

Advanced Negotiations: Lessons From the International Arena

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Abstract. This paper summarizes negotiation basics, reviews cultural differences, discusses the affect of cross-cultural differences on negotiations, discusses strategies and tactics for cross-cultural negotiations, and provides insights for everyday negotiations. The first section provides a brief overview of negotiations. Next, a framework for cultural differences is reviewed. Third, some effects of these cultural differences on negotiations are discussed. The fourth section identifies strategies and tactics that can be effective in cross-cultural negotiations. The final section discusses how insights from cross-cultural negotiations can be applied to everyday negotiations.

Negotiation Basics. Most negotiations fall within a continuum between pure win-win (collaborative) and pure win-lose (contending) strategies.

Collaborative bargaining is likely to occur when the negotiators have identified a common goal or objective. A major opportunity in win-win negotiations is the potential to create a situation where all parties achieve (or exceed) their goals. At least five issues facilitate win-win (integrative) bargaining. They are:

1. All parties have faith in their problem solving ability.
2. A belief in the validity of one's position and the other's perspective.
3. Motivation and commitment by both parties to work together.
4. Mutual trust by both parties of each other.
5. Clear and accurate communication by both parties.

All five of these issues must be present to have meaningful win-win negotiations. The following four situations hinder win-win negotiations. If any of them are present the likelihood of integrative negotiations fades.

1. An unsatisfactory past relationship between (or among) the parties.
2. A belief that the issue (or issues) can only be resolved if one party gains at the expense of the other.
3. The "mixed-motive" of most negotiators where both parties want to achieve their goals while maintaining an ongoing relationship with the other party. This makes it difficult for pure integrative negotiations to occur.
4. Win-win negotiators are vulnerable to the tactics of win-lose negotiators. This means that many negotiators will be reluctant to lower their barriers first.

Win-lose negotiations are characterized by the following. If any of them are present, then win-win negotiations are not occurring.

1. Both parties try to learn about the other's strategy and reveal little about their own strategy.
2. Both parties emphasize positions rather than interests.
3. Emphasis is on maximizing the outcome of the single agreement.

4. Strategies will emphasize influencing the other's resistance point and managing the other party's perceptions of outcomes, delays, and not reaching agreement.
5. Tactics will focus on offers, initial concessions, patterns of concessions, establishing commitment and closing the deal.
6. Negotiators will claim that they are engaging in win-win negotiations when they are not.

Regardless of what the other party says, if behavior suggests that they are engaging in win-lose negotiations, they are.

Most negotiations occur along a continuum between pure win-win and pure win-lose. The emphasis on collaborative and distributive bargaining may vary among issues, or at various stages of negotiations. For example, a series of negotiations may begin on a win-win note, then emphasize win-win for some issues and win-lose for other issues, then move towards a relatively win-win orientation as the possibility of agreement becomes apparent.

A Framework for Cross-Cultural Differences. A widely accepted framework for assessing cultures was developed, beginning in the 1980s, by the work of Geert Hofstede. The following summarizes Hofstede's four dimensions of culture. Please keep in mind that these dimensions are generalizations and that individuals may vary from their society's descriptors.

Individualism/ Collectivism describe the extent to which a society emphasizes the individual or the group. Individualistic societies encourage its members to be independent and look out for themselves. Collectivistic societies emphasize the group's responsibility for each individual. The United States is considered to be an individualistic society while Japan is collectivistic. Power Distance describes the extent to which a society accepts that power is distributed unequally. When power distance is high individuals prefer little consultation between superiors and subordinates. When power distance is low individuals prefer consultative styles of leadership. Malaysia and Great Britain would be considered as high and low in power distance respectively.

Masculinity/Femininity refers to the values more likely to be held in a society. Masculine societies are characterized as emphasizing the importance of things and money. Feminine cultures are characterized by concerns for relationships, nurturing, and quality of life. Examples of masculine and feminine cultures include Japan and Finland respectively. Uncertainty avoidance, the fourth dimension, refers to the extent that individuals in a culture are comfortable (or uncomfortable) with unstructured situations. Those in societies with high uncertainty avoidance prefer stability, structure, and precise managerial direction. Those in low uncertainty avoidance societies are comfortable with ambiguity, unstructured situations, and general managerial guidance. Greece is an example of a society that is relatively high in uncertainty avoidance while Hong Kong is considered as low in uncertainty avoidance.

While providing useful guidance, these cultural dimensions should not be considered as absolute bases for stereotyping individuals from a specific culture. Rather, they should be considered as beginning reference points for planning negotiations and guidelines for the conduct of negotiations when there are no other cues.

Implications of Cross-Cultural Differences for Negotiations. The following provide some guidance when individuals are preparing for negotiations with those from other cultures.

- Individualism versus Collectivism. Negotiators from a collectivistic society are likely to spend more time on long-term goals, are more likely to make realistic offers, and are more likely to be cooperative. Conversely, negotiators from individualistic societies are more likely to focus on the short-term, make extreme offers, are more likely to view negotiations from a fixed-pie perspective, and are more likely to be competitive. The implications of individualism versus collectivism negotiations are that a failure to understand your own, and the other party's, perspectives can result in substantial miscommunications. For example, if one party is focusing on short-term results while the other party is focusing on long-term goals then both parties may be frustrated when one party does not achieve its short-term goals and the other party has not set the stage for its long-term objectives.
- Power Distance. Negotiators from low power distance cultures may be frustrated by the need of negotiators from high power distance cultures to seek approvals from higher authority. Many negotiators would consider this as the "higher authority ploy." On the other hand, negotiators from high power distance cultures may feel pressured by the pace imposed by negotiators from low power distance cultures.
- Masculinity/Femininity. When negotiating, individuals from masculine cultures are more likely to be competitive (win-lose) and those from feminine cultures to be empathic and seek compromise (win-win). This means that negotiators from masculine cultures are likely to view the feminine negotiator as "avoiding" while the feminine negotiator is likely to view their masculine negotiator as "contending."
- Uncertainty Avoidance. Negotiators from high risk avoidance cultures are likely to view those from low risk avoidance cultures as unfocused. Those from low risk avoidance cultures are likely to view negotiators from high risk avoidance cultures as rigid.

Tactics and Strategies in Cross-Cultural Negotiations. There are numerous challenges when negotiating across cultures. Should an individual negotiate according to his/her own culture? According to the other party's culture? Make major adjustments to their negotiation style? Make modest accommodations in their negotiation style?

Most individuals cannot modify their style effectively when negotiating with those from different cultures. Few negotiators have the necessary fluency to effectively negotiate on the other culture's terms. Second, most cross-cultural negotiators have an understanding of how those in specific other cultures are likely to negotiate. This means that an American, for example, who negotiates using strategies that are consistent with Japanese culture may confuse their Japanese negotiating partners. This is because the Japanese negotiating partners expect an American to negotiate like an "American." To a Japanese negotiator, an American who negotiates "Like a Japanese" may cause more confusion than facilitation.

Third, understanding how individuals in another culture negotiate among themselves may be of limited value. Some research indicates that negotiations among those in the same culture may be conducted differently than negotiations that are conducted with those of another culture. For example, understanding how Chinese negotiate with each other may or may not provide much understanding about how a Chinese negotiator might negotiate with an American.

Negotiation strategies can vary widely depending on one's familiarity with the other culture. When there is low familiarity with the other culture the use of agents or mediators can facilitate negotiations. The range of participation by agents and mediators may range from minor to

substantial. A possible third approach, which can be risky, is to encourage negotiations be conducted according to your own culture.

When there is moderate familiarity with the other culture one could adapt the other party's approach. A second strategy, in this situation, is to negotiate the negotiation process before conducting negotiations. For example, an American who speaks German (but not Swedish) might agree to negotiate in German with a Swedish partner who also speaks German. When there is high familiarity with the other culture two possible strategies are (a) adopt the other party's approach, or (b) improvise a strategy tailored to the situation.

When negotiating cross culturally, one should not overlook the importance of active listening. This includes listening carefully to what is being said, how it is being said, and observing the behavior of the other party or parties. Excessive focus on cultural differences, in the absence of active listening, could inhibit one's ability to identify issues that are critical to reaching a mutually satisfactory agreement. One should also keep in mind that negotiations often occur within the context of past, present, and expected future negotiations. Maintaining awareness of the negotiation's context, despite substantial cultural differences, can help facilitate a successful outcome.

In summary, when negotiating across cultures, one should be familiar with the other culture, the style of the individuals from that culture with whom you are negotiating, and be able to (a) be able to adapt your negotiating style moderately, and (b) anticipate having to be flexible as the negotiations develop. As a general rule, when negotiating cross-culturally, moderate adaptations may be more effective than either minor or large adaptations.

Applying Cross-Cultural Lessons to Day-to-Day Negotiations. Many of the insights into cross-cultural negotiations provide guidance when conducting day-to-day negotiations within your own culture. Generalizations about a culture are exactly that. The American culture can be summarized overall as individualistic, with low power distance, masculine, with relatively low risk avoidance. However, these generalizations may mask the characteristics of individuals. Closer examination of individuals reveals that the majority of Americans fall somewhere along a continuum on each of these four dimensions. Further, an individual's profile may vary with the situation. For example, the level of individualism, power distance, masculine/feminine, and risk avoidance may vary depending on an individual's role, the specific issue, and the stakes of a situation. This means that an understanding of cultural differences can provide general insights that are helpful in assessing (a) your own approach to negotiations, and (b) the likely approaches of likely negotiation partners.

An additional insight provided by an understanding of cross-cultural negotiations is an appreciation of the differences among organizations within your own culture. For example a supply manager who sources raw materials, components, and third-party logistics services is likely to find that the organizations in each of these industries differ. Your insights into cultural differences may enable you to tailor sourcing strategies that better respond to each of the industries from which you are buying. These insights become especially important if you are partnering with firms in different industries.

Conclusion. The last decade has seen a dramatic increase in the importance of cross-cultural negotiations. While many purchasing and supply management professionals could successfully

limit their expertise to their home country twenty years ago, the increasing globalization of supply management means that few purchasing and supply professionals will be able to ignore the importance of cross-cultural skills, whether they travel internationally or not. After reviewing negotiation basics, this paper has reviewed cultural differences, discussed their implications for negotiations, introduced tactics and strategies that may be useful when negotiating across cultures, and pointed out how an understanding of different cultures can facilitate negotiations within one's own culture.

Finally, an understanding of cross-cultural negotiations reinforces the importance of preparations in any negotiation situation, whether it is within your organization, with others outside your organization but within your own country, or with parties from cultures that are vastly different than your own.

The following summarizes an eight-step process that many find useful.

1. Analyze the other party's proposal in depth.
2. Establish your objectives clearly and in writing.
3. Formulate your positions on the various issues. Identify your optimistic, target, and worst case (walk-away) positions for each issue.
4. Analyze the other party's positions and estimate their optimistic, target, and worst case (walk-away) positions for each issue.
5. Based on the previous analysis, define and organize the issues.
6. Developing strategies.
7. Select a negotiation team
8. Develop an agenda

Much of the material presented in this paper was adapted from the following references. Those wishing to gain additional depth in the subject of negotiations, including Geert Hofstede's framework and cross-cultural negotiations, will benefit from *Essentials of Negotiations, 3rd edition* listed below.

REFERENCES

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