



Cross-cultural Dimension of Negotiation

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Cross-Cultural Dimension of Negotiation

Let us not be blind to our differences-but let us also direct attention to our common interests and the means by which those differences can be resolved.

-- John Fitzgerald Kennedy, Former President of U.S. A.

The Cultural Dimensions Framework

5 Dimensions

Individualism IDV

- Collectivism \longleftrightarrow Individualism
- *The relationship between the individual and the group (Hofstede, 2002)*

Power Distance PDI

- Low \longleftrightarrow High Power Distance
- *The degree of inequality between people that is assumed to be a natural state of affairs (Hofstede, 2002)*

Truth UAI

- Weak Uncertainty Avoidance \longleftrightarrow Strong Uncertainty Avoidance
- *How people in a culture cope with the unpredictable and the ambiguous (Hofstede, 2002)*

Gender MAS

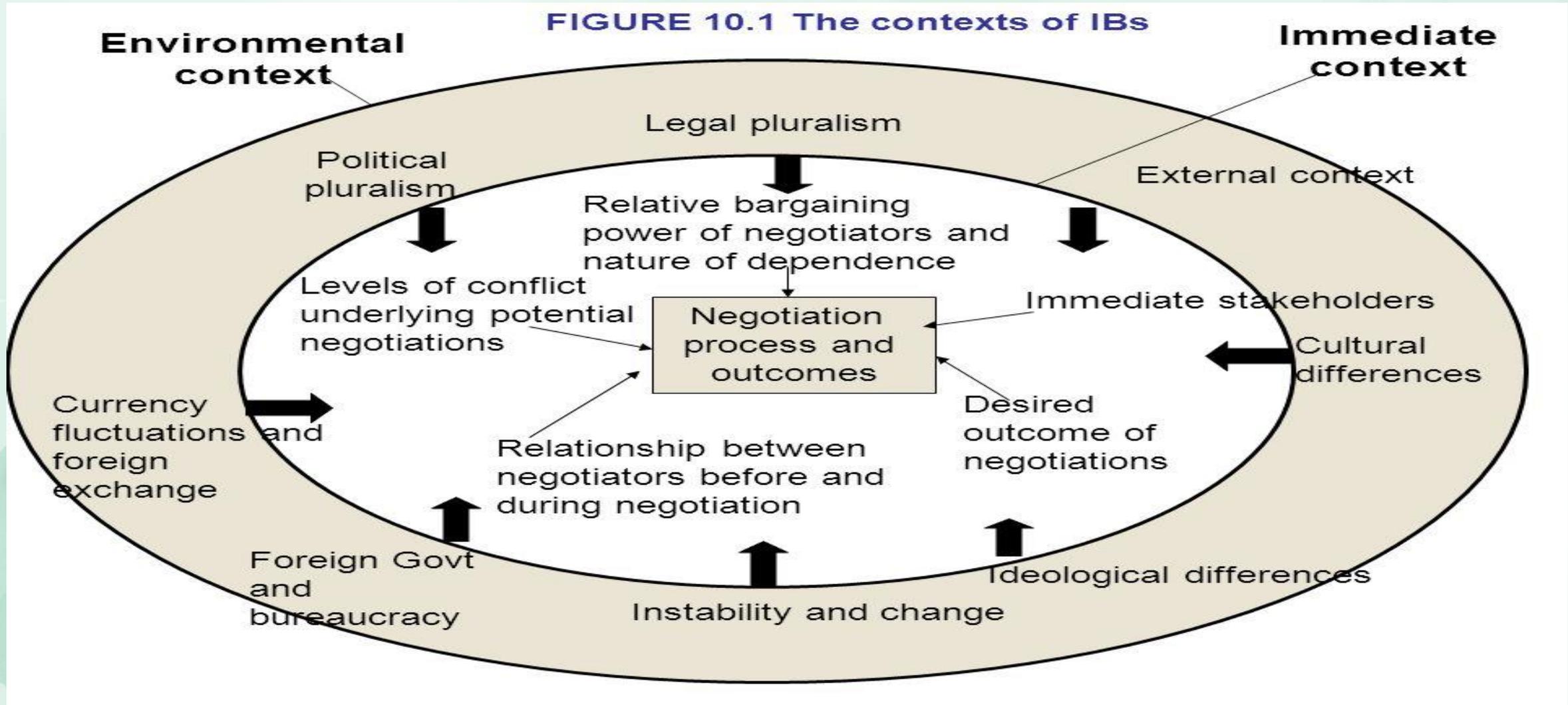
- Femininity \longleftrightarrow Masculinity
- *Care-oriented [societies] versus achievement-oriented [societies] (Hofstede, 2002)*

Virtue LTO

- Long-term Orientation \longleftrightarrow Short-term Orientation
- *To some extent the issue of truth and virtue are complementary in societies. Both are related to society's attitude toward time and traditions (Hofstede, 2002)*

PHATHAK AND HABIB TWO OVERALL CONTEXTS-THE ENVIRONMENTAL CONTEXT AND IMMEDIATE CONTEXT

FIGURE 10.1 The contexts of IBs



WHAT MAKES INTERNATIONAL NEGOTIATION DIFFERENT?

- International Economics
 - Immediate context
- Foreign Government and bureaucracies
 - Relative bargaining power
- Instability
 - Levels of conflict
- Ideology
 - Relationship between negotiators
- Culture
 - Desired outcomes
- External Stakeholders
 - Immediate stakeholders

TEN WAYS THROUGH WHICH CULTURE CAN INFLUENCE NEGOTIATION

The Impact of Culture on Negotiation

Negotiation Factors

Goal	Contract	↔	Relationship
Attitudes	Win/Lose	↔	Win/Win
Personal Styles	Informal	↔	Formal
Communications	Direct	↔	Indirect
Time Sensitivity	High	↔	Low
Emotionalism	High	↔	Low
Agreement Form	Specific	↔	General
Agreement Building	Bottom Up	↔	Top Down
Team Organization	One Leader	↔	Consensus
Risk Taking	High	↔	Low

WHAT MAKES INTERNATIONAL NEGOTIATION DIFFERENT?

- Definition of negotiation
- Negotiation Opportunity
- Selection of Negotiators
- Protocol
- Communication
- Time Sensitivity
- Risk Propensity
- Groups versus Individuals
- Emotionalism

What is negotiations?

Negotiation is one of the most important global business skills

Two or more parties combining their conflicting points of view into a single decision of mutual interest.

Negotiation is about value claiming, value creation and trust building

- Characteristics of Culture
 1. Communication (both verbal and non-verbal)
 2. Language uses (labels to convey meaning)
 3. Dress and appearance (Identify a culture)
 4. Food and feeding habits
 5. Tim and time consciousness
 6. Rewards and recognitions
 7. Relationships
 8. Values and norms
 9. Sense of self and space
 10. Mental process and learning
 11. Beliefs and attitudes

THE HOSTED MODEL FOR UNDERSTANDING CULTURAL DIFFERENCES IN BUSINESSANAGEMENT

- Power distance
- Masculinity/femininity
- Uncertainty avoidance
- Individualism/collectivism
- Time orientation

Low power distance culture	High power Distance culture
Minimize inequalities between people	Inequalities and hierarchy are accepted between people
Boss and employees treat one another as equals + equals rights	Employees respect managers and managers expect obedience
Decentralisation of the power	Centralisation of the power
- Subordinates expect to be consulted / - Boss expect initiatives from employees	- Subordinates expect to be told what to do / - Boss is expected to take all the initiatives
The ideal boss is a democrat	The ideal boss is an autocrat
People disapprove of status	Privileges for managers are expected
Less formal social interaction	Formal social interaction
Narrow range of salaries	Wide range of salaries

Masculinity v/s Femininity

Traditionally, '**masculine**' values – assertiveness, materialism, aggressiveness and a lack of concern for others that prevail in society, **femininity** emphasizes feminine values – a concern for others, for relationships, nurturing, care for weak and for quality of life. The degree of masculinity affects in the following characteristics way:

High Masculinity	Low Masculinity
<ul style="list-style-type: none">• Career is considered as most important• Work needs take precedence• Individual decision-making is emphasized• Achievement is given importance and is defined in terms of money and recognition	<ul style="list-style-type: none">• Importance is placed on cooperation and friendly atmosphere.• Employee security gets precedence.• Group decision – making is emphasized• Achievement is defined in terms of human contacts and living environment
Countries with high masculinity – India, Japan, USA, UK etc.	Countries with low masculinity – Denmark, Norway, Sweden etc.

Examples

Masculine Cultures

- Germany
- Switzerland
- Austria
- Colombia
- Most other Latin American countries
- Japan

Feminine Cultures

- Netherlands
- The Scandinavian countries
- Costa Rica
- Portugal
- Thailand
- Britain
- USA

Uncertainty Avoidance

High uncertainty avoidance	Low uncertainty avoidance
<p>Countries with a high level of uncertainty avoidance tend to have strict laws and procedures to which people adhere closely, and there is strong sense of nationalism.</p> <p>In a business context this value results in formal rules and procedures designed to provide more security and greater career stability</p>	<p>In countries with lower levels of uncertainty avoidance nationalism is less pronounced, and protests and other such activities are tolerated. As a consequence, company activities are less structured and less formal.</p>
SO	
<ul style="list-style-type: none"> • Managers have propensity for low risk decisions, • employees exhibit little aggressiveness • lifetime employment is common • Taller organization structure 	<ul style="list-style-type: none"> • Managers take more risk, and there is high job mobility • Peoples have risk taking attitude and high labour turnover. • Flatter organizational structure
Japan, Israel, Austria, Pakistan	India, USA, UK etc.

Contrasting Values: Individualist and Collective Cultures

Osterman, Coon & Kemmelmeier

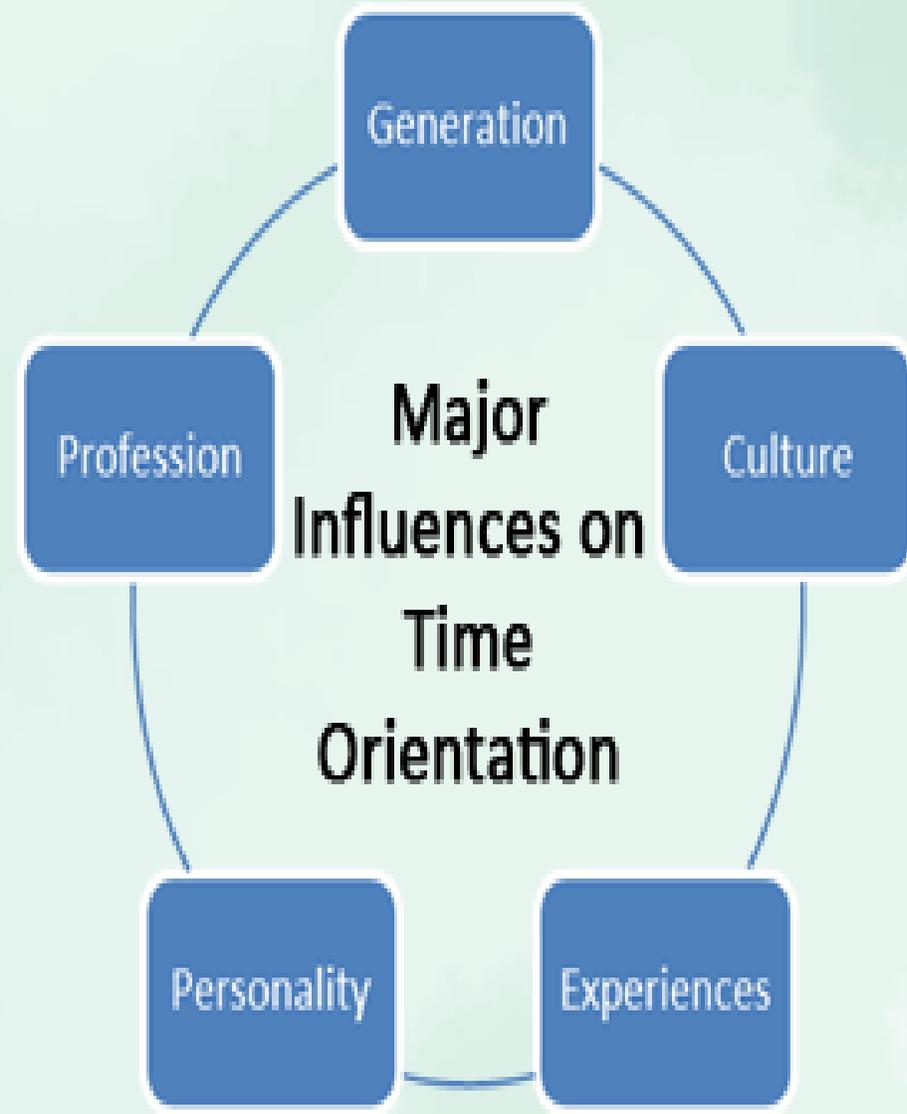
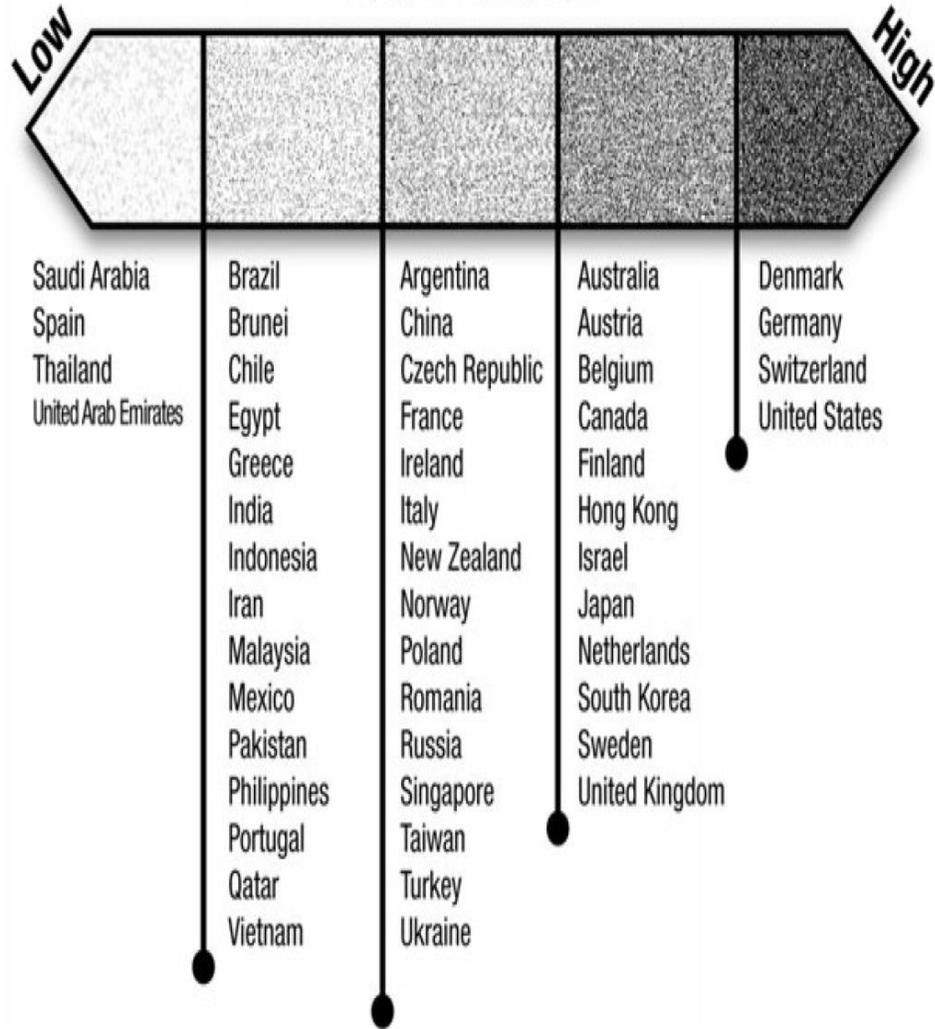
Individualism

- ▶ Independent Control
- ▶ Goals for oneself
- ▶ Competition w/others
- ▶ Uniqueness is valued
- ▶ Private self-knowledge
- ▶ Direct communication
- ▶ Consistent self in all situations
- ▶ Prefers to work alone

Collectivism

- ▶ Relational w/group
- ▶ Sense of belonging
- ▶ Duty to group
- ▶ Harmony w/others
- ▶ Advice sought from others
- ▶ Self alters according to context
- ▶ Hierarchy important
- ▶ Prefers working in groups

Time Orientation



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- How does this framework help the negotiators?
 - China
 - Buyer/Seller Relationship
 - Advice for cross cultural negotiations
 - Advice for international negotiators
 - Anticipate differences in strategy and tactics that may cause misunderstandings
 - Analyses cultural differences to identify differences in values that expand the pie
 - Recognize that the other party may not share your view of what constitutes power
 - Avoid attribution errors
 - Find out how to show respect in the other culture
 - An example: know your options for change
 - Conclusion: We suggested that negotiators learn to analyze cultural differences to identify differences in values that could expand the pie, recognize different conceptions of power, avoid attribution errors, find out how to show respect in other cultures, and assess options for change, including interaction, assimilation, separation, and marginalization.

Steps in the Negotiation Process



- Preparation and Site Selection
- Team Selection
- Relationship Building
- Opening Talks
- Discussions
- Agreement