view. After a decision has been made to proceed with the project, however, those involved will act quickly. Being punctual during negotiations is important; keeping promises is also important. Presentations during negotiations should include facts to back up claims. When negotiating with the Dutch, keep in mind that they admire education, humor, honesty, and modesty (Morrison & Conaway, 2006).

Nigeria

In Nigeria, negotiation in the form of bargaining in the marketplace is practiced from childhood. Therefore, Nigerians are very skillful negotiators. Because Nigerians are individualistic, negotiations are viewed as a competitive process. Age is equated with wisdom and is an important criterion when selecting negotiators. Gender, cultural background, and educational credentials are also important considerations.

Developing a personal relationship is important to the success of the negotiators. Time is not particularly important; therefore, negotiations may be lengthy. An intermediary should make the initial introductions. Being well dressed is important, and conscious demonstration of courtesy and consideration is expected. A successful negotiation is completed when the parties reach a verbal understanding. Contracts are considered flexible and may be oral or written. A person's word is more important than the legal documents. Business relationships follow from personal friendships. Nigerians are very loyal to their tribe and family, and trust is important (Moran et al., 2011).

Russian Federation

The Russian Federation, which is now divided into 21 autonomous republics and 49 regions, has experienced numerous political and economic changes. In 1991, the government and production facilities were decentralized. Despite these changes, some negotiation tactics may remain the same while others will probably change as various management practices are initiated. In the past, negotiation sessions with the Russians have been long with the Russians controlling the agenda. The Russians look at compromise as a weakness and try to wait out their opponents to get more concessions. The Russian negotiators tend to be very animated in their discussions. Russians seem to be concerned with age, rank, and protocol. They are addressed by their full name and tend to be somewhat formal. Like U.S. people, Russians see time as money, and friendships are not crucial to business. Russians are not concerned with equality between business partners but are concerned with maximizing their own profits. Contracts are interpreted rigidly (Elashmawi & Harris, 1998; Samovar et al., 2009).

Singapore

Singapore is unique in the ethnic backgrounds which are Chinese, Malay, and Indian. Cultural differences among the three groups necessitate knowing with whom you are negotiating. The English that is spoken is a blend of English, Cantonese, Hokkien, and Malay. So even though Singaporeans speak English, it may be different from the English to which you are accustomed.

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Thus, you will need to be sure details of the negotiations are understood by both sides. Being on time is important; however, due to the number of people in the city, it is not always easy to get to your destination on time.

Negotiations are completed in a very civil manner with plenty of time given between speakers to allow for understanding. Saving face is important, and when someone laughs it may be out of embarrassment. Because Singaporeans will try to get their way does not mean that they are not good negotiators. Relationships are important, so do not change members of your team when negotiating with the Singaporeans (Morrison & Conaway, 2006).

South Korea

When negotiating with South Koreans, remember that getting to know each other is important before beginning business discussions. Because relationships are important, plan to take time to build a solid business relationship. Decision making may be somewhat slow, especially by European or North American standards. Because age and status are respected by South Koreans, it is advisable to include in the negotiating team older, senior executives from your firm. Sometimes silence during negotiations indicates a lack of understanding, so it is wise to ask if additional information is needed or to simply rephrase what was previously said. The initial offer should leave room to negotiate because South Koreans typically begin with an extreme position; they are willing to compromise to assure a win-win situation. Remember that as in other Asian countries, people are not as direct as are people from the United States; they are likely to say what they think the other person wants to hear rather than being totally candid (Morrison & Conaway, 2006).

Taiwan

In Taiwan, trust and respect are very important in business relationships. Because relationship building is important in this country, it is wise to take time to get to know your Taiwanese counterparts. Delays are common, and the decision-making process is somewhat slower than is customary in Europe or the United States. Because both age and seniority are admired in Taiwan, it is a good idea to include on your negotiating team older, senior executives. Women are not typically included on teams, so you should mention ahead of time when you plan to include a woman on your team to allow time for your Taiwanese counterparts to become accustomed to the idea. Suggestions for negotiating with the Taiwanese include being respectful to the elderly, protecting individual dignity, and being honest, modest, and sincere. Avoid criticizing competitors, speaking loudly or with your hands, and displaying emotions (Morrison & Conaway, 2006).

United Kingdom (England, Scotland, Wales, and Northern Ireland)

British negotiators reflect their cultural characteristics; they are very formal and polite and place great importance on proper protocol. They are also concerned with proper etiquette. The British are not as casual or as quick to make friends as are people of the United States; however, this is not considered necessary for conducting any business in the United Kingdom. The British can be tough and ruthless; they excel at intelligence gathering and political blackmail. Because they sometimes appear quaint and eccentric, negotiators from other cultures may underestimate their skill. As U.S. law is based on English law, understanding the meaning of a British contract is relatively easy for U.S. negotiators. Differences exist behaviorally between the Scots, Welsh, British, and the other ethnic groups. Many of the Scottish, Welsh, and Irish do not like to be referred to as Brits although the people in England tend to refer to them as Brits (Cohen, 1998; Moran et al., 2011).

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As Ritzer (2007) emphasizes, negotiating on a global scale can present tremendous opportunities. Corporations can expand their markets, increase their profits and productivity, and lower their costs by negotiating globally.

United States

According to Graham and Herberger (1983), the following statements are characteristic of the U.S. style of negotiating:

- “I can handle this by myself” (to express individualism).
- “Please call me Steve” (to make people feel relaxed by being informal).
- “Pardon my French” (to excuse profanity).
- “Let’s get to the point” (to speed up decisions).
- “Speak up; what do you think?” (to avoid silence).
- “Let’s put our cards on the table” (to convey the expectation of honesty).
- “A deal is a deal” (to indicate an expectation that the agreement will be honored).

The space requirements in the United States have a direct bearing on negotiations. Entering the intimate space (up to 18 inches) of a person from the United States causes great discomfort. Another consideration when negotiating with people of the United States is related to their attitude toward saving face. Because people of the United States are not as concerned with saving face as are people of other cultures, they may be quick with “constructive criticism” that may be a source of discomfort or even humiliation for persons in other cultures.

U.S. negotiators have tended to focus on interest strategies in the past due to the valuing of individualism, egalitarianism, and polychronicity; however, this focus on interest strategies is changing (Tinsley, 2001).

Terms

| | | |
|-----------------------------------|-------------------------------|------------------------|
| Competitive approach | Free trade zones | Negotiation strategies |
| Compromise agreement | Intercultural negotiation | Problem-solving |
| Compromising negotiation approach | Integrative agreement | approach |
| Forcing negotiation approach | Keiretsu system | Tactics |
| | Legalism negotiation approach | Trade blocs |
| | | Validated license |

Exercise 1

Instructions: Circle T for true or F for false.

1. T F In intercultural negotiation, the meeting location is associated with power and responsibilities.
2. T F Social class is unimportant in negotiator selection.
3. T F Failing to listen and talking too much are mistakes made during negotiations.
4. T F Relationship building is important in Arab and Latin American countries.
5. T F Constantly evaluating verbal and nonverbal behaviors of negotiators is unnecessary during negotiations.
6. T F Protocol is important when dealing with the French.
7. T F Bribery is a common part of conducting business in India.

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8. T F The Japanese prefer negotiating teams rather than a single negotiator.
9. T F Gender is important when negotiating in the Latin American countries.
10. T F Russian negotiating strategies include a need to control.

Questions and Cases for Discussion

1. Give three reasons why global joint ventures and strategic alliances are increasing.
2. What are the steps in the negotiation process?
3. When analyzing a negotiation situation, what are the models to consider?
4. Explain why following the saying, "When in Rome, do as the Romans do," is appropriate to the negotiation process.
5. Are most negotiation conflicts culturally based?
6. How can you prepare for cultural shock in negotiations?
7. What is the difference between compromise and integrative agreements?
8. Regional free trade zones are becoming popular. What are the negative and positive aspects of such trade zones? How will they help or hinder global organizations?
9. Which factors would you include in developing a negotiation model when negotiating with Canadians?
10. Intercultural negotiations have many implications. Discuss how two of these implications would affect negotiations between a U.S. negotiation team and a Japanese negotiation team. Discuss how two of these implications would affect negotiations between a Japanese negotiation team and a Mexican negotiation team.

CASES

The following procedure is recommended for analyzing the cases: (a) read the case carefully paying attention to details; (b) read the questions at the end of the case; (c) reread the case, taking notes on or highlighting the details needed for answering the questions; (d) identify relevant facts, underlying assumptions, and critical issues of the case; (e) list possible answers to the questions; and (f) select the most logical response to the question. Your professor may ask that you submit answers to the case questions in writing.

Case 1

A U.S. corporation has sent four people to meet with a group from a Russian organization. As the groups have had previous negotiations and contact, the U.S. group is hoping to go home with an agreement. The first meeting lasts 12 hours and ends in a deadlock. After agreeing to meet the next day, one of the U.S. negotiators notices the Russians leaving for an evening on the town. The next morning, the meeting is a repeat of the first, except that it is cut short so that the Russian

negotiators can play golf. All agree to meet the next morning. The U.S. lead negotiator asks his company for time to wait out the Russians. Three weeks later (after many repeat meetings with no concessions), the Russians begin to make concessions. What do you know of the Russian culture that could explain what happened? Did the U.S. negotiator make the right move, or would pressure have made the Russians move faster?

Case 2

A U.S. salesman is in Spain negotiating a contract with a Spanish company. He has expressed to his Spanish colleagues an interest in attending a bullfight, so they invite him to one. As the first bull is released, the salesman jokingly says, "So who's going to win? I'll put my money on the bull." The Spaniards remained silent. The salesman felt very uncomfortable during the rest of the bullfight. Explain the salesman's faux pas and the negative effects it may have on his progress. If the salesman had taken time to research bullfighting, how might he have better handled the situation?

Case 3

International negotiators must diagnose meaning, motive, and intention on the spot if they are to get the contract or sale. How does someone become nonethnocentric and “do as the Romans do” in order to get the contract? How much will previous experience help or hinder the progress of the sale? Why does the visible part of the iceberg overshadow the hidden parts of the iceberg?

Case 4

The comparison chart (Ping, 2000, p. 523) in Table 2 is for a U.S. person who wants to sell a Chinese person a piece of expensive equipment. As you can see, the two gentlemen are not interpreting, perceiving, or expecting the same thing. Using this list, discuss what will probably happen to these negotiations and why if the two sides do not adapt. Now look at the individual factors that must change for there to be a win-win situation for the negotiations.

Case 5

The following case concerns negotiations by KE Electronics (a South Korean company) and JCP (a Japanese company) to license each other their patents. JCP and KE were discussing KE’s producing plasma display products (PDP).

KE asserts that JCP has demanded excessive royalties, has asked the South Korean government to restrict imports of JCP products sold in South Korea, is considering referring the patent infringement problem to the WTO, and contends that JCP is using the legal action as a diversionary tactic to curb KE’s growth in the PDP industry. JCP has filed a court injunction in Japan to halt the sales of PDPs produced by KE. JCP asserts that KE has violated its patents on dissipation of heat when the panels are operated and has asked Tokyo Customs to suspend imports of KE PDPs.

Describe the important points in the case, including the differences in cross-cultural negotiation components and protocols that these two companies exhibit.

TABLE 2 Expectations and Behaviors of U.S. Americans and Chinese

| | Person Expectations | Expected Conversations | Behaviors | Unfulfilled Expectations |
|---------------|--|--|---------------------------------------|---------------------------------|
| U.S. American | Complete job; obtain contract; close deal | Equipment; specification; price; contract terms | Professional; technically oriented | Disappointed and confused |
| Chinese | Establish long-term relationship; obtain contract; confirm relationship built; begin working on future | Background; introduction to company; training and services | Hospitable; less technically oriented | Hurt and not respected |

Activities

1. Invite three or four businesspersons with experience in international negotiation to serve as a panel to discuss “Negotiating with the Japanese” (or another culture of your choice).
2. Prepare a negotiation profile for a person who will be negotiating with representatives of a manufacturing firm in Mexico. Include verbal and nonverbal dos and don’ts.

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3. Select a book containing information on international negotiation, such as Jeanne M. Brett's *Negotiating Globally* (2007) or Roger E. Axtell's *The Do's and Taboos of International Trade* (1994), and prepare a one-page summary of non-verbal aspects of negotiating with persons of a culture you choose.
4. Review recent issues of a business journal or newsmagazine for an article related to international negotiation to be used as a basis for class discussion.
5. Prepare a list of possible problems U.S. businesswomen might encounter when negotiating with Arabs.

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Glossary

Competitive approach looks at a solution that is best for the negotiator's own side.

Compromise agreement is a negotiation strategy agreement reached when two parties find a common ground between their individual desires that results in a lower joint benefit.

Compromising is an approach to negotiation that seeks a middle ground between the two parties.

Forcing negotiation approach is used to make the other party comply and is closer to the competitive approach.

Free trade zones (FTZ) are areas of international commerce where foreign or domestic merchandise may enter without formal customs entry or customs duties.

Integrative agreement is a negotiation strategy in which two parties reconcile their interests to yield a high joint benefit.

Intercultural negotiation is discussion between persons of different cultural backgrounds who work toward mutual agreement.

Keiretsu system refers to Japanese negotiating practices in which a company group formed by the principal company and the partner companies supply parts, equipment, financial support, or distribution of the final products.

Legalism uses legal documentation in negotiations to force the other partner to comply.

Negotiation strategies are plans organized to achieve a desired working relationship.

Problem-solving approach is a negotiating style identified with the need to consider national cultural characteristic differences that lead to differences in communication.

Tactics are any maneuvers used for gaining advantages or success.

Trade blocs are zones of international commerce where foreign or domestic merchandise may enter without formal customs entry or custom duties.

Validated license allows a specific exporter to export specific products to specific places.

Answers to Exercises

True/False

- | | |
|------|-------|
| 1. T | 6. T |
| 2. F | 7. T |
| 3. T | 8. T |
| 4. T | 9. T |
| 5. F | 10. T |

