Chapter 5: Cross-cultural Negotiation and Decision Making

PowerPoint by
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Opening Profile: The Art of the Deal Meets China Syndrome

- Chinese managers proceed slowly
- Chinese businesses often face many internal problems
- Foreign negotiators become frustrated with Chinese tactics
Negotiation

- The process of discussion by which two or more parties aim for mutually acceptable agreement
Stakeholders in Cross-cultural Negotiation

EXHIBIT 5-1 Stakeholders in Cross-cultural Negotiations

- Headquarters (HQ) employees
- Suppliers
- Home government

- Investors
- Alliance partners
- Contractors

- Host government
- Distributors
- Expatriate employees

- Home (HQ) country

- Home consumers

- Firm negotiators

- Host country

- All citizens
- Special interest groups

- Host local employees
- Host consumers
The Negotiation Process

EXHIBIT 5-2  The Negotiation Process

- Preparation
- Relationship building
- Exchange of task-related information
- Persuasion
- Concessions and agreement
Stage One: Preparation

- Develop profiles of counterparts
- Find out likely demands, team composition, and counterpart authority
  - Uzbekistan had to learn from scratch
- Choose a negotiation site
  - British/French Channel negotiations
Stage Two: Relationship Building

- Getting to know one’s contacts and building mutual trust
- Nontask sounding (*nemawashi*)
- Use an intermediary
- “I have come as a mediator…”
Stage Three: Exchanging Task-related Information

- Cultural differences remain an issue
  - Mexicans can be suspicious and indirect
  - The French enjoy debate and conflict
  - The Chinese ask many questions, but provide ambiguous information in return

- Show understanding of the other viewpoint
Stage Four: Persuasion

- Dirty tricks are in the eye of the beholder
  - False information
  - Ambiguous authority
  - Uncomfortable rooms
  - Rudeness, threats
  - Calculated delays
Stage Five: Concessions and Agreement

- Russians and the Chinese start with extreme positions
- Swedes start with what they will accept
- Starting with extremes may be most effective
## Comparison of Negotiation Styles

<table>
<thead>
<tr>
<th></th>
<th>Japanese</th>
<th>North American</th>
<th>Latin American</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hide emotions</td>
<td>Deal impersonally</td>
<td>Emotionally passionate</td>
<td></td>
</tr>
<tr>
<td>Subtle power plays</td>
<td>Litigation, not conciliation</td>
<td>Great power plays</td>
<td></td>
</tr>
<tr>
<td>Step-by-step approach</td>
<td>Methodical organization</td>
<td>Impulsive, spontaneous</td>
<td></td>
</tr>
<tr>
<td>Group good is aim</td>
<td>Profit is aim</td>
<td>Group/individual good is aim</td>
<td></td>
</tr>
</tbody>
</table>
Successful Negotiators: Americans

- Know when to compromise, but stand firm at beginning
- Refuse to make concessions beforehand
- Keep cards close to chest, but make other party reveal his/her position
- Keep maximum options open, operate in good faith
Successful Negotiators: Indians

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

- Protect honor, self-respect, dignity and, thus, are trusted and respected
- Avoid direct confrontation
- Come up with creative, honorable solutions
- Are impartial and can resist pressure
Successful Negotiators: Swedes

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

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

- Negotiation support systems (NSS)
  - Increase likelihood of agreement
  - Decrease direct and indirect costs
  - Maximize optimal outcomes
Comparative Management in Focus: Negotiating with the Chinese

EXHIBIT 5-7  Influences on Western–Chinese Business Negotiations

Comparative Management in Focus: Negotiating with the Chinese

Two problems
- Chinese desire for detail
- Apparent insincerity

Saving Face
- Lien
- Mian-tzu
Comparative Management in Focus: Negotiating with the Chinese

- Importance of harmony
  - Guanxi
  - Guanxihu networks

- Two stages of Chinese negotiation
  - Technical
  - Commercial
Comparative Management in Focus: Negotiating with the Chinese

Some recommendations:
- Practice patience
- Accept prolonged stalemate
- Refrain from exaggerated expectations
- Expect shaming
- Resist blaming for difficulties
- Understand Chinese cultural traits
Managing Conflict Resolution

- **Instrumental oriented – in low-context culture**
  - To address conflict directly and explicitly, and conceptually separating the conflict from the person doing the negotiation.
  - Often based on factual information and logical analysis.

- **Expressive oriented – in high-context culture**
  - Conflict is treated indirectly and implicitly.
  - Negotiators want to avoid confrontation because it is viewed as insulting and can cause loss of face.
  - As an alternative, they rely on evasion and avoidance.
### Low-context, High-context Sources of Conflict

<table>
<thead>
<tr>
<th></th>
<th>Low-context</th>
<th>High-context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why</strong></td>
<td>Analytic, linear logic</td>
<td>Synthetic, spiral logic</td>
</tr>
<tr>
<td><strong>When</strong></td>
<td>Individualistic oriented violations</td>
<td>Group oriented violations</td>
</tr>
<tr>
<td><strong>What</strong></td>
<td>Revealment, confrontational</td>
<td>Concealment, non-confrontational</td>
</tr>
<tr>
<td><strong>How</strong></td>
<td>Explicit, open, direct</td>
<td>Implicit, ambiguous, indirect</td>
</tr>
</tbody>
</table>
The Influence of Culture on Decision Making

- Individualism vs. collectivism
- Objective vs. subjective approach
- Risk tolerance
- Comfort with unfamiliar solutions
Approaches to Decision Making

- Utilitarianism vs. moral idealism
- Autocratic vs. participative leadership
- Speed of decision making
Comparative Management in Focus: Decision-making in Japan

- **Wa** - “peace and harmony,” the building block of Japanese management—as indicated by the emphasis on cooperation, participative management, consensus problem solving, and long-term decision making.

- **Amae** – Japanese concept of “indulgent love,” and was is one aspect of amae

- **Shinyo** - Amae results in shinyo, which refers to the mutual confidence, faith, and honor required for successful business relationships.

- **Ringi**
  - A devotion to work, a collective responsibility for decisions and actions, and a high degree of employee productivity. This culture and shared responsibility underlie the ringi system of decision making.
Comparative Management in Focus: Decision-making in Japan

EXHIBIT 5-10 Decision-Making Procedure in Japanese Companies

1. Proposal
   Initiator works to gain informal consensus on proposal in section and department

2. Circulation
   Department heads, section chiefs, supervisors meet to discuss

3. Approval
   Levels of management (seals of approval)
   Formal proposal (ringi-sha) (problem and details of plan for solution)

4. Record
   President/top management (final approval)

Ringi Process (formal authorization procedure)

Nemawashi Process (informal consultation)
Discussion Questions

1. Discuss the stages in the negotiation process and how culturally based value systems influence these stages. Specifically, address the following:
   - Explain the role and relative importance of relationship building in different countries.
   - Discuss the various styles and tactics that can be involved in exchanging task-related information.
   - Describe differences in culturally based styles of persuasion.
   - Discuss the kinds of concession strategies a negotiator might anticipate in various countries.

2. Discuss the relative use of nonverbal behaviors, such as silent periods, interruptions, facial gazing, and touching, by people from various cultural backgrounds. How does this behavior affect the negotiation process in a cross-cultural context?

3. Describe what you would expect in negotiations with the Chinese and how you would handle various situations.

4. What are some of the differences in risk tolerance around the world? What is the role of risk propensity in the decision-making process?

5. Explain how objective versus subjective perspectives influences the decision-making process. What role do you think this variable has played in all the negotiations conducted and decisions made by Iraq and the United Nations?

6. Explain differences in culturally based value systems relative to the amount of control a person feels he or she has over future outcomes. How does this belief influence the decision-making process?

Experiential Exercises

Exercise 1: Multicultural Negotiations

Goal
To experience, identify, and appreciate the problems associated with negotiating with people of other cultures.

Instructions
1. Eight student volunteers will participate in the role play. Four represent a Japanese automobile manufacturer, and four represent a U.S. team that has come to sell microchips and other components to the Japanese company. The remainder of the class will observe the negotiations.

2. The eight volunteers will divide into the two groups and then separate into different rooms, if possible. At that point, they will be given instruction sheets. Neither team can have access to the other's instructions. After dividing the roles, the teams should meet for 10 to 15 minutes to develop their negotiation strategies based on their instructions.

3. While the teams are preparing, the room will be set up using a rectangular table with four seats on each side. The Japanese side will have three chairs at the table with one chair set up behind the three. The American side of the table will have four chairs side by side.

4. Following these preparations, the Japanese team will be brought in, so they may greet the Americans when they arrive. At this point, the Americans will be brought in and the role play begins. Time for the negotiations should be 20 to 30 minutes. The rest of the class will act as observers and will be expected to provide feedback during the discussion phase.

5. When the negotiations are completed, the student participants from both sides and the observers will complete their feedback questionnaires. Class discussion of the feedback questions will follow.

Feedback Questions for the Japanese Team
1. What was your biggest frustration during the negotiations?
2. What would you say the goal of the American team was?
3. What role (e.g., decider, influencer, etc.) did each member of the American team play?
   - Mr. Jones
   - Mr./Ms. Smith
   - Mr./Ms. Nelson
   - Mr./Ms. Frost
4. How would you rate the success of each of the American team members in identifying your team's needs and appealing to them?
   - Mr./Ms. Jones, Vice President and Team Leader
   - Mr./Ms. Smith, Manufacturing Engineer
   - Mr./Ms. Nelson, Marketing Analyst
   - Mr./Ms. Frost, Account Executive
5. What strategy should the American team have taken?
Feedback Questions for the American Team

1. What was your biggest frustration during the negotiations?
2. What would you say the goal of the Japanese team was?
3. How would you rate the success of each of the American team members?
   - Mr. Jones, Vice President and Team Leader
   - Mr./Ms. Smith, Manufacturing Engineer
   - Mr./Ms. Nelson, Marketing Analyst
   - Mr./Ms. Frost, Account Executive
4. What would you say the goal of the American team was?
5. What role (e.g., decider, influencer, etc.) did each member of the Japanese team play?
   - Mr. Ozaka
   - Mr. Nishimuro
   - Mr. Sheno
   - Mr. Kawazaka
6. What strategy should the American team have taken?

Feedback Questions for the Observers

1. What was your biggest frustration during the negotiations?
2. What would you say the goal of the Japanese team was?
3. How would you rate the success of each of the American team members?
   - Mr./Ms. Jones, Vice President and Team Leader
   - Mr./Ms. Smith, Manufacturing Engineer
   - Mr./Ms. Nelson, Marketing Analyst
   - Mr./Ms. Frost, Account Executive
4. What would you say the goal of the American team was?
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   - Mr. Kawazaka
6. What strategy should the American team have taken?

Exercise 2: Japanese Decision Making

Time: Two class meetings

Goal

To allow students to experience the process and results of solving a problem or initiating a project using the Japanese decision processes of nemawashi and ringi.

Preparation

Review Chapter 4 and Chapter 5. In Chapter 5, study Comparative Management in Focus: Decision Making in Japanese Companies.

Note: Instructions for this exercise will be given by your Professor, from the Instructor's Manual.


Internet Resources

Visit the Deresky Companion Website at www.prenhall.com/deresky for this chapter's Internet resources.