Chapter 19

Negotiating with International Customers, Partners, and Regulators

CHAPTER OUTLINE

CHAPTER LEARNING OBJECTIVES

What you should learn from Chapter 19:

- **LO1** The problems associated with cultural stereotypes
- **LO2** How culture influences behaviors at the negotiation table
- **LO3** Common kinds of problems that crop up during international business negotiations
- **LO4** The similarities and differences in communication behaviors in several countries
- **LO5** How differences in values and thinking processes affect international negotiations
- **LO6** Important factors in selecting a negotiation team
- **LO7** How to prepare for international negotiations
- **LO8** Managing all aspects of the negotiation process
- **LO9** The importance of follow-up communications and procedures
- **LO10** The basics of creative international negotiations

Global Perspective

A JAPANESE AISATSU

It is not so much that speaking only English is a disadvantage in international business. Instead, it's more that being bilingual is a huge advantage. Observations from sitting in on an *aisatsu* (a meeting or formal greeting for high-level executives typical in Japan) involving the president of a large Japanese industrial distributor and the marketing vice president of an American machinery manufacturer are instructive. The two companies were trying to reach an agreement on a long-term partnership in Japan.

Business cards were exchanged and formal introductions made. Even though the president spoke and understood English, one of his three subordinates acted as an interpreter for the Japanese president. The president asked everyone to be seated. The interpreter sat on a stool between the two senior executives. The general attitude between the parties was friendly but polite. Tea and a Japanese orange drink were served.

The Japanese president controlled the interaction completely, asking questions of all Americans through the interpreter. Attention of all the participants was given to each speaker in turn. After this initial round of questions for all the Americans, the Japanese president focused on developing a conversation with the American vice president. During this interaction, an interesting pattern of nonverbal behaviors developed. The Japanese president would ask a question in Japanese. The interpreter then translated the question for the American vice president. While the interpreter spoke, the American's attention (gaze direction) was given to the interpreter. However, the Japanese president's gaze direction was at the American. Thus, the Japanese president could carefully and unobtrusively observe the American's facial expressions and nonverbal responses. Conversely, when the American spoke, the Japanese president had twice the response time. Because the latter understood English, he could formulate his responses during the translation process.

What is this extra response time worth in a strategic conversation? What is it worth to be able to carefully observe the nonverbal responses of your top-level counterpart in a high-stakes business negotiation?

Source: James Day Hodgson, Yoshihiro Sano, and John L. Graham, *Doing Business with the New Japan* (Boulder, CO: Rowman & Littlefield, 2008).

I (John Graham) had been in China a couple of weeks. I was tired. The fog had delayed my flight from Xian to Shanghai by four hours. I was standing in a long line at the counter to check in *again*. I started chatting with the older chap in line ahead of me. Juhani Kari introduced himself as a Finnish sales manager at ABB. He asked me what I did for a living. I responded, "I teach international business." He replied, "There is no such thing as international business. There's only interpersonal business." A wise man, indeed!

Face-to-face negotiations are an omnipresent activity in international commerce.[1] Once global marketing strategies have been formulated, once marketing research has been conducted to support those strategies, and once product/service, pricing, promotion, and place decisions have been made, then the focus of managers turns to implementation of the plans. In international business, such plans are almost always implemented through face-to-face negotiations with business partners and customers from foreign countries. The sales of goods and services, the management of distribution channels, contracting for marketing research and advertising services, licensing and franchise agreements, and strategic alliances all require managers from different cultures to sit and talk with one another to exchange ideas and express needs and preferences.[2]

Executives must also negotiate with representatives of foreign governments who might approve a variety of their marketing actions or be the actual ultimate customer for goods and services. In many countries, governmental officials may also be joint venture partners and, in some cases, vendors.[3] For example, negotiations for the television broadcast rights for the 2008 Summer Olympics in Beijing, China, included NBC, the International Olympic Committee, and Chinese governmental officials. Some of these negotiations can become quite complex, involving several governments, companies, and cultures.[4] Good examples are the European and North American talks regarding taxing the Internet, the continuing interactions regarding global environmental issues, or the ongoing WTO negotiations begun in Doha, Qatar, in 2001. All these activities demand a new kind of "business diplomacy."

One authority on international joint ventures suggests that a crucial aspect of all international commercial relationships is the negotiation of the original agreement. The seeds of success or failure often are sown at the negotiation table, vis-à-vis (face-to-face), where

[1]Several excellent books have been published on the topic of international business negotiations. Among them are Lothar Katz, *Negotiating International Business* (Charleston, SC: Booksurge, 2006); Camille Schuster and Michael Copeland, *Global Business, Planning for Sales and Negotiations* (Fort Worth, TX: Dryden, 1996); Robert T. Moran and William G. Stripp, *Dynamics of Successful International Business Negotiations* (Houston: Gulf, 1991); Pervez Ghauri and Jean-Claude Usunier (eds.), *International Business Negotiations* (Oxford: Pergamon, 1996); Donald W. Hendon, Rebecca Angeles Henden, and Paul Herbig, *Cross-Cultural Business Negotiations* (Westport, CT: Quorum, 1996); Sheida Hodge, *Global Smarts* (New York: Wiley, 2000); and Jeanne M. Brett, *Negotiating Globally* (San Francisco: Jossey-Bass, 2001). In addition, Roy J. Lewicki, David M. Saunders, and John W. Minton's *Negotiation: Readings, Exercises, and Cases*, 3rd ed. (New York: Irwin/McGraw-Hill, 1999) is an important book on the broader topic of business negotiations. The material from this chapter draws extensively on William Hernandez Requejo and John L. Graham, *Global Negotiation: The New Rules* (New York: Palgrave Macmillan, 2008); James Day Hodgson, Yoshihiro Sano, and John L. Graham, *Doing Business with the New Japan* (Boulder, CO: Rowman & Littlefield, 2008); and N. Mark Lam and John L. Graham, *China Now: Doing Business in the World's Most Dynamic Market* (New York: McGraw-Hill, 2007). See also http://www.GlobalNegotiationResources.com, 2010.

[2]David G. Sirmon and Peter J. Lane, "A Model of Cultural Differences and International Alliance Performance," *Journal of International Business Studies* 35, no. 4 (2004), pp. 306–19; we also note that consumers worldwide are negotiating more as the economic doldrums persist: "Let's Make a Deal," *The Economist*, February 7, 2009, p. 57.

[3]Keith Bradsher, "As Deadline Nears, GM's Sale of Hummer Faces Several Big Obstacles," *The New York Times*, February 24, 2010, p. B5.

[4]R. Bruce Money provides an interesting theoretical perspective on the topic in "International Multilateral Negotiations and Social Networks," *Journal of International Business Studies* 29, no. 4 (1998), pp. 695–710. Lively anecdotes are included in Jiang Feng, "Courting the Olympics: Beijing's Other Face," *Asian Wall Street Journal*, February 26, 2001, p. 6; Ashling O'Connor, "After 54 Years, the Olympic Clock Is Ticking," *Times of London*, February 10, 2003, p. 35; Manjeet Kripalani, "Tata: Master of the Gentle Approach," *BusinessWeek*, February 25, 2008, pp. 64–66.

not only are financial and legal details agreed to but, perhaps more important, the ambiance of cooperation and trust is established.[5] Indeed, the legal details and the structure of international business ventures are almost always modified over time, usually through negotiations. But the atmosphere of cooperation initially established face-to-face at the negotiation table persists—or the venture fails.

Business negotiations between business partners from the same country can be difficult. The added complication of cross-cultural communication can turn an already daunting task into an impossible one.[6] However, if cultural differences are taken into account, oftentimes wonderful business agreements can be made that lead to long-term, profitable relationships across borders. The purpose of this final chapter is to help prepare managers for the challenges and opportunities of international business negotiations. To do this, we will discuss the dangers of stereotypes, the impact of culture on negotiation behavior, and the implications of cultural differences for managers and negotiators.

The Dangers of Stereotypes

LO1

The problems associated with cultural stereotypes

The images of John Wayne, the cowboy, and the samurai, the fierce warrior, often are used as cultural stereotypes in discussions of international business negotiations.[7] Such representations almost always convey a grain of truth—an American cowboy kind of competitiveness versus a samurai kind of organizational (company) loyalty. One Dutch expert on international business negotiations argues, "The best negotiators are the Japanese because they will spend days trying to get to know their opponents. The worst are Americans because they think everything works in foreign countries as it does in the USA."[8] There are, of course, many Americans who are excellent international negotiators and some Japanese who are ineffective. The point is that negotiations are not conducted between national **stereotypes**; negotiations are conducted between people, and cultural factors often make huge differences.

Recall our discussions about the cultural diversity *within* countries from Chapters 4 and 11 and consider their relevance to negotiation. For example, we might expect substantial differences in negotiation styles between English-speaking and French-speaking Canadians. The genteel style of talk prevalent in the American Deep South is quite different from the faster speech patterns and pushiness more common in places like New York City. Experts tell us that negotiation styles differ across genders in America as well. Still others tell us that the urbane negotiation behaviors of Japanese bankers are very different from the relative aggressiveness of those in the retail industry in that country. Finally, age and experience can also make important differences. The older Chinese executive with no experience dealing with foreigners is likely to behave quite differently from her young assistant with undergraduate and MBA degrees from American universities.

The focus of this chapter is culture's influence on international negotiation behavior. However, it should be clearly understood that individual personalities and backgrounds and a variety of situational factors also heavily influence behavior at the negotiation table—and it is the manager's responsibility to consider these factors.[9] Remember: Companies and countries do not negotiate—people do. Consider the culture of your customers and business partners, but treat them as individuals.

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[5]Constantine Katsikeas, Dionysis Skarmeas, and Daniel C. Bello, "Developing Successful Trust-Based International Exchange Relationships," *Journal of International Business Studies* 40, no. 1 (2009), pp. 132–55.

[6]James K. Sebenius, "The Hidden Challenge of Cross-Border Negotiations," *Harvard Business Review*, March–April, 2002, pp. 76–82.

[7]Nurit Zaidman discusses how stereotypes are formed in "Stereotypes of International Managers: Content and Impact on Business Interactions," *Group & Organizational Management*, March 1, 2000, pp. 45–54.

[8]Samfrits Le Poole comments on the American stereotype in "John Wayne Goes to Brussels," in Roy J. Lewicki, Joseph A. Litterer, David M. Saunders, and John W. Minton (eds.), *Negotiation: Readings, Exercises, and Cases*, 2nd ed. (Burr Ridge, IL: Irwin, 1993). The quote is from the Spanish newspaper *Expansion*, November 29, 1991, p. 41.

[9]Stephen E. Weiss provides the most complete recent review of the international negotiations literature—"International Business Negotiations Research," in B. J. Punnett and O. Shenkar (eds.), *Handbook for International Management Research* (Ann Arbor: University of Michigan Press, 2004), pp. 415–74.

The Europeans stereotype themselves. This postcard was purchased at the European Parliament gift store in Brussels. Of course, not all Dutch are cheap; there are sober Irish, and so on. Now that the European Union has expanded to 27 countries, a larger card will be required. But we're fairly certain they'll have a humorous perspective on all the new entrants.

The Pervasive Impact of Culture on Negotiation Behavior

LO2

How culture influences behaviors at the negotiation table

The primary purpose of this section is to demonstrate the extent of cultural differences in negotiation styles and how these differences can cause problems in international business negotiations. The material in this section is based on a systematic study of the topic over the last three decades in which the negotiation styles of more than 1,000 businesspeople in 17 countries (20 cultures) were considered.[10] The countries studied were Japan, Korea, Taiwan, China (Tianjin, Guangzhou, and Hong Kong), the Philippines, the Czech Republic, Russia, Israel, Norway, Germany, France, the United Kingdom, Spain, Brazil, Mexico, Canada (English-speaking and French-speaking), and the United States. The countries were chosen because they constitute America's most important present and future trading partners.

[10]The following institutions and people provided crucial support for the research on which this material is based: U.S. Department of Education; Toyota Motor Sales USA Inc.; Solar Turbines Inc. (a division of Caterpillar Tractors Co.); the Faculty Research and Innovation Fund and the International Business Educational Research (IBEAR) Program at the University of Southern California; Ford Motor Company; Marketing Science Institute; Madrid Business School; and Professors Nancy J. Adler (McGill University), Nigel Campbell (Manchester Business School), A. Gabriel Esteban (University of Houston, Victoria), Leonid I. Evenko (Russian Academy of the National Economy), Richard H. Holton (University of California, Berkeley), Alain Jolibert (Université des Sciences Sociales de Grenoble), Dong Ki Kim (Korea University), C. Y. Lin (National Sun-Yat Sen University), Hans-Gunther Meissner (Dortmund University), Alena Ockova (Czech Management Center), Sara Tang (Mass Transit Railway Corporation, Hong Kong), Kam-hon Lee (Chinese University of Hong Kong), and Theodore Schwarz (Monterrey Institute of Technology, Monterrey, CA).

Looking broadly across the several cultures, two important lessons stand out. The first is that regional generalizations very often are not correct. For example, Japanese and Korean negotiation styles are quite similar in some ways, but in other ways, they could not be more different. The second lesson learned from this study is that Japan is an exceptional place: On almost every dimension of negotiation style considered, the Japanese are on or near the end of the scale. Sometimes Americans are on the other end. But actually, most of the time Americans are somewhere in the middle. The reader will see this evinced in the data presented in this section. The Japanese approach, however, is most distinct, even *sui generis*.

LO3

Common kinds of problems that crop up during international business negotiations

Cultural differences cause four kinds of problems in international business negotiations, at the levels of:[11]

1. Language
2. Nonverbal behaviors
3. Values
4. Thinking and decision-making processes

The order is important; the problems lower on the list are more serious because they are more subtle. For example, two negotiators would notice immediately if one were speaking Japanese and the other German. The solution to the problem may be as simple as hiring an interpreter or talking in a common third language, or it may be as difficult as learning a language. Regardless of the solution, the problem is obvious. Cultural differences in nonverbal behaviors, in contrast, are almost always hidden below our awareness. That is to say, in a face-to-face negotiation, participants nonverbally—and more subtly—give off and take in a great deal of information.[12] Some experts argue that this information is more important than verbal information. Almost all this signaling goes on below our levels of consciousness.[13] When the nonverbal signals from foreign partners are different, negotiators are most likely to misinterpret them without even being conscious of the mistake. For example, when a French client consistently interrupts, Americans tend to feel uncomfortable without noticing exactly why. In this manner, interpersonal friction often colors business relationships, goes undetected, and, consequently, goes uncorrected. Differences in values and thinking and decision-making processes are hidden even deeper and therefore are even harder to cure. We discuss these differences here, starting with language and nonverbal behaviors.

Differences in Language and Nonverbal Behaviors

LO4

The similarities and differences in communication behaviors in several countries

Americans are clearly near the bottom of the languages skills list, though Australians assert that Australians are even worse. It should be added, however, that American undergrads recently have begun to see the light and are flocking to language classes and study-abroad programs. Unfortunately, foreign language teaching resources in the United States are inadequate to satisfy the increasing demand. In contrast, the Czechs are now throwing away a hard-earned competitive advantage: Young Czechs will not take Russian anymore. It is easy to understand why, but the result will be a generation of Czechs who cannot leverage their geographic advantage because they will not be able to speak to their neighbors to the east.

The language advantages of the Japanese executive in the description of the *aisatsu* that opened the chapter were quite clear. However, the most common complaint heard from American managers regards foreign clients and partners breaking into side conversations in their native languages. At best, this is seen as impolite, and quite often American negotiators are likely to attribute something sinister to the content of the foreign talk—"They're plotting or telling secrets."

[11]For additional details, see William Hernandez Requejo and John L. Graham, *Global Negotiation: The New Rules* (New York: Palgrave Macmillan, 2008); http://www.GlobalNegotiationResources.com, 2010.

[12]Mark Bauerlein, "Why Gen-Y Johnny Can't Read Nonverbal Cues," *The Wall Street Journal*, August 28, 2009, online.

[13]Jan Ulijn, Anne Francoise Rutowski, Rajesh Kumar, and Yunxia Zhu, "Patterns of Feelings in Face-to-Face Negotiation: A Sino-Dutch Pilot Study," *Cross Cultural Management* 12, no. 3 (2005), pp. 103–18.

Japanese negotiators exchange business cards at the front end of a meeting. Even more important than the nonverbal demonstration of respect in the "little ritual" is the all-important information about the relative status of the negotiators, clearly communicated by job title and company. Japanese executives literally do not know how to talk to one another until the status relationship is determined, because proper use of the language depends on knowledge of the relative status of the negotiators.

This perception is a frequent American mistake. The usual purpose of such side conversations is to straighten out a translation problem. For instance, one Korean may lean over to another and ask, "What'd he say?" Or the side conversation can regard a disagreement among the foreign team members. Both circumstances should be seen as positive signs by Americans—that is, getting translations straight enhances the efficiency of the interactions, and concessions often follow internal disagreements. But because most Americans speak only one language, neither circumstance is appreciated. By the way, people from other countries are advised to give Americans a brief explanation of the content of their first few side conversations to assuage the sinister attributions.

Data from simulated negotiations are also informative. In our study, the verbal behaviors of negotiators in 15 of the 21 cultures (six negotiators in each of the 15 groups) were videotaped. The numbers in the body of Exhibit 19.1 represent the percentages of statements that were classified into each category listed. That is, 7 percent of the statements made by Japanese negotiators were classified as promises, 4 percent as threats, 7 percent as recommendations, and so on. The verbal bargaining behaviors used by the negotiators during the simulations proved to be surprisingly similar across cultures. Negotiations in all 15 cultures studied were composed primarily of information-exchange tactics—questions and self-disclosures. Note that the Japanese appear on the low end of the continuum of self-disclosures. Their 34 percent (along with Spaniards and English-speaking Canadians) was the second lowest across all 15 groups, suggesting that they are the most reticent about giving information, except for the Israelis. Overall, however, the verbal tactics used were surprisingly similar across the diverse cultures.

Exhibit 19.2 provides analyses of some linguistic aspects and nonverbal behaviors for the 15 videotaped groups. Although these efforts merely scratch the surface of these kinds of behavioral analyses, they still provide indications of substantial cultural differences.[14] Note that, once again, the Japanese are at or next to the end of the continuum on almost every dimension of the behaviors listed. Their facial gazing and touching are the least among the 15 groups. Only the northern Chinese used the word *no* less frequently, and only the English-speaking Canadians and Russians used more silent periods than did the Japanese.

A broader examination of the data in Exhibits 19.1 and 19.2 reveals a more meaningful conclusion: The variation across cultures is greater when comparing linguistic aspects of language and nonverbal behaviors than when the verbal content of negotiations is considered. For example, notice the great differences between Japanese and Brazilians in Exhibit 19.1 vis-à-vis Exhibit 19.2.

Following are further descriptions of the distinctive aspects of each of the 15 cultural groups videotaped. Certainly, conclusions about the individual cultures cannot be drawn from an analysis of only six businesspeople in each culture, but the suggested cultural differences are worthwhile to consider briefly.

Japan. Consistent with most descriptions of Japanese negotiation behavior, the results of this analysis suggest their style of interaction is among the least aggressive (or most polite). Threats, commands, and warnings appear to be deemphasized in favor of more positive promises, recommendations, and commitments. Particularly indicative of their polite conversational style was their infrequent use of *no* and *you* and facial gazing, as well as more frequent silent periods.

Korea. Perhaps one of the more interesting aspects of the analysis is the contrast of the Asian styles of negotiations. Non-Asians often generalize about Asians; the findings

[14]Thomas W. Leigh and John O. Summers, "An Initial Evaluation of Industrial Buyers' Impressions of Salespersons' Nonverbal Cues," *Journal of Personal Selling & Sales Management*, Winter 2002, pp. 41–53.

Exhibit 19.1

Verbal Negotiation Tactics (The "What" of Communications)

Bargaining Behaviors and Definitions	Cultures*														
	JPN	KOR	TWN	CHN**	RUSS	ISRL	GRM	UK	FRN	SPN	BRZ	MEX	FCAN	ECAN	USA
Promise. A statement in which the source indicates its intention to provide the target with a reinforcing consequence, which the source anticipates the target will evaluate as pleasant, positive, or rewarding.	7†	4	9	6	5	12	7	11	5	11	3	7	8	6	8
Threat. Same as promise, except that the reinforcing consequences are thought to be noxious, unpleasant, or punishing.	4	2	2	1	3	4	3	3	5	2	2	1	3	0	4
Recommendation. A statement in which the source predicts that a pleasant environmental consequence will occur to the target. Its occurrence is not under the source's control.	7	1	5	2	4	8	5	6	3	4	5	8	5	4	4
Warning. Same as recommendation, except that the consequences are thought to be unpleasant.	2	0	3	1	0	1	1	1	3	1	1	2	3	0	1
Reward. A statement by the source that is thought to create pleasant consequences for the target.	1	3	2	1	3	2	4	5	3	3	2	1	1	3	2
Punishment. Same as reward, except that the consequences are thought to be unpleasant.	1	5	1	0	1	3	2	0	3	2	3	0	2	1	3
Normative appeals. A statement in which the source indicates that the target's past, present, or future behavior will conform with social norms or is in violation of social norms.	4	3	1	1	1	5	1	1	0	1	1	1	3	1	2
Commitment. A statement by the source to the effect that its future bids will not go below or above a certain level.	15	13	9	10	1	10	9	13	10	9	8	9	8	14	13
Self-disclosure. A statement in which the source reveals information about itself.	34	36	42	36	40	30	47	39	42	34	39	38	42	34	36
Question. A statement in which the source asks the target to reveal information about itself.	20	21	14	34	27	20	11	15	18	17	22	27	19	26	20
Command. A statement in which the source suggests that the target perform a certain behavior.	8	13	11	7	7	9	12	9	9	17	14	7	5	10	6

*For each, group n = 6.

**Northern China (Tianjin and environs).

†Read "7 percent of the statements made by Japanese negotiators were promises."

Source: From William Hernandez Requejo and John L. Graham, Global Negotiation: The New Rules (New York: Palgrave Macmillan, 2009). Reproduced with permission of Palgrave Macmillan.

Exhibit 19.2

Linguistic Aspects of Language and Nonverbal Behaviors ("How" Things Are Said)

Bargaining Behaviors (per 30 minutes)	Cultures*														
	JPN	KOR	TWN	CHN**	RUSS	ISRL	GRM	UK	FRN	SPN	BRZ	MEX	FCAN	ECAN	USA
Structural Aspects															
"No's." The number of times the word no was used by each negotiator.	1.9	7.4	5.9	1.5	2.3	8.5	6.7	5.4	11.3	23.2	41.9	4.5	7.0	10.1	4.5
"You's." The number of times the word you was used by each negotiator.	31.5	35.2	36.6	26.8	23.6	64.4	39.7	54.8	70.2	73.3	90.4	56.3	72.4	64.4	55.1
Nonverbal Behaviors															
Silent periods. The number of conservational gaps of 10 seconds or longer.	2.5	0	0	2.3	3.7	1.9	0	2.5	1.0	0	0	1.1	0.2	2.9	1.7
Conversational overlaps. Number of interruptions.	6.2	22.0	12.3	17.1	13.3	30.1	20.8	5.3	20.7	28.0	14.3	10.6	24.0	17.0	5.1
Facial gazing. Number of minutes negotiators spent looking at opponent's face.	3.9	9.9	19.7	11.1	8.7	15.3	10.2	9.0	16.0	13.7	15.6	14.7	18.8	10.4	10.0
Touching. Incidents of bargainers touching one another (not including handshaking).	0	0	0	0	0	0	0	0	0.1	0	4.7	0	0	0	0

*For each group, n = 6.

**Northern China (Tianjin and environs).

Source: From William Hernandez Requejo and John L. Graham, Global Negotiation: The New Rules (New York: Palgrave Macmillan, 2009). Reproduced with permission of Palgrave Macmillan.

CROSSING BORDERS 19.1 Poker Faces and Botox Injections

We often hear from American executives the complaint that their Japanese counterparts are "hard to read" at the negotiation table; that is, they use "poker faces." However, when we videotape and count negotiators' facial movements (smiles and frowns), we see no differences between Japanese and Americans. It appears that because of differences in the timing and meaning of facial expressions across the two cultures, the Americans are unable to interpret the Japanese facial expressions, so they mistakenly report seeing nothing.

Now it seems that American executives are seeking their own poker-face advantage through the new wonder of science, Botox. Shots of the new drug are being used to freeze and sculpt their faces into "semipermanent serenity." Says one American executive, "When you look strong and tough and not afraid, people respect you more . . . showing less expression really makes a statement."

Paul Ekman, a University of California psychologist who studies facial expressions, describes this trend as "very scary." Facial expressions have evolved to serve a purpose, to aid in the formation of basic human bonds through subconscious facial movements. Take those away, and how can we tell friend or foe, mate or murderer?

Rather than preparing for your international negotiations using Botox, we instead recommend a good book, a nice round of golf, or perhaps a good, old-fashioned facial!

Sources: Suein L. Hwang, "Some Type A Staffers Dress for Success with a Shot of Botox," The Wall Street Journal, June 31, 2002, p. B1; James D. Hodgson, Yoshihiro Sano, and John L. Graham, Doing Business with the New Japan (Boulder, CO: Rowman & Littlefield, 2008).

demonstrate, however, that this generalization is a mistake. Korean negotiators used considerably more punishments and commands than did the Japanese. Koreans used the word *no* and interrupted more than three times as frequently as the Japanese. Moreover, no silent periods occurred between Korean negotiators.

China (Northern). The behaviors of the negotiators from northern China (i.e., in and around Tianjin) were most remarkable in the emphasis on asking questions (34 percent).[15] Indeed, 70 percent of the statements made by the Chinese negotiators were classified as information-exchange tactics. Other aspects of their behavior were quite similar to the Japanese, particularly the uses of *no* and *you* and silent periods.[16]

Taiwan. The behavior of the businesspeople in Taiwan was quite different from that in China and Japan but similar to that in Korea. The Chinese in Taiwan were exceptional in the length of time of facial gazing—on average, almost 20 of 30 minutes. They asked fewer questions and provided more information (self-disclosures) than did any of the other Asian groups.

Russia. The Russians' style was quite different from that of any other European group, and, indeed, was quite similar in many respects to the style of the Japanese. They used *no* and *you* infrequently and used the most silent periods of any group. Only the Japanese did less facial gazing, and only the Chinese asked a greater percentage of questions.

[15]The Chinese emphasis on questions is consistent with other empirical findings: Dean Tjosvold, Chun Hui, and Haifa Sun, "Can Chinese Discuss Conflicts Openly? Field and Experimental Studies of Face Dynamics," *Group Decision and Negotiation* 13 (2004), pp. 351–73.

[16]There is a burgeoning literature on negotiations with Chinese. See Catherine H. Tinsley and Jeanne M. Brett, "Managing Workplace Conflict in the U.S. and Hong Kong," *Organizational Behavior and Human Decision Process* 85 (2001), pp. 360–381; Pervez Ghauri and Tony Fang, "Negotiating with the Chinese: A Socio-Cultural Analysis," *Journal of World Business* September 22, 2001, pp. 303–312; Vivian C. Sheer and Ling Chen, "Successful Sino-Western Business Negotiation: Participants' Accounts of National and Professional Cultures," *Journal of Business Communication*, January 1, 2003, pp. 50–64; Rajesh Kumar and Verner Worm, "Social Capital and the Dynamics of Business Negotiations between the Northern Europeans and the Chinese," *International Marketing Review* 20, no. 3 (2003), pp. 262–86; John L. Graham and N. Mark Lam, "The Chinese Negotiation," *Harvard Business Review*, October 2003, pp. 82–91; Anna Stark, Kim-Shyan Fam, David S. Waller, and Zhilong Tian, "Chinese Negotiation Practice, Perspective from New Zealand Exporters," *Cross Cultural Management* 12, no. 3 (2005), pp. 85–102.

Israel. The behaviors of the Israeli negotiators were distinctive in three respects. They used the lowest percentage of self-disclosures, apparently holding their cards relatively closely. Yet they also used, by far, the highest percentages of promises and recommendations. They were also at the end of the scale for the percentage of normative appeals at 5 percent, with the most frequent references being to competitors' offers. Perhaps most important, the Israeli negotiators interrupted one another much more frequently than negotiators from any other group. This important nonverbal behavior is most likely to blame for the "pushy" stereotype often used by Americans to describe their Israeli negotiation partners.

Germany. The behaviors of the Germans are difficult to characterize because they fell toward the center of almost all the continua. However, the Germans were exceptional in the high percentage of self-disclosures (47 percent) and the low percentage of questions (11 percent).

United Kingdom. The behaviors of the British negotiators were remarkably similar to those of the Americans in all respects.

Spain. *Diga* is perhaps a good metaphor for the Spanish approach to negotiations evinced in our data. When you make a phone call in Madrid, the usual greeting on the other end is not *hola* ("hello") but instead *diga* ("speak"). It is not surprising then that the Spaniards in the videotaped negotiations likewise used the highest percentage of commands (17 percent) of any of the groups and gave comparatively little information (self-disclosures, only 34 percent). Moreover, except for the Israelis, they interrupted one another more frequently than any other group, and they used the terms *no* and *you* very frequently.

France. The style of the French negotiators was perhaps the most aggressive of all the groups. In particular, they used the highest percentage of threats and warnings (together, 8 percent). They also used interruptions, facial gazing, and *no* and *you* very frequently compared with the other groups, and one of the French negotiators touched his partner on the arm during the simulation.

Brazil. The Brazilian businesspeople, like the French and Spanish, were quite aggressive. They used the second-highest percentage of commands of all the groups. On average, the Brazilians said the word *no* 42 times, *you* 90 times, and touched one another on the arm about 5 times during 30 minutes of negotiation. Facial gazing was also high.

Mexico. The patterns of Mexican behavior in our negotiations are good reminders of the dangers of regional or language-group generalizations.[17] Both verbal and nonverbal behaviors were quite different from those of their Latin American (Brazilian) or continental (Spanish) cousins. Indeed, Mexicans answer the telephone with the much less demanding *bueno* (short for "good day"). In many respects, the Mexican behavior was very similar to that of the negotiators from the United States.

French-Speaking Canada. The French-speaking Canadians behaved quite similarly to their continental cousins. Like the negotiators from France, they too used high percentages of threats and warnings and even more interruptions and eye contact. Such an aggressive interaction style would not mix well with some of the more low-key styles of some of the Asian groups or with English speakers, including English-speaking Canadians.

English-Speaking Canada. The Canadians who speak English as their first language used the lowest percentage of aggressive persuasive tactics (threats, warnings, and punishments totaled only 1 percent) of all 15 groups. Perhaps, as communications researchers suggest, such stylistic differences are the seeds of interethnic discord as witnessed in Canada over the years. With respect to international negotiations, the English-speaking

[17]T. Lenartowicz and J. P. Johnson, "A Cross-National Assessment of the Values of Latin American Managers: Contrasting Hues or Shades of Gray?" *Journal of International Business Studies* 34, no. 3 (May 2003), pp. 266–81.

Canadians used noticeably more interruptions and *no*'s than negotiators from either of Canada's major trading partners, the United States and Japan.

United States. Like the Germans and the British, the Americans fell in the middle of most continua. They did interrupt one another less frequently than all the others, but that was their sole distinction.

These differences across the cultures are quite complex, and this material by itself should not be used to predict the behaviors of foreign counterparts. Instead, great care should be taken with respect to the aforementioned dangers of stereotypes. The key here is to be aware of these kinds of differences so that the Japanese silence, the Brazilian "no, no, no . . . ," or the French threat is not misinterpreted.

Differences in Values

LO5

How differences in values and thinking processes affect international negotiations

Four values—objectivity, competitiveness, equality, and punctuality—that are held strongly and deeply by most Americans seem to frequently cause misunderstandings and bad feelings in international business negotiations.

Objectivity. "Americans make decisions based upon the bottom line and on cold, hard facts." "Americans don't play favorites." "Economics and performance count, not people." "Business is business." Such statements well reflect American notions of the importance of objectivity.

The single most important book on the topic of negotiation, *Getting to Yes*,[18] is highly recommended for both American and foreign readers. The latter will learn not only about negotiations but, perhaps more important, about how Americans think about negotiations. The authors are emphatic about "separating the people from the problem," and they state, "Every negotiator has two kinds of interests: in the substance and in the relationship." This advice is probably worthwhile in the United States or perhaps in Germany, but in most places in the world, such advice is nonsense. In most places in the world, particularly in collectivistic, high-context cultures, personalities and substance are not separate issues and cannot be made so.

For example, consider how important nepotism is in Chinese or Hispanic cultures. Experts tell us that businesses don't grow beyond the bounds and bonds of tight family control in the burgeoning "Chinese Commonwealth." Things work the same way in Spain, Mexico, and the Philippines by nature. And, just as naturally, negotiators from such countries not only will take things personally but will be personally affected by negotiation outcomes. *Guanxi*, the Chinese word for personal connections, is key for negotiators working in China. Long-term reciprocity is the basis of commercial interactions there, and Western concepts like objectivity almost always take a back seat.[19] What happens to them at the negotiation table will affect the business relationship, regardless of the economics involved.

Competitiveness and Equality.[20] Simulated negotiations can be viewed as a kind of experimental economics wherein the values of each participating cultural group are roughly reflected in the economic outcomes. The simple simulation used in our research represented the essence of commercial negotiations—it had both competitive and cooperative aspects. At least 40 businesspeople from each culture played the same buyer–seller game, negotiating over the prices of three products. Depending on the agreement reached, the "negotiation pie" could be made larger through cooperation (as high as $10,400 in joint profits) before it was divided between the buyer and seller. The results are summarized in Exhibit 19.3.

The Japanese were the champions at making the pie big. Their joint profits in the simulation were the highest (at $9,590) among the 20 cultural groups involved. The American

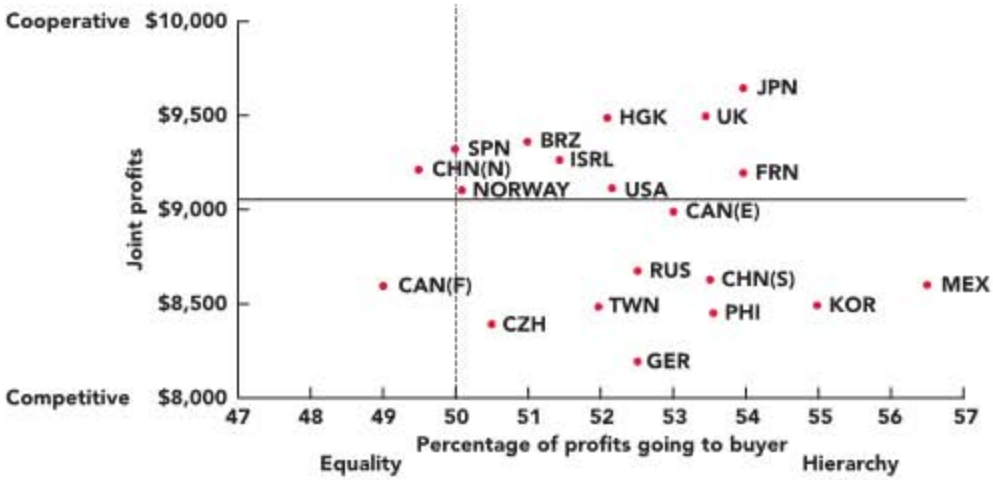
[18]Roger Fisher, William Ury, and Bruce Patton, *Getting to Yes: Negotiating Agreement without Giving In* (New York: Penguin, 1991).

[19]Flora F. Gu, Kineta Hung, and David K. Tse, "When Does Guanxi Matter? Issues of Capitalization and Its Dark Sides," *Journal of Marketing* 72, no. 4 (2008), pp. 12–28.

[20]Of course, the opposite of equality is hierarchy, and the latter is more prevalent in China. For example, see Ray Friedman, Shu-Chen Chi, and Leigh Anne Liu, "An Expectancy Model of Chinese-American Differences in Conflict Avoiding," *Journal of International Business Studies* 37 (2006), pp. 76–91.

Exhibit 19.3
Cultural Differences in Competitiveness and Equality

Source: William Hernandez Requejo and John L. Graham, Global Negotiation: The New Rules (New York: Palgrave Macmillan, 2009). Reproduced with permission of Palgrave Macmillan.



Note: Based on at least 40 businesspeople in each cultural group.

pie was more average sized (at $9,030), but at least it was divided relatively equitably (51.8 percent of the profits went to the buyers). Conversely, the Japanese (and others) split their pies in strange (perhaps even unfair)[21] ways, with buyers making higher percentages of the profits (53.8 percent). The implications of these simulated business negotiations are completely consistent with the comments of other authors and the adage that in Japan the buyer is "king." By nature, Americans have little understanding of the Japanese practice of giving complete deference to the needs and wishes of buyers. That is not the way things work in America. American sellers tend to treat American buyers more as equals, and the egalitarian values of American society support this behavior. Moreover, most Americans will, by nature, treat Japanese buyers more frequently as equals. Likewise, American buyers will generally not "take care of" American sellers or Japanese sellers. The American emphasis on competition and individualism represented in these findings is quite consistent with the work of Geert Hofstede[22] detailed in Chapter 4, which indicated that Americans scored the highest among all the cultural groups on the individualism (versus collectivism) scale. Moreover, values for individualism/collectivism have been shown to directly influence negotiation behaviors in several other countries.[23]

Finally, not only do Japanese buyers achieve better results than American buyers, but compared with American sellers ($4,350), Japanese sellers also get more of the commercial pie ($4,430) as well. Interestingly, when shown these results, Americans in executive seminars still often prefer the American seller's role. In other words, even though the American sellers make lower profits than the Japanese, many American managers apparently prefer lower profits if those profits are yielded from a more equal split of the joint profits. A new study has likewise demonstrated that Americans and Japanese have different views about fairness.[24]

Finally, the Japanese emphasis on hierarchical relationships seems to hamper internal communications; subordinates don't pass along bad news, for example. This reticence seems to have been a major problem during the Toyota product quality issues mentioned

[21]Concepts of fairness clearly vary across cultures; see Nancy R. Buchan, Rachael T. S. Croson, and Eric J. Johnson, "When Do Fair Beliefs Influence Bargaining Behavior: Experimental Bargaining in Japan and the United States," *Journal of Consumer Research* 31, no. 2 (2004), pp. 181–90.

[22]Geert Hofstede, *Culture's Consequences*, 2nd ed. (Thousand Oaks, CA: Sage, 2001).

[23]L. Graham, "Culture's Influence on Business Negotiations: An Application of Hofstede's and Rokeach's Ideas," in Farok J. Contractor and Peter Lorange (eds.), *Cooperative Strategies and Alliances* (Amsterdam: Pergamon, 2002), pp. 461–92. Also see Roy J. Lewicki, David M. Saunders, and John W. Minton, *Essentials of Negotiation*, 2nd ed. (New York: McGraw-Hill, 2001).

[24]Nancy R. Buchan, Rachel T. A. Croson, and Eric J. Johnson, "When Do Fair Beliefs Influence Bargaining Behavior? Experimental Bargaining in Japan and the United States," *Journal of Consumer Research* 31 (2004), pp. 181–90.

in previous chapters. These differences in approaches also have influenced interactions externally with U.S. government regulators. One analysis described Toyota's problem as follows: "Its secretive corporate culture in Japan clashed with the U.S. requirements that auto makers disclose safety threats."[25]

Time. "Just make them wait." Everyone else in the world knows that no negotiation tactic is more useful with Americans, because no one places more value on time, no one has less patience when things slow down, and no one looks at their wristwatches more than Americans do. The material from Chapter 5 on P-time versus M-time is quite pertinent here. Edward T. Hall[26] in his seminal writing is best at explaining how the passage of time is viewed differently across cultures and how these differences most often hurt Americans.

Even Americans try to manipulate time to their advantage, however. As a case in point, Solar Turbines Incorporated (a division of Caterpillar) once sold $34 million worth of industrial gas turbines and compressors for a Russian natural gas pipeline project. Both parties agreed that final negotiations would be held in a neutral location, the south of France. In previous negotiations, the Russians had been tough but reasonable. But in Nice, the Russians were not nice. They became tougher and, in fact, completely unreasonable, according to the Solar executives involved.

The Americans needed a couple of discouraging days to diagnose the problem, but once they did, a crucial call was made back to headquarters in San Diego. Why had the Russians turned so cold? They were enjoying the warm weather in Nice and weren't interested in making a quick deal and heading back to Moscow! The call to California was the key event in this negotiation. Solar's headquarters people in San Diego were sophisticated enough to allow their negotiators to take their time. From that point on, the routine of the negotiations changed to brief, 45-minute meetings in the mornings, with afternoons at the golf course, beach, or hotel, making calls and doing paperwork. Finally, during the fourth week, the Russians began to make concessions and to ask for longer meetings. Why? They could not go back to Moscow after four weeks on the Mediterranean without a signed contract. This strategic reversal of the time pressure yielded a wonderful contract for Solar.

Differences in Thinking and Decision-Making Processes

When faced with a complex negotiation task, most Westerners (notice the generalization here) divide the large task up into a series of smaller tasks. Issues such as prices, delivery, warranty, and service contracts may be settled one issue at a time, with the final agreement being the sum or the sequence of smaller agreements. In Asia, however, a different approach is more often taken wherein all the issues are discussed at once, in no apparent order, and concessions are made on all issues at the end of the discussion. The Western sequential approach and the Eastern holistic approach do not mix well.[27]

That is, American managers often report great difficulties in measuring progress in Japan. After all, in America, you are half done when half the issues are settled. But in Japan, nothing seems to get settled. Then, surprise, you are done. Often Americans make unnecessary concessions right before agreements are announced by the Japanese. For example, one American department store buyer traveling to Japan to buy six different consumer products for his chain lamented that negotiations for his first purchase took an entire week. In the United States, such a purchase would be consummated in an afternoon. So, by his calculations, he expected to have to spend six weeks in Japan to complete his purchases.

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[25]Kate Linebaugh, Dionne Searcey, and Norihiko Shirouzu, "Secretive Culture Led Toyota Astray," *The Wall Street Journal*, February 8, 2010, online.

[26]Edward T. Hall, "The Silent Language in Overseas Business," *Harvard Business Review*, May–June 1960, pp. 87–96.

[27]East–West differences in thinking are studied in detail in Joel Brockner, Ya-Ru Chen, Elizabeth A. Mannix, Kwok Leung, and Daniel P. Skarlicki, "Culture and Procedural Fairness: When the Effects of What You Do Depend on How You Do It," *Administrative Science Quarterly*, March 1, 2000, pp. 138–57. Most important is Richard E. Nisbett, *The Geography of Thought: How Asians and Westerners Think Differently . . . and Why* (New York: The Free Press, 2003). Also, for a discussion of related communication problems in international work teams, see Jeanne Brett, Kristin Behfar, and Mary C. Kern, "Managing Multicultural Teams," *Harvard Business Review*, November 2006, pp. 84–91.

He considered raising his purchase prices to try to move things along faster. But before he was able to make such a concession, the Japanese quickly agreed on the other five products in just three days. This particular businessperson was, by his own admission, lucky in his first encounter with Japanese bargainers.

This American businessperson's near-blunder reflects more than just a difference in decision-making style. To Americans, a business negotiation is a problem-solving activity, the best deal for both parties being the solution. To a Japanese businessperson, a business negotiation is a time to develop a business relationship with the goal of long-term mutual benefit. The economic issues are the context, not the content, of the talks. Thus, settling any one issue really is not that important. Such details will take care of themselves once a viable, harmonious business relationship is established. And, as happened in the case of our retail goods buyer, once the relationship was established—signaled by the first agreement—the other "details" were settled quickly.

American bargainers should anticipate such a holistic approach and be prepared to discuss all issues simultaneously and in an apparently haphazard order. Progress in the talks should not be measured by how many issues have been settled. Rather, Americans must try to gauge the quality of the business relationship. Important signals of progress can be the following:

- Higher-level foreigners being included in the discussions.
- Questions beginning to focus on specific areas of the deal.
- A softening of attitudes and positions on some of the issues—"Let us take some time to study this issue."
- At the negotiation table, increased talk among themselves in their own language, which may often mean they're trying to decide something.
- Increased bargaining and use of the lower-level, informal, and other channels of communication.

Implications for Managers and Negotiators

Considering all the potential problems in cross-cultural negotiations, particularly when you mix managers from relationship-oriented cultures with those from information-oriented ones, it is a wonder that any international business gets done at all. Obviously, the economic imperatives of global trade make much of it happen despite the potential pitfalls. But an appreciation of cultural differences can lead to even better international commercial transactions—it is not just business deals but highly profitable business relationships that are the real goal of international business negotiations.

Four steps lead to more efficient and effective international business negotiations. They are as follows: (1) selection of the appropriate negotiation team;[28] (2) management of preliminaries, including training, preparations, and manipulation of negotiation settings; (3) management of the process of negotiations, that is, what happens at the negotiation table; and (4) appropriate follow-up procedures and practices. Each is discussed in this section.

Negotiation Teams

LO6

Important factors in selecting a negotiation team

One reason for global business successes is the large numbers of skillful international negotiators. These are the managers who have lived in foreign countries and speak foreign languages. In many cases, they are immigrants to the United States or those who have been immersed in foreign cultures in other capacities (Peace Corps volunteers and Mormon missionaries are common examples). More business schools are beginning to reemphasize language training and visits abroad. Indeed, it is interesting to note that the original Harvard Business School catalog of 1908–1909 listed courses in German, French, and Spanish correspondence within its curriculum.

The selection criteria for international marketing and sales personnel previously detailed in Chapter 17 are applicable in selecting negotiators as well. Traits such as maturity,

[28]C. Leonidou, Constantine S. Katsikeas, and John Hadjimarcou, "Building Successful Export Business Relationships," *Journal of International Marketing*, January 1, 2002, pp. 96–101.

emotional stability, breadth of knowledge, optimism, flexibility, empathy, and stamina are all important, not only for marketing executives involved in international negotiations but also for the technical experts who often accompany and support them. In studies conducted at Ford Motor Company and AT&T, three additional traits were found to be important predictors of negotiator success with international clients and partners: willingness to use team assistance, listening skills, and influence at headquarters.

Willingness to use team assistance is particularly important for American negotiators. Because of a cultural heritage of independence and individualism, Americans often make the mistake of going it alone against greater numbers of foreigners. One American sitting across the negotiation table from three or four Chinese negotiators is unfortunately an all too common sight. The number of brains in the room does make a difference. Moreover, business negotiations are social processes, and the social reality is that a larger number of nodding heads can exercise greater influence than even the best arguments. It is also much easier to gather detailed information when teams are negotiating rather than individuals. For example, the Japanese are quite good at bringing along junior executives for the dual purposes of careful note taking and training via observation. Compensation schemes that overly emphasize individual performance can also get in the way of team negotiating—a negotiation team requires a split commission, which many Americans naturally eschew. Finally, negotiators may have to request the accompaniment of senior executives to better match up with client's and partner's negotiation teams. Particularly in relationship-oriented cultures, rank speaks quite loudly in both persuasion and the demonstration of interest in the business relationship.

The single most important activity of negotiations is listening. The negotiator's primary job is collecting information with the goal of enhancing creativity. This goal may mean assigning one team member the sole responsibility of taking careful notes and not worrying about speaking during the meetings. It may also mean that knowing the language of clients and partners will be crucial for the most complete understanding of their needs and preferences. The importance of listening skills in international business negotiations cannot be overstated.

Women can get the job done. Here U.S. Secretary of State Hillary Clinton meets with German Chancellor Andrea Merkel.

Bringing along a senior executive is important because influence at headquarters is crucial to success. Indeed, many experienced international negotiators argue that half the negotiation is with headquarters. The representatives' lament goes something like this: "The better I understand my customer, the tougher time I have with headquarters." Of course, this misery associated with boundary-spanning roles is precisely why international negotiators and sales executives make so much money.

Finally, it is also important to reiterate a point made in Chapter 5: Gender should not be used as a selection criterion for international negotiation teams, despite the great differences in the roles of women across cultures. Even in countries where women do not participate in management, American female negotiators are treated as foreigners first. For obvious reasons it may not be appropriate for female managers to participate in some forms of business entertainment—common baths in locker rooms at Japanese golf course clubhouses, for example. However, it is still important for female executives to establish personal rapport at restaurants and other informal settings. Indeed, one expert on cross-gender communication suggests that women may actually have some advantages in international negotiations:

> In general, women are more comfortable talking one-on-one. The situation of speaking up in a meeting is a lot closer to boys' experience of using language to establish their position in a large group than it is to girls' experience of using language to maintain intimacy. That's something that can be exploited. Don't wait for the meeting; try to make your point in advance, one-to-one. This is what the Japanese do, and in many ways American women's style is a lot closer to the Japanese style than to American men's.[29]

[29]Deborah Tannen, *You Just Don't Understand: Men and Women in Conversation* (New York: William Morrow, 1990).

Negotiation Preliminaries

LO7

How to prepare for international negotiations

Many companies in the United States provide employees with negotiations training.[30] For example, through his training programs, Chester Karrass[31] has taught more people (some 400,000) to negotiate than any other purveyor of the service[32]—notice his ads in almost all in-flight magazines of domestic U.S. air carriers. However, very few companies provide training for negotiations with managers from other countries. Even more surprising is the lack of cultural content in the training of the government's diplomats. Instead, in most schools of diplomacy the curricula cover language skills, social and diplomatic skills, and knowledge specific to the diplomatic profession, including diplomatic history and international relations, law, economics, politics, international organizations, and foreign policies. Cultural differences in negotiation and communication styles are seldom considered.

Things are different at Ford Motor Company. Ford does more business with Japanese companies than any other firm. Ford owns 33 percent of Mazda, it built a successful minivan with Nissan, and it buys and sells component parts and completed cars from and to Japanese companies. But perhaps the best measure of Ford's Japanese business is the 8,000 or so U.S.-to-Japan round-trip airline tickets the company buys annually. Ford has made a large investment in training its managers with Japanese responsibilities. Over 2,000 of its executives have attended a three-day program on Japanese history and culture and the company's Japanese business strategies. Furthermore, more than 1,000 Ford managers who work face-to-face with Japanese have attended a three-day program entitled "Managing Negotiations: Japan" (MNJ). The MNJ program includes negotiation simulations with videotape feedback, lectures with cultural differences demonstrated via videotapes of Japanese–American interactions, and rehearsals of upcoming negotiations. The company also conducts similar programs on Korea and the People's Republic of China.

In addition to MNJ, the broader Japan training efforts at Ford must be credited for Ford's successes in Japan. Certainly, MNJ alumni can be seen exercising influence across and up the ranks regarding Japanese relationships. But the organizational awareness of the cultural dimensions of the Japanese business system was quickly raised as well by its broader, three-day program on Japanese business strategies. Remember the story about the Russians in Nice? Two critical events took place. First, the Solar Turbines negotiators diagnosed the problem. Second, and equally important, their California superiors appreciated the problem and approved the investments in time and money to outwait the Russians. So it is that the Ford programs have targeted not only the negotiators working directly with the Japanese but also their managers, who spend most of their time in the company's Detroit headquarters. Negotiators need information specific to the cultures in which they work. Just as critical, their managers back in the United States need a basic awareness of and appreciation for the importance of culture in international business so that they will be more amenable to the "odd-sounding" recommendations coming from their people in Moscow, Rio, or Tokyo.

Any experienced business negotiator will tell you that there is never enough time to get ready. Given the time constraints of international negotiations, preparations must be accomplished efficiently—the homework must be done before the bargaining begins. We recommend the following checklist to ensure proper preparation and planning for international negotiations:

1. Assessment of the situation and the people
2. Facts to confirm during the negotiation

[30]The Harvard Program on Negotiations provides a range of negotiations courses (http://www.pon.harvard.edu). Also, negotiations courses are the most popular in MBA programs around the country; see Leigh Thompson and Geoffrey J. Leonardelli, "Why Negotiation Is the Most Popular Business Course," *Ivey Business Journal* (Online), July/August 2004, p. 1.

[31]See Karrass's Web site for information regarding his programs: http://www.karrass.com. A key portal with information on negotiations in 50 different countries and links to several associated Web sites is http://www.GlobalNegotiationResources.com.

[32]Lee Edison provides an interesting description of what he calls "The Negotiation Industry," in an article he wrote for *Across the Board* 37, no. 4 (April 2000), pp. 14–20. Other commentators on training for international business negotiators include Yeang Soo Ching, "Putting a Human Face on Globalization," *New Straits Times*, January 16, 2000, p. 10; A. J. Vogl, "Negotiation: The Advanced Course," *Across the Board*, April 1, 2000, p. 21; and R. V. Veera, "MIT Preparing Students for New Millennium," *New Straits Times*, July 21, 2002, p. 5.

Through his books and training courses, Chester Karrass has taught more people to negotiate than anyone else in the world. His firm offers seminars in dozens of countries and advertises in in-flight magazines, here in Spanish.

3. Agenda
4. Best alternative to a negotiated agreement (BATNA)[33]
5. Concession strategies
6. Team assignments

Preparation and planning skill is at the top of almost everyone's list of negotiator traits, yet it seems many Americans are still planning strategies during over-ocean flights when they should be trying to rest. Quick wits are important in business negotiations, and arduous travel schedules and jet lag dull even the sharpest minds. Obviously, information about the other side's goals and preferences should be sought ahead of time. Also important are clear directions from headquarters and detailed information about market conditions.

No matter how thorough the preliminary research, negotiators should always make a list of key facts to reconfirm at the negotiation table. Information gathered about foreign customers and markets almost always includes errors, and things can change during those long airline flights. Next, anticipate that managers from other cultures may put less emphasis on a detailed agenda, but having one to propose still makes sense and helps organize the meetings.

The most important idea in *Getting to Yes* is the notion of the **best alternative to a negotiated agreement (BATNA)**.[34] This notion is how power in negotiations is best measured. Even the smallest companies can possess great power in negotiations if they have many good alternatives and their large-company counterparts do not. It is also important to plan out and write down concession strategies. Concessions can often snowball, and writing them down ahead of time helps negotiators keep them under control.

Finally, specific team assignments should be made clear—who handles technical details, who takes notes, who plays the tough guy, who does most of the talking for the group, and so forth. Also, in relationship-oriented cultures, the selection of intermediaries and the seniority of negotiators will be crucial considerations.

At least seven aspects of the negotiation setting should be manipulated ahead of time if possible:

1. Location
2. Physical arrangements
3. Number of parties
4. Number of participants
5. Audiences (news media, competitors, fellow vendors, etc.)
6. Communications channels
7. Time limits

Location speaks loudly about power relations. Traveling to a negotiating counterpart's home turf is a big disadvantage, and not just because of the costs of travel in money and fatigue. A neutral location may be preferred—indeed, many trans-Pacific business negotiations are conducted in Hawaii. The weather and golf are nice, and the jet lag is about equal. Location is also an important consideration because it may determine legal jurisdiction if

[33]The most instructive story we have ever seen regarding how to build one's BATNA is found in Daniel Michael, "In Clandestine World of Airplane Contracts, An Inside Look at a Deal," *The Wall Street Journal*, March 10, 2003, p. A1. It is a must-read for anyone interested in the topic of international business negotiations.

[34]Fisher, Ury, and Patton, *Getting to Yes*.

Different negotiation settings have different advantages and disadvantages. Of course, teleconferencing saves money, but meetings tend to be rushed. Golf course negotiations are perhaps the most leisurely, but thoughtful responses are more likely as golfers can consider reactions to statements made at the tee as they chase down their errant shots. E-mail also allows for thoughtful reactions in a similar way. Here an executive "negotiates" a putt at China's first golf course, the Chuan Shan Hot Spring Golf Club.

disputes arise. If you must travel to your negotiating counterpart's city, then a useful tactic is to invite clients or partners to work in a meeting room at your hotel. You can certainly get more done if they are away from the distractions of their offices.

Physical arrangements can affect cooperativeness in subtle ways. In high-context cultures, the physical arrangements of rooms can be quite a source of embarrassment and irritation if handled improperly. To the detriment of their foreign business relationships, Americans tend to be casual about such arrangements. Furthermore, views about who should attend negotiations vary across cultures. Americans tend to want to get everyone together to "hammer out an agreement" even if opinions and positions are divergent. Japanese prefer to talk to everyone separately, then, once everyone agrees, to schedule inclusive meetings. Russians tend toward a cumulative approach, meeting with one party and reaching an agreement, then both parties calling on a third party, and so on. In addition, the importance of not being outnumbered in international business negotiations has already been mentioned.

Audiences can have crucial influences on negotiation processes. Purchasing executives at PetroBras, the Brazilian national oil company, are well known for putting competitive bidders in rooms adjacent to one another to increase competitive pressures on both vendors. Likewise, news leaks to the press played a crucial role in pushing along the negotiations between General Motors and Toyota regarding a joint venture production agreement.

As electronic media become more available, efficient, and sometimes necessary (e.g., the war in Iraq or the SARS outbreak mentioned in Chapter 17), more business can be conducted without face-to-face communication. However, Americans should recognize that their counterparts in many other countries do not necessarily share their attraction to the Internet[35] and teleconferencing.[36] Indeed, recent research has shown that when using e-mail, trust is harder to build.[37] Additionally, businesspeople in Hong Kong tend to negotiate more competitively when using e-mail than in face-to-face settings.[38] A conversation

[35]Jan M. Uljn, Andreas Lincke, and Yunus Karakaya, "Non-Face-to-Face International Business Negotiation: How Is National Culture Reflected in This Medium," *IEEE Transactions on Professional Communication* 44, no. 2 (June 2001), pp. 126–37.

[36]Tim Ambler and Chris Styles, *The Silk Road to International Marketing* (London: Financial Times and Prentice Hall, 2000).

[37]Charles E. Naquin and Gaylen D. Paulson, "Online Bargaining and Interpersonal Trust," *Journal of Applied Psychology* 88, no. 1 (2003), pp. 113–20.

[38]Guang Yang, "The Impact of Computer-Mediated Communication on the Processes and Outcomes of Buyer–Seller Negotiations," unpublished doctoral dissertation, Merage School of Business, University of California, Irvine, 2003.

CROSSING BORDERS 19.2 The Digital Impact on International Negotiations

All in all, e-commerce is good for global marketing. It allows domestic firms to internationalize more quickly and at less cost. It allows international firms to communicate internally and externally with greater efficiency. Fax replaced telex, which, in turn, replaced the telegram. But e-mail is only partly replacing mail, fax, and phone. It is better seen as a different, more informal medium than fax and more convenient than phone. For networking purposes, e-mail is easily copied and relayed, though excess should be avoided. Many of us have learned to screen out e-mails addressed to multiple recipients.

Above all, e-mail can nurture, but not create, the long-term relationships so crucial to international marketing. The decision by Boeing to enter into an automated relationship with Dell was made not by two machines but by personal contact between executives on both sides. The success of the Procter & Gamble–Walmart relationship rests with the personal relationships and interactions between P&G's key account team and Walmart's buyers. Although non-Thais can learn a great deal about Thailand from the Internet, they can never really understand Thai customers, the way they do business, and their feelings toward products unless they interact directly. Understanding culture requires personal experiential learning, the wellspring of social information.

Sources: Reprinted with permission from Tim Ambler and Chris Styles, The Silk Road to International Marketing (London: Financial Times and Prentice Hall, 2000); Guang Yang, The Impact of Computer Mediated Communication on the Process and Outcomes of Buyer–Seller Negotiations, unpublished doctoral dissertation, Merage School of Business, University of California, Irvine, 2003.

over a long dinner may actually be the most efficient way to communicate with clients and partners in places like Mexico, Malaysia, and China.

Finally, it is important to manipulate time limits. Recall the example about the Russians and Americans in Nice. The patience of the home office may be indispensable, and major differences in time orientation should be planned for when business negotiations are conducted in most other countries.

At the Negotiation Table

LO8

Managing all aspects of the negotiation process

The most difficult aspect of international business negotiations is the actual conduct of the face-to-face meeting. Assuming that the best representatives have been chosen, and assuming those representatives are well prepared and that situational factors have been manipulated in one's favor, things can still go sour at the negotiation table. Obviously, if these other preliminaries have not been managed properly, things will go wrong during the meetings. Even with great care and attention to preliminary details, managing the dynamics of the negotiation process is almost always the greatest challenge facing Americans seeking to do business in other countries.

Going into a business negotiation, most people have expectations about the "proper" or normal process of such a meeting, the *ritual*, so to speak.[39] Based on these expectations, progress is measured and appropriate bargaining strategies are selected. That is, things may be done differently in the latter stages of a negotiation than they were in the earlier. Higher-risk strategies may be employed to conclude talks—as in the final two minutes of a close soccer match. But all such decisions about strategy are made relative to perceptions of progress through an expected course of events.

Differences in the expectations held by parties from different cultures are one of the major difficulties in any international business negotiation. Before these differences are discussed, however, it is important to point out similarities. Everywhere around the world we have found that business negotiations proceed through four stages:

1. Nontask sounding
2. Task-related exchange of information
3. Persuasion
4. Concessions and agreement

[39]Sometimes these expectations are referred to as "the spirit of the deal" or the "social contract." See Ron S. Fortgang, David A. Lax, and James K. Sebenius, "Negotiating the Spirit of the Deal," *Harvard Business Review*, January–February 2003, pp. 66–74.

Exhibit 19.4

Summary of Japanese, American, and Chinese Business Negotiation Styles

Category	Japanese	Americans	Chinese
Language	Most Japanese executives understand English, though interpreters are often used.	Americans have less time to formulate answers and observe Japanese nonverbal responses because of a lack of knowledge of Japanese.	Often Chinese negotiators will understand at least some English, but will prefer an interpreter.
Nonverbal behaviors	The Japanese interpersonal communication style includes less eye contact, fewer negative facial expressions, and more periods of silence.	American businesspeople tend to "fill" silent periods with arguments or concessions.	Similar in quantities to Americans in most respects, yet difficult to read.
Values	Indirectness and face saving are important. Vertical buyer–seller relationships, with sellers depending on goodwill of buyers (amae), is typical.	Speaking one's mind is important; buyer–seller relationships are horizontal.	Relationship-oriented, guanxi, and face are key, looking for a "way" to compromise, truth is secondary.
Four Stages of Business Negotiations			
1. Nontask sounding	Considerable time and expense devoted to such efforts is the practice in Japan.	Very short periods are typical.	Long, expensive, formal, intermediaries are key.
2. Task-related exchange of information	The most important step: High first offers with long explanations and in-depth clarifications.	Information is given briefly and directly. "Fair" first offers are more typical.	Indirectness, explanations first, intermediaries.
3. Persuasion	Persuasion is accomplished primarily behind the scenes. Vertical status relations dictate bargaining outcomes.	The most important step: Minds are changed at the negotiation table, and aggressive persuasive tactics are often used.	Questions, competing offers, delays.
4. Concessions and agreement	Concessions are made only toward the end of negotiations—a holistic approach to decision making. Progress is difficult to measure for Americans.	Concessions and commitments are made throughout—a sequential approach to decision making.	Holistic approach, revisiting closed issues, goal is long-term relationship. Progress is difficult to measure for Americans.

Sources: N. Mark Lam and John L. Graham, China Now, Doing Business in the World's Most Dynamic Market (New York: McGraw-Hill, 2007); James Day Hodgson, Yoshihiro Sano, and John L. Graham, Doing Business with the New Japan (Boulder, CO: Rowman & Littlefield, 2008).

The first stage, nontask sounding, includes all those activities that might be described as establishing rapport or getting to know one another, but it does not include information related to the "business" of the meeting. The information exchanged in the second stage of business negotiations regards the parties' needs and preferences. The third stage, persuasion, involves the parties' attempts to modify one another's needs and preferences through the use of various persuasive tactics. The final stage of business negotiations involves the consummation of an agreement, which is often the summation of a series of concessions or smaller agreements.

Despite the consistency of this process across diverse cultures, the content and duration of the four stages differ substantially. For example, Exhibit 19.4 details procedural differences in Japan, the United States, and China as well as differences in language, nonverbal behavior, and values.

Nontask Sounding. Americans always discuss topics other than business at the negotiation table (e.g., the weather, family, sports, politics, business conditions in general)

but not for long. Usually the discussion is moved to the specific business at hand after 5 to 10 minutes. Such preliminary talk, known as **nontask sounding**, is much more than just friendly or polite; it helps negotiators learn how the other side feels that particular day. During nontask sounding, one can determine if a client's attention is focused on business or distracted by other matters, personal or professional.

Learning about a client's background and interests also provides important cues about appropriate communication styles. To the extent that people's backgrounds are similar, communication can be more efficient. Engineers can use technical jargon when talking to other engineers. Sports enthusiasts can use sports analogies. Those with children can compare the cash drain of "putting a kid through college," and so on.

During these initial stages of conversation, judgments, too, are made about the "kind" of person(s) with whom one is dealing: Can this person be trusted?[40] Will he be reliable? How much power does she have in her organization? All such judgments are made before business discussions ever begin.

These preliminary nontask discussions have a definite purpose. Although most people are often unaware of it, such time almost always is used to size up one's clients. Depending on the results of this process, proposals and arguments are formed using different jargon and analogies. Or if clients are distracted by other personal matters or if the other people seem untrustworthy, the decision may be to discuss no business at all. This assessment sounds like a lot to accomplish in 5 to 10 minutes, but that's how long it usually takes in the information-oriented United States. Such is not the case in relationship-oriented countries like China or Brazil; the goals of the nontask sounding are identical, but the time spent is much, much longer. Instead of five minutes, it might take five meetings.

In the United States, firms resort to the legal system and their lawyers when they've made a bad deal because of a mistake in sizing up a customer or vendor. In most other countries, the legal system cannot be depended upon for such purposes. Instead, executives in places like Korea and Egypt spend substantial time and effort in nontask sounding so that problems do not develop later. Americans need to reconsider, from the foreigner's perspective, the importance of this first stage of negotiations if they hope to succeed in Seoul or Cairo.

Task-Related Exchange of Information. Only when nontask sounding is complete and a trusting personal relationship is established should business be introduced. American executives are advised to let foreign counterparts decide when such substantive negotiations should begin, that is, to let them bring up business.

A **task-related information exchange** implies a two-way communication process. However, observations suggest that when Americans meet executives from some cultures across the negotiation table, the information flow is unidirectional. Japanese, Chinese, and Russian negotiators all appear to ask "thousands" of questions and give little feedback. The barrage of questions severely tests American negotiators' patience, and the lack of feedback causes them great anxiety. Both can add up to much longer stays in these countries, which means higher travel expenses.

Certainly an excellent negotiation tactic is to "drain" information from one's negotiation counterparts. But the oft-reported behaviors of Chinese, Japanese, and Russians may not necessarily represent a sophisticated negotiation ploy. Indeed, reference to Exhibit 19.2 provides some hints that differences in conversational styles—silent periods occurred more frequently in negotiations in all three cultures—may be part of the explanation. Indeed, in careful studies of conversational patterns of Americans negotiating with Japanese, the Americans seem to fill the silent periods and do most of the talking. These results suggest that American negotiators must take special care to keep their mouths shut and let foreign counterparts give them information.

Exchanging information across language barriers can be quite difficult as well. Most of us understand about 80 to 90 percent of what our same-culture spouses or roommates say—that

[40]Trust is a key negotiation concept that is receiving growing attention in diverse areas. See Alaka N. Rao, Jone L. Pearce, and Katherine Xin, "Governments, Reciprocal Exchange, and Trust among Business Associates," *Journal of International Business Studies* 36, no. 1 (2005), pp. 104–18; on the chemical basis of trust, see Michael Kosfeld, Markus Heinrichs, Paul J. Zak, Urs Fischbacher, and Ernst Fehr, "Oxytocin Increases Trust in Humans," *Nature* 435 (June 2005), pp. 673–76.

CROSSING BORDERS 19.3 Fishing for Business in Brazil

How important is nontask sounding? Consider this description about an American banker's meeting in Brazil, as recounted by an observer:

> Introductions were made. The talk began with the usual "How do you like Rio?" questions—Have you been to Ipanema, Copacabana, Corcovado, etc.? There was also talk about the flight down from New York. After about five minutes of this chatting, the senior American quite conspicuously glanced at his watch, and then asked his client what he knew about the bank's new services.
>
> "A little," responded the Brazilian. The senior American whipped a brochure out of his briefcase, opened it on the desk in front of the client, and began his sales pitch.
>
> After about three minutes of "fewer forms, electronic transfers, and reducing accounts receivables," the Brazilian jumped back in, "Yes, that should make us more competitive . . . and competition is important here in Brazil. In fact, have you been following the World Cup fútbol (soccer) matches recently? Great games." And so the reel began to whir, paying out that monofilament line, right there in that hot high-rise office.
>
> After a few minutes' dissertation on the local fútbol teams, Pélé, and why fútbol isn't popular in the United States, the American started to try to crank the Brazilian back in. The first signal was the long look at his watch, then the interruption, "Perhaps we can get back to the new services we have to offer."
>
> The Brazilian did get reeled back into the subject of the sale for a couple of minutes, but then the reel started to sing again. This time he went from efficient banking transactions to the nuances of the Brazilian financial system to the Brazilian economy. Pretty soon we were all talking about the world economy and making predictions about the U.S. presidential elections.
>
> Another look at his Rolex, and the American started this little "sport fishing" ritual all over again. From my perspective (I wasn't investing time and money toward the success of this activity), this all seemed pretty funny. Every time the American VP looked at his watch during the next 45 minutes, I had to bite my cheeks to keep from laughing out loud. He never did get to page two of his brochure. The Brazilian just wasn't interested in talking business with someone he didn't know pretty well.

Source: William Hernandez Requejo and John L. Graham, Global Negotiation: The New Rules (New York: Palgrave Macmillan, 2008).

means 10 to 20 percent is misunderstood or misheard. That latter percentage goes up dramatically when someone is speaking a second language, no matter the fluency levels or length of acquaintance. And when the second language capability is limited, entire conversations may be totally misunderstood. Using multiple communication channels during presentations—writing, exhibits, speaking, repetition—works to minimize the inevitable errors.

In many cultures, negative feedback is very difficult to obtain. In high-context cultures such as Mexico and Japan, speakers are reluctant to voice objections lest they damage the all-important personal relationships. Some languages themselves are by nature indirect and indefinite. English is relatively clear, but translations from languages like Japanese can leave much to be understood. In more collectivistic cultures like China, negotiators may be reluctant to speak for the decision-making group they represent, or they may not even know how the group feels about a particular proposal. All such problems suggest the importance of having natives of customer countries on your negotiation team and of spending extra time in business and informal entertainment settings trying to understand better the information provided by foreign clients and partners. Conversely, low-context German executives often complain that American presentations include too much "fluff"—they are interested in copious information only, not the hyperbole and hedges so common in American speech. Negative feedback from Germans can seem brutally frank to higher-context Americans.

A final point of potential conflict in information exchange has to do with first offers. Price padding varies across cultures, and Americans' first offers tend to come in relatively close to what they really want. "A million dollars is the goal, let's start at $1.2 million" seems about right to most Americans. Implicit in such a first offer is the hope that things will get done quickly. Americans do not expect to move far from first offers. Negotiators in many other countries do not share the goal of finishing quickly,

however. In places like China, Brazil, or Spain, the expectation is for a relatively longer period of haggling, and first offers are more aggressive to reflect these expectations. "If the goal is 1 million, we better start at 2," makes sense there. Americans react to such aggressive first offers in one of two ways: They either laugh or get angry. And when foreign counterparts' second offers reflect deep discounts, Americans' ire increases.

A good example of this problem regards an American CEO shopping for a European plant site. When he selected a $20 million plot in Ireland, the Spanish real estate developer he had visited earlier called wondering why the American had not asked for a lower price for the Madrid site before choosing Dublin. He told the Spaniard that his first offer "wasn't even in the ballpark." He wasn't laughing when the Spaniard then offered to beat the Irish price. In fact, the American executive was quite angry. A potentially good deal was forgone because of different expectations about first offers. Yes, numbers were exchanged, but information was not. Aggressive first offers made by foreigners should be met with questions, not anger.

Persuasion. In Japan, a clear separation does not exist between task-related information exchange and persuasion. The two stages tend to blend together as each side defines and refines its needs and preferences. Much time is spent in the task-related exchange of information, leaving little to "argue" about during the persuasion stage. Conversely, Americans tend to lay their cards on the table and hurry through the information exchange to persuasion. After all, the persuasion is the heart of the matter. Why hold a meeting unless someone's mind is to be changed? A key aspect of sales training in the United States is "handling objections." So the goal in information exchange among Americans is to quickly get those objections out in the open so they can be handled.

You want him on your side! Banana salespeople such as this fellow in Agra, India, are known worldwide for their negotiation skills—they're hawking a perishable product that shows the wear. In Japan they even have a negotiation strategy named for them: Outrageously high first offers are derogated as "banana no tataki uri," the banana sale approach.

This handling can mean providing clients with more information. It can also mean getting mean. As suggested by Exhibit 19.2, Americans make threats and issue warnings in negotiations. They do not use such tactics often, but negotiators in many other cultures use such tactics even less frequently and in different circumstances. For example, notice how infrequently the Mexicans and English-speaking Canadians used threats and warnings in the simulated negotiations. Others have found Filipino and Chinese negotiators to use a less aggressive approach than Americans.[41] Indeed, in Thailand or China, the use of such aggressive negotiation tactics can result in the loss of face and the destruction of important personal relationships. Such tough tactics may be used in Japan but by buyers only and usually only in informal circumstances—not at the formal negotiation table. Americans also get angry during negotiations and express emotions that may be completely inappropriate in foreign countries. Such emotional outbursts may be seen as infantile or even barbaric behavior in places like Hong Kong and Bangkok.

The most powerful persuasive tactic is actually asking more questions. Foreign counterparts can be politely asked to explain why they must have delivery in two months or why they must have a 10 percent discount. Chester Karrass, in his still useful book *The Negotiation Game*,[42] suggests that it is "smart to be a little dumb" in business negotiations. Repeat questions; for example, "I didn't completely understand what you meant—can you please explain

[41]X. Michael Song, Jinhong Xie, and Barbara Dyer, "Antecedents and Consequences of Marketing Managers' Conflict Handling Procedures," *Journal of Marketing* 64 (January 2000), pp. 50–66; Alma Mintu-Wimsatt and Julie B. Gassenheimer, "The Moderating Effects of Cultural Context in Buyer–Seller Negotiation," *Journal of Personal Selling & Sales Management* 20, no. 1 (Winter 2000), pp. 1–9.

[42]Chester Karrass, *The Negotiation Game* (New York: Crowell, 1970).

that again?" If clients or potential business partners have good answers, then perhaps a compromise on the issue is best. Often, however, under close and repeated scrutiny, their answers are not very good. When their weak position is exposed, they are obliged to concede. Questions can elicit key information, the most powerful yet passive persuasive device. Indeed, the use of questions is a favored Japanese tactic, one they use with great effect on Americans.

Third parties and informal channels of communication are the indispensable media of persuasion in many countries, particularly the more relationship-oriented ones. Meetings in restaurants or meetings with references and mutual friends who originally provided introductions may be used to handle difficult problems with partners in other countries. The value of such informal settings and trusted intermediaries is greatest when problems are emotion laden. They provide a means for simultaneously delivering difficult messages and saving face. Although American managers may eschew such "behind the scenes" approaches, they are standard practice in many countries.

Concessions and Agreement. Comments made previously about the importance of writing down concession-making strategies and understanding differences in decision-making styles—sequential versus holistic—are pertinent here. Americans often make concessions early, expecting foreign counterparts to reciprocate. However, in many cultures no concessions are made until the end of the negotiations. Americans often get frustrated and express anger when foreign clients and partners are simply following a different approach to concession making, one that can also work quite well when both sides understand what is going on.

After Negotiations

LO9

The importance of follow-up communications and procedures

Contracts between American firms are often longer than 100 pages and include carefully worded clauses regarding every aspect of the agreement. American lawyers go to great lengths to protect their companies against all circumstances, contingencies, and actions of the other party. The best contracts are written so tightly that the other party would not think of going to court to challenge any provision. The American adversarial system requires such contracts.

In most other countries, particularly the relationship-oriented ones, legal systems are not depended upon to settle disputes. Indeed, the term *disputes* does not reflect how a business relationship should work. Each side should be concerned about mutual benefits of the relationship and therefore should consider the interests of the other. Consequently, in places like Japan written contracts are very short—two to three pages—are purposely loosely written, and primarily contain comments on principles of the relationship. From the Japanese point of view, the American emphasis on tight contracts is tantamount to planning the divorce before the wedding.

Tung Chee Hwa, at the time Chief Executive of the Hong Kong Special Administrative Region, consummated the deal with the Mouse for Asia's new Walt Disney World, which opened in 2005.

In other relationship-oriented countries, such as China, contracts are more a description of what business partners view their respective responsibilities to be. For complicated business relationships, they may be quite long and detailed. However, their purpose is different from the American understanding. When circumstances change, then responsibilities must also be adjusted, despite the provisions of the signed contract. The notion of enforcing a contract in China makes little sense.

Informality being a way of life in the United States, even the largest contracts between companies are often sent through the mail for signature. In America, ceremony is considered a waste of time and money. But when a major agreement is reached with foreign companies, their executives may expect a formal signing ceremony involving CEOs of the respective companies. American companies are wise to accommodate such expectations.

Finally, follow-up communications are an important part of business negotiations with partners and clients from most foreign countries. Particularly in high-context cultures, where personal relationships are crucial, high-level executives must stay in touch with their counterparts. Letters, pictures, and mutual visits remain important long after contracts are signed. Indeed, warm relationships at the top often prove to be the best medicine for any problems that may arise in the future.

Creative International Negotiations

LO10

The basics of creative international negotiations

Getting to "yes" sometimes isn't good enough. Perhaps the most famous negotiation parable involves an argument over an orange. The most obvious approach was to simply cut it in half, each person getting a fair share. But when the negotiators began talking to each other, exchanging information about their interests, a better solution to the problem became obvious: The person who wanted the orange for juice for breakfast took that part, and the person wanting the rind for making marmalade took that part. Both sides ended up with more. Neither agreement is particularly creative, but the parable of the orange becomes a story about creativity when both parties decide to cooperate to plant more orange trees. In a similar way, Boeing buys composite plastic wings for its new 787 Dreamliner, designed and manufactured by Japanese suppliers, and then sells the completed 787s back to Japanese airlines, all with a nice subsidy from the Japanese government. This type of agreement is what we mean by creativity in negotiations.

At business schools these days, we are beginning to learn a lot about creative processes. Courses are being offered and dissertations being proffered with "innovation" as the key buzz word, both at academic conferences and in corporate boardrooms. The more we hear about innovation and creative processes, the more we are beginning to appreciate that the Japanese approach to international business negotiations, by nature, uses many of the techniques commonly emphasized in any discussion of creative processes. Indeed, there appears to be a deeply fundamental explanation for why the Japanese have been able to build such a successful society, despite their lack of natural resources and relative isolation. Japanese society has its own obstacles to creativity—hierarchy and collectivism are two. But, they have developed a negotiation style that in many ways obviates such disadvantages. The procedures we advocate herein coincide nicely with an approach to international negotiations that comes naturally to the Japanese.

We also must give credit to the luminaries in field who have long advocated **creativity in negotiations**. Howard Raiffa and his colleagues recommend:

> . . . the teams should think and plan together informally and do some joint brainstorming, which can be thought of as "dialoguing" or "prenegotiating." The two sides make no tradeoffs, commitments, or arguments about how to divide the pie at this early stage.[43]

Roger Fisher and William Ury title their Chapter 4 in *Getting to Yes*[44] "Invent[ing] Options for Mutual Gain." David Lax and James Sebenius, in their important new book, *3D-Negotiations*,[45] go past getting to yes and talk about "creative agreements" and "great agreements." Our goal here is to push these ideas to the forefront in thinking about business negotiations. The field generally is still stuck in the past, talking about "making deals" and "solving problems." Even the use of terms like "win–win" expose the vestiges of the old competitive thinking. Our point is that a business negotiation is not something that can be won or lost, and the competitive metaphor limits creativity. The problem-solving metaphor does as well. Accept only creative outcomes!

The ideas listed in Exhibit 19.5 can be used in all stages of international business negotiations: planning, execution, and follow-up. Application of principles of creativity will be practically and overtly appropriate in at least three points in your negotiations. We noted Howard Raiffa's suggestion that they be used in pre-negotiation meetings; we also advocate their use when impasses are reached. For example, in the negotiations regarding the multi-billion dollar Rio Urubamba natural gas project in Peru, the involved firms and environmentalist groups reached what at the time seemed to be an irreconcilable difference: Roads and a huge pipeline through the pristine forest would be an ecological disaster. The creative solution? Think of the remote gas field as an offshore platform, run the pipeline underground, build no roads, and fly in personnel and equipment as needed.

After negotiators have "gotten to yes," a scheduled review of the agreement may actually get your business relationship past "yes" to truly creative outcomes. Perhaps you schedule such a review six months after implementation of the agreement has begun. But the point is that time must be set aside for a *creative* discussion of how to improve on the

[43]Howard Raiffa with John Richardson and David Metcalfe, *Negotiation Analysis* (Cambridge, MA: Belknap, 2002), p. 196.

[44]Fisher, Ury, and Patton, *Getting to Yes*.

[45]David J. Lax and James K. Sebenius, *3D Negotiations* (Boston: Harvard Business School Press, 2006).

Exhibit 19.5

10 Ways to Generate More Ideas in International Negotiations

1. Establish **common goals** of what this "collaboration" would create. A more workable deal? Some common long-term goals? A closer partnership?
2. Establish the **rules of engagement**. The purpose of the exercise is to resolve differences in creative ways that work better for both parties. All ideas are possibilities, and research shows that combining ideas from different cultures can result in better outcomes than those from a single culture.
3. **Trust is key** and difficult to establish in many cultures. Certain techniques might speed that process a little—being offsite, for example. Establishing physical proximity unconsciously signals intimacy.
4. **Add diversity** (gender, culture, extroverts, different work specialties, experts, outsiders) to the group.
5. **Use storytelling**. This method helps establish both who you are and what point of view you are bringing to this collaboration.
6. Work in **small groups**. Add **physical movement**. Tell the participants to relax, play, sing, have fun, and accept silence as okay.
7. **Work holistically** and using visuals. If, for example, there are three sticking points on which neither side is happy, agree to work on those points by spending a short time—10 minutes—on each point during which both sides offer "crazy" suggestions. Use techniques of **improvisation**. Neither side should be offended by **crazy ideas**. No one should criticize. Explain that by exploring crazy ideas, better ideas are often generated.
8. **Sleep on it**.* This tactic enables the unconscious to work on the problems and gives people time to collect opinions before meeting again the next day. Other kinds of breaks, like for coffee, are also helpful.
9. Doing this process **over several sessions** allows both sides to feel that progress is being made and actually generates better and more polished ideas that both sides can invest in.
10. It is the process of creating something together, rather than the specific proposals, that creates **bonding** around a shared task and establishes new ways of working together. Each side feels honored, and Americans can feel that something is being accomplished.

The Culture Code

Source: Reprinted with permission of Chief Idea Officer, IdeaWorks Consulting, Newport Beach, CA.

Conclusions

The Ballad of East and West:

people

The Culture Code

Newsweek

Differences between countries and cultures, no matter how difficult, can be worked out when people talk to each other in face-to-face settings. Kipling rightly places the responsibility for international cooperation not on companies or governments but instead directly on the shoulders of individual managers, present and future, like you. Work hard!

Summary

Because styles of business negotiations vary substantially around the world, it is important to take cultural differences into account when meeting clients, customers, and business partners across the international negotiation table. In addition to cultural factors, negotiators' personalities and backgrounds also influence their behavior. Great care should be taken to get to know the individuals who represent client and customer companies. Cultural stereotypes can be quite misleading.

Four kinds of problems frequently arise during international business negotiations—problems at the levels of language, nonverbal behaviors, values, and thinking and decision-making processes. Foreign-language skills are an essential tool of the international negotiator. Nonverbal behaviors vary dramatically across cultures, and because their influence is often below our level of awareness, problems at this level can be serious. Whereas most Americans value objectivity, competitiveness, equality, and punctuality, many foreign executives may not. As for thinking and decision making, Western business executives tend to address complex negotiations by breaking deals down into smaller issues and settling them sequentially; in many Eastern cultures, a more holistic approach is used in discussions.

Much care must be taken in selecting negotiation teams to represent companies in meetings with foreigners. Listening skills, influence at headquarters, and a willingness to use team assistance are important negotiator traits. Americans should be careful to try to match foreign negotiation teams in both numbers and seniority. The importance of cross-cultural training and investments in careful preparations cannot be overstated. Situational factors such as the location for meetings and the time allowed must also be carefully considered and managed.

All around the world, business negotiations involve four steps: nontask sounding, task-related information exchange, persuasion, and concessions and agreement. The time spent on each step can vary considerably from country to country. Americans spend little time on nontask sounding or getting to know foreign counterparts. Particularly in relationship-oriented cultures, it is important to let the customers bring up business when they feel comfortable with the personal relationship. Task-related information goes quickly in the United States as well. In other countries, such as Japan, the most time is spent on the second stage, and careful understandings of partners are the focus. Persuasion is the most important part of negotiations from the American perspective. Aggressive persuasive tactics (threats and warnings) are used frequently. Such persuasive tactics, though they may work well in some cultures, will cause serious problems in others. Because Americans tend to be deal oriented, more care will have to be taken in follow-up communications with foreign clients and partners who put more emphasis on long-term business relationships. Finally, a new emphasis is being put in creative negotiation processes in international commerce.

Key Terms

Stereotypes
Best alternative to a negotiated agreement (BATNA)
Nontask sounding
Task-related information exchange
Creativity in negotiations

Questions

1. Define the key terms listed above.
2. Why can cultural stereotypes be dangerous? Give some examples.
3. List three ways that culture influences negotiation behavior.
4. Describe the kinds of problems that usually come up during international business negotiations.
5. Why are foreign-language skills important for international negotiators?
6. Describe three cultural differences in nonverbal behaviors and explain how they might cause problems in international business negotiations.
7. Why is time an important consideration in international business negotiations?
8. What can be different about how a Japanese manager might address a complex negotiation compared with an American negotiator?
9. What are the most important considerations in selecting a negotiation team? Give examples.
10. What kinds of training are most useful for international business negotiators?
11. Name three aspects of negotiation situations that might be manipulated before talks begin. Suggest how this manipulation might be done.
12. Explain why Americans spend so little time on nontask sounding and Brazilians so much.
13. Why is it difficult to get negative feedback from counterparts in many foreign countries? Give examples.
14. Why won't getting mad work in Mexico or Japan?
15. Why are questions the most useful persuasive tactic?
16. What is the parable of the orange, and how does it relate to international negotiations?

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