

# 1

## Negotiation and Culture

### A Framework

At the height of foreign investment in Russia, BP PLC spent \$484 million to buy 10 percent of Sidanko, one of the five largest Russian oil companies. Eighteen months later, BP was enmeshed in a bankruptcy proceeding and takeover fight that resulted in the loss of BP's investment. What went wrong with this deal? In the race to have a foothold in an emerging market, BP apparently overlooked negotiating fundamentals and cultural issues. A young pro-Western banker with excellent political connections ran Sidanko. He had taken the company private for \$470 million, only slightly less than what BP paid for 10 percent ownership, 20 percent voting rights, and a few senior management positions. BP clearly wanted access to Sidanko's oil fields but unfortunately did not negotiate enough leverage to take over the direction of the company and make it profitable. According to one commentator who follows foreign investment in Russia, the BP executives' instructions were not carried out either because Russian management culturally would not do so or because Russian management was getting orders from somewhere else.<sup>1</sup> BP ended up facing off with a recalcitrant creditor who owned part of Sidanko's \$450 million in outstanding debt and wanted the oil fields itself.

Culture is often the culprit when deals that cross national borders, like the one between BP and Sidanko, lead to disputes and

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unanticipated costs. This chapter lays the groundwork for understanding how culture affects negotiation. It begins by describing negotiation fundamentals, those elements of negotiation that are the same across cultures. It then describes culture and explains how culture affects negotiations.

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### **Negotiation Fundamentals**

When you ask people all over the world what comes to mind when you say *negotiation*, most describe some sort of a market in which two people exchange a series of offers. Implicit in their answer is the assumption that a deal is in the making, that the two are speaking directly (though the medium may be electronic), and that they are bargaining to divide a fixed pie of resources. Yet negotiations are not limited to direct deal making over fixed resources. In all cultures, people negotiate to resolve disputes and to make decisions in teams. When negotiators reach agreement, resources are always distributed, but the amount of resources available for distribution is not necessarily fixed. Fundamental to negotiation are the circumstances in which people negotiate and the types of agreements they reach.

### **Types of Negotiations**

All types of negotiations occur because people perceive that their goals are incompatible. When people see themselves as interdependent (or potentially so) but in *conflict*, they naturally negotiate to try to deal with the conflict. Negotiators from BP trying to buy Sidanko wanted to pay as little as possible. Negotiators from Sidanko trying to raise capital by selling a stake to a foreign oil company wanted to gain as much as possible. Their *deal-making negotiations* sought terms that were better than either party could negotiate elsewhere despite their conflicting goals. Conflict is frequently the subtext when groups or teams are trying to make decisions. BP placed managers in top executive positions at Sidanko, but these managers did not have sufficient leverage to influence *decision-making negotiations* at the top. When BP

realized that its goals were not being met, it made a series of *claims* for more management control. When its claims were rejected, *dispute resolution negotiations* ensued. Deal-making, decision-making, and dispute resolution negotiations occur in all cultures. However, because culture affects how negotiators reach deals, resolve disputes, and make decisions, it also affects their agreements.

### **Distributive and Integrative Agreements**

Negotiation is about claiming *value*: how much of a set of resources you are going to get and how much the other party gets. Successful *value-claiming negotiation* leads to a *distributive* outcome that divides a fixed set of resources such that your interests or the needs underlying your positions are met. But negotiation can also be about creating value: how you and the other party can increase the resources available to divide. Successful *value-creating negotiation* leads to an agreement that is both integrative and distributive, one that divides an enhanced set of resources.

The concept of *integrative agreements*, much less how to reach them, is not intuitive. To create value takes transforming what appears to be a fixed set of resources into a set of resources that are differentially valued by the negotiators and then distributing resources to the negotiators who value them the most.

There may be opportunities to create value in even the simplest of negotiations. While living in a small village in France, my husband and I offered to organize a traditional Halloween party for the thirty children in the local grade school. Our children had told their French friends about making jack-o'-lanterns (pumpkins are hollowed out, a face is carved, and a lighted candle is placed inside). My job was to purchase enough pumpkins for thirty children to carve. I had difficulty locating any pumpkins but finally found a roadside stand outside a small house with some for sale. I counted; there were exactly thirty. I knocked on the door, and a woman came out. I told her I wanted to buy the pumpkins and asked the price. She named a reasonable figure, and I said, "Fine, I'll take all

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of them.” “Oh, no,” she replied, “I cannot sell you all of them.” I immediately had visions of making jack-o’-lanterns with pumpkin halves, holding a lottery to determine which children got to carve and which got to take home a jack-o’-lantern, carving melons instead . . . But then I thought, wait a minute, you’re supposed to know something about negotiation. So I asked, “Why won’t you sell me all the pumpkins?” She answered, “If I sell all of them to you, I won’t have any seeds to plant next year.” I asked her if having the seeds by November 1 would allow sufficient time for planting. She said it would and sold me all the pumpkins on the condition that I return the seeds on November 1, which I did.

Madame Petit and I negotiated an integrative agreement. We created value by my asking and her answering truthfully a series of questions that led us to separate the pumpkins and the seeds. There are two sources of integrative potential in negotiations: differences in negotiators’ *preferences* and compatibility of preferences. Madame Petit had a stronger preference for the seeds and I for the rind of the pumpkins. Madame Petit did not need the seeds immediately and I did not want to give them to her right away. Our interests on the timing issue were compatible. Our integrative negotiation took advantage of our different uses for the pumpkins and our compatible time frame.

Had I accepted Madame Petit’s refusal to sell me all the pumpkins, our agreement would have been distributive. I would have bought as many pumpkins as she would sell, and she would have kept as many as she needed for seeds. Neither of our interests would have been as fully satisfied as they were with the integrative agreement. With the integrative agreement, Madame Petit gained more money by selling me all the pumpkins, and she gained all the seeds. I gained all the pumpkins I needed so that every child could make a jack-o’-lantern.

Had I stood on principle, refusing to buy any pumpkins if I could not buy all of them, we would have reached an *impasse*. I thought my best alternative, if I could not buy pumpkins, was to have the children carve melons, a messier prospect at best. Madame

Petit's alternative was to interrupt her housework repeatedly to get rid of her stock of pumpkins.

Note that our integrative agreement over the pumpkins was also distributive. Madame Petit got all of the seeds *and* her full asking price; I got all of the pumpkins. In fact, all integrative agreements also distribute value.

This is one important reason to integrate: negotiators who integrate have more value available to distribute and are therefore more likely to claim what they want. A second important reason to integrate is that negotiators who integrate are sometimes able to structure an agreement when otherwise there would be none. Impasses normally occur when a seller asks more than a buyer can pay. However, if the seller learns why the buyer cannot pay the asking price or the buyer learns why the asking price is so high, the negotiators may be able to structure the deal—for example, with creative financing or with nonfinancial compensation that corresponds to both parties' interests.

The term *integrative* is frequently used with a great deal of imprecision to mean an agreement that is mutually satisfactory. Mutual satisfaction, however, is an evaluation of an agreement, not a type of agreement. Negotiators who have failed to look for or find an integrative agreement may be quite satisfied with a distributive agreement. For example, if I were only able to buy twenty-six pumpkins and evaluated that outcome against the alternative of carving melons, I might have been satisfied. Madame Petit, who had no intention of selling all her pumpkins anyway, would also have been satisfied. Distribution and integration have to do with the *amount* of resources, not with the evaluation of them.

When I tell the pumpkin story in class, someone invariably suggests that I did not get such a great deal because I did not negotiate a discount for buying all the pumpkins. It is possible that had I pushed for a better price, I might have gotten one. Yet I did not for several reasons. First, I knew that haggling over price is not common in the open-air food markets in that part of France. Second, I was concerned that if I did haggle, Madame Petit might refuse to

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sell me any pumpkins, and my melon alternative was not particularly attractive. Third, I thought it possible that the school might want to continue the Halloween tradition and I might have future interactions with Madame Petit. My poor alternative and my concern for the relationship affected my distributive outcome. In the negotiation literature, especially the cross-cultural literature, the relationship is sometimes represented as an outcome. Yet as the example illustrates, relationship is an issue in negotiation and can be one element of a distributive or an integrative agreement.

### **Negotiation Fundamentals Affected by Culture: Interests, Priorities, and Strategies**

All negotiators have interests and priorities, and all negotiators have strategies. *Interests* are the needs or reasons underlying the negotiator's positions. *Priorities* reflect the relative importance of various interests or positions. My interest in the negotiation with Madame Petit was having a pumpkin for each child. As we negotiated, we realized that we had different priorities: hers was for seeds and mine for the rind. A negotiation *strategy* is an integrated set of behaviors chosen because they are thought to be the means of accomplishing the goal of negotiating. My strategy negotiating with Madame Petit included confronting her directly and asking for information. I could have sent a third party, but I did not. I also refrained from using *influence* because my alternative was so poor.

Negotiators' interests, priorities, and use of strategies are affected by culture. So it is useful to have an understanding of culture before considering how and why culture affects interests, priorities, and strategies.

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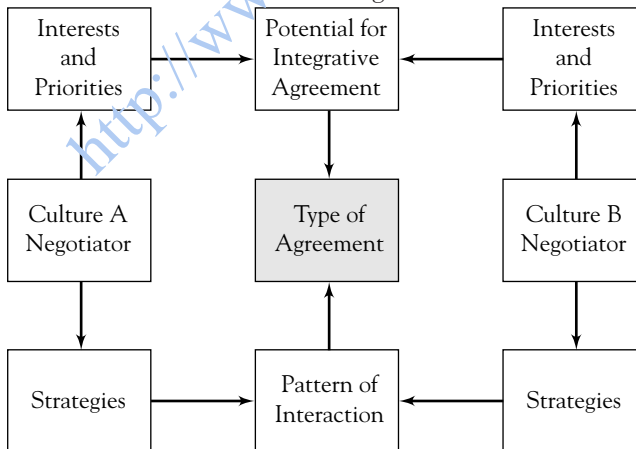
### **Culture and Negotiation**

*Culture* is the unique character of a social group, and in this book the focus is on national culture.<sup>2</sup> Cultures consist of psychological elements, the values and norms shared by members of a group, as

well as social structural elements: the economic, social, political, and religious institutions that are the context for social interaction.<sup>3</sup> Cultural *values* direct attention to what issues are more and less important and influence negotiators' interests and priorities. Cultural *norms* define what behaviors are appropriate and inappropriate in negotiation and influence negotiators' strategies. Cultural *institutions* preserve and promote values and norms. Cultural values, norms, and *ideologies* serve as shared standards for interpreting situations (this is a negotiation, therefore I ought to . . .) and the behavior of others (she threatened me, therefore I should . . .).<sup>4</sup>

When two parties negotiate, both bring culture to the table with their interests and priorities and their negotiation strategies. Exhibit 1.1 illustrates how culture affects negotiation. It shows culture affecting the interests and priorities that underlie negotiators' positions on the issues. That is, culture may affect why the negotiators have taken the position they have or why one issue is of higher priority than another is. The fit between negotiators' priorities and interests is what generates the potential for an integrative agreement.

**EXHIBIT 1.1.** How Culture Affects Negotiation.



Source: J. M. Brett, "Culture and Negotiation," *International Journal of Psychology*, 2000, 35, 102. Reprinted with the kind permission of the International Union of Psychological Science (IUPSYS).

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Culture may also affect the strategies that the negotiators bring to the table—for example, the way they go about negotiating, whether they confront directly or indirectly, their motivations, and the way they use information and influence. Exhibit 1.1 shows that negotiators' strategies cause patterns of interaction in negotiation. Those interaction patterns can be functional and facilitate integrative agreements, or they may be dysfunctional and lead to suboptimal agreements in which integrative potential is left on the table.

### Effects of Culture on Interests and Priorities

Cultural values may reveal the interests underlying negotiators' positions. Negotiators from cultures that value tradition over change, for example, may be less enthusiastic about economic development that threatens valued ways of life than negotiators from cultures that value change and development. This was the situation in which Disney found itself after purchasing a large tract of land south of Paris to construct EuroDisney. Although EuroDisney promised jobs and economic development to an area that had high unemployment and few nonfarm jobs for youth, the local populace valued its traditional agricultural lifestyle. EuroDisney management, with its American values for economic development, had difficulty reconciling the local population's preferences for tradition over development.

The example also points out that the same values that generate cultural differences in preferences may also act as cultural blinders. Negotiators from one culture, expecting preferences to be compatible, cannot understand the rationality of negotiators from another culture whose views on the same issue are at odds with their own.<sup>5</sup> It is generally unwise in negotiation to label the other party as irrational. Such labeling encourages persuasion to get the other party to adopt your view of the situation and distributive outcomes, rather than the search for differences and the *trade-offs* that are the foundation of integrative agreements. There is opportunity for integration in differences. Instead of trying to persuade local French farmers that they should want to give up their traditional way of

life, Disney had the opportunity to seek ways to preserve the traditions in the agrarian community in return for the community's support of the new park.

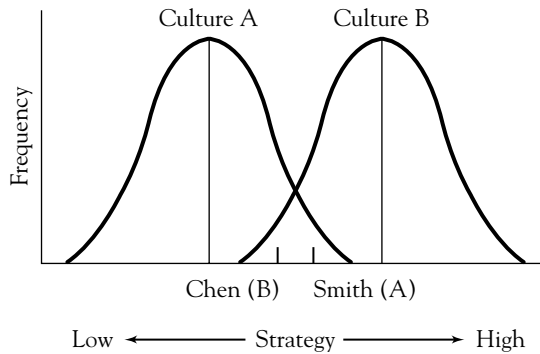
### **How Culture Affects Negotiation Strategies**

When people negotiate, their behaviors are strategic and their strategies may be culturally based. This means that negotiators in one culture are more likely to enact a strategy with one set of behaviors and negotiators from another culture are more likely to enact that same strategy with another set of behaviors. Not only are there differences in strategic behavior between cultures, but there are also differences within cultures and overlap between cultures, with the result that some members of a culture may negotiate less like their own cultural *prototype* and more like the prototype of another culture.

Exhibit 1.2 shows the distribution of a negotiation strategy in two different cultures. The horizontal axis shows the level of strategic behaviors, ranging from low to high. The vertical axis shows frequency in terms of proportions of cultural members who exhibit different strategic behaviors. The normal curves drawn for cultures A and B indicate that the two cultures' prototypes are quite different but there is variability within each culture. Some members' behaviors are more and some less similar to the cultural prototype. There is also some overlap between the two cultures such that Smith from culture A behaves more like the prototype for culture B than the prototype for his own culture and vice versa for Chen from culture B.

Negotiation strategies are linked with culture because cultures evolve norms to facilitate social interaction. Norms are functional because they reduce the number of choices a person has to make about how to behave and because they provide expectations about how others in the culture will behave. Functional norms become institutionalized, meaning that most people use them and new members of the culture learn them because they make social interaction

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**EXHIBIT 1.2.** Cultural Prototypes, Variability, and Overlap.

efficient. Our research indicates that there is a range of behaviors available for negotiators to use when enacting confrontation, information, influence, and motivation strategies and that culture has an impact on what behaviors negotiators use. Exhibit 1.3 summarizes these strategies and the alternative behaviors that negotiators can use to enact them.

**Confrontation.** Negotiations are not always direct verbal interactions between principals. Sometimes the verbal message is indirect. A U.S. company had a contract from a German buyer to sell bicycles produced in China. When the first shipment was ready, there was a problem. The bikes rattled. The U.S. buyer did not want to accept the shipment, knowing that with the rattle, they would not be acceptable to the German customer, whose high-end market niche was dominated by bikes that were whisper-quiet. What to do? In the U.S. culture, the normal approach would be to tell the manufacturer that the rattling bikes were unacceptable and that the problem had to be fixed. In China, such a direct *confrontation* would be extremely rude and cause much loss of *face*. Knowing this, the U.S. manager went to the Chinese plant, inspected the bicycles, rode a few, and asked about the rattle. “Is this rattle normal? Do all

**EXHIBIT 1.3.** Negotiation Strategies and Behaviors.

Strategy	Behaviors
Confrontation	Direct $\longleftrightarrow$ Indirect
Motivation	<p>Self-Interests <math>\longleftrightarrow</math> Other Interests <math>\longleftrightarrow</math> Collective Interests</p>
Influence	BATNA <sup>a</sup> $\longleftrightarrow$ Status
Information	Direct $\longleftrightarrow$ Indirect

<sup>a</sup>Best alternative to a negotiated agreement.

the bikes rattle? Do you think the German buyer will think there is something wrong with the bike if it rattles?" Then he left. The next shipment of bikes had no rattles.

Sometimes nonverbal behavior sends the message. An Asian woman, a new member of a multicultural team I was observing, was participating in discussion at a low level until an issue arose that involved her part of the organization and on which she had clearly been briefed. She spoke clearly and forcefully about the problems the team's plans would cause in her area. The rest of the team listened politely, asked no questions, and went ahead with the plan. Her response was to withdraw and stop participating altogether. Unfortunately, the rest of the team was not attuned to her nonverbal behavior.

At other times, instead of direct confrontation, a third party gets involved. When a U.S. manager in a U.S.-Chinese joint venture did not receive the information he was expecting in a report, he asked the Chinese woman responsible for the report for a meeting to discuss his needs. She politely put him off. A day later, he was called into her manager's office and told that there was no problem with the report, the report had the information it always had, and the report could not be changed.

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People from different cultures vary in their preferences for direct verbal confrontation in negotiation. Some who are comfortable negotiating deals face to face are not comfortable engaging in face-to-face confrontation over a dispute or in a team meeting. Global negotiators need to understand how to confront directly and indirectly, a topic that is treated in depth in Chapter Three.

**Motivation.** *Motivation* is all about negotiators' interests. Negotiators may be concerned about *self-interests*, about the interests of the other party at the table, or about *collective interests* that extend beyond the immediate negotiation table. My negotiation with Madame Petit was motivated by self-interests and *other interests*—mine with the pumpkins, hers with the seeds. Collective interests did not really enter into the negotiation. The children might have been just as happy carving melons! However, in some negotiations, collective interests are very important. For example, when the French automaker Renault bought a large stake in Nissan in 1999, business commentators predicted that the measures required to make Nissan profitable—plant closings, layoffs, winnowing of suppliers—would be extremely difficult to accomplish. Japanese companies traditionally feel responsible for their employees and to the communities in which their plants are located. Laying off employees, closing plants, and generating competition among suppliers is not a normative business practice in Japan, where collective interests dominate.

The relative importance of negotiators' self-interests, other interests, and collective interests vary by culture. Negotiators from some cultures are much more concerned with self-interests; negotiators from other cultures pay as much attention to the interests of others as to their own; and negotiators from still other cultures take the interests of the collective into account when setting priorities and deciding whether to accept a proposal or continue negotiating. Global negotiators need to be sensitive to cultural differences in negotiators' goals and motivation and in negotiators' interests. Culture and goals are discussed in Chapter Two, culture and negotiators' interests in Chapter Three.

**Influence.** *Power* is the ability to influence the other party to accede to your wishes.<sup>6</sup> There are many different bases of power in social interaction,<sup>7</sup> but two, BATNAs and fairness standards, seem to be particularly important for negotiation and to be relied on differently in different cultures.

BATNA stands for the *best alternative to a negotiated agreement*.<sup>8</sup> The worse a negotiator's BATNA, the more dependent the negotiator is on reaching an agreement and the less powerful in terms of extracting concessions. My BATNA in negotiating with Madame Petit was buying melons—not very good. I could hardly have influenced her to sell me all her pumpkins by threatening to go elsewhere and buy melons!

*Fairness standards* are decision rules, wrapped in a veneer of justice. The rule might be precedent, it might be contract or law, or it might be social status (for example, age or experience) or social ideology (for example, equity, equality, or need). I could have proposed need as a fair standard to try to convince Madame Petit to sell me all her pumpkins. However, she had needs too, and this illustrates the problem with fair standards as influence strategies: there are almost always competing standards, even within a culture.

Across cultures, differences in ideology are likely to make it difficult to agree on a fairness standard. For example, ideology is at the heart of the long standing “banana wars” between the United States and the European Union (EU). The fair standard that applies is the open markets standard that both parties have agreed to as members of the World Trade Organization (WTO). Yet France, an EU and WTO member, effectively blocked the importation of bananas from U.S. companies by imposing tariffs, making U.S. bananas more expensive than bananas from former French colonies whose economies in the near term depend on bananas. French ideology has a social welfare slant that extends to its former colonies. U.S. ideology is more capitalistic.<sup>9</sup>

The relative importance of BATNAs versus fairness standards, especially standards based on social status, as a basis of power in negotiations varies by culture and is explained in Chapter Two. The

relative frequency of use of influence tactics also varies by culture. Chapter Two discusses culture and the use of influence tactics in deal making. Chapter Three focuses on culture and influence tactics in dispute resolution negotiations.

**Information.** *Information* is the currency of negotiation. Information about BATNAs, status, and other fair standards affects distributive agreements. Information about interests and priorities affects integrative agreements. When negotiators do not understand the information conveyed by the other party, integrative potential is almost always left on the table, and sometimes negotiations end in impasse.

Consider the inauspicious opening in the following negotiation. A U.S. negotiator on his first trip to Japan was confused by the formal opening meeting, which his Japanese hosts filled with a recitation of the history of their company, a story about the founder, and a litany about their product. After the meeting, the U.S. negotiator turned to his local representative and said, "What was that all about? Do they think I would arrive so unprepared as not to know about their company and their product? I want to buy their product. Why are they treating me as though I've never heard of it or their company? All the information they conveyed this afternoon is readily available in the marketplace, and I already know it." The local representative explained that the Japanese negotiators were attempting to convey information, albeit indirectly, about the status of their company and the product. The U.S. negotiator, fully aware of the Japanese company's status, was eager to get down to direct negotiations.

Culture affects whether information is conveyed directly, with meaning on the surface of the communication, or indirectly, with meaning conveyed within the context of the message. Culture also affects whether information is conveyed at all. Chapter Two discusses direct and indirect influence and information strategies in the context of deal making.

## Why Culture Affects Negotiation Strategy

The behaviors that negotiators from a culture characteristically use to enact a negotiation strategy are related to other features of that culture, including its values, norms for social interaction other than negotiation, and ideologies. Three widely studied features of culture seem to be related to the variability in negotiation strategy across cultures: the cultural values of individualism versus collectivism and egalitarianism versus hierarchy, and the low- versus high-context norm for communication.

***Individualism Versus Collectivism.*** The most widely studied cultural value, *individualism* versus *collectivism*, distinguishes between cultures that place individuals' needs above collective needs and cultures that place the needs of the collective above the needs of individuals.<sup>10</sup> In individualist cultures, norms promote the autonomy of the individual. Social and economic institutions reward individual accomplishments. Legal institutions protect individual rights. In collectivist cultures, norms promote the interdependence of individuals by emphasizing social obligation. Social and economic institutions reward classes of people rather than individuals. Legal institutions support collective interests above individual rights.

The way a society treats people affects how they construe themselves and how they interact. People in all cultures distinguish between *in-groups*, of which they are members, and *out-groups*, of which they are not.<sup>11</sup> In individualist cultures, self-identity is likely to consist of attributes that are independent of in-group membership.<sup>12</sup> A negotiator from an individualist culture might say, "I am tall; I am intelligent; I have a sense of humor." In collectivist cultures, self-identity is likely to be interdependent with in-group membership. A negotiator from a collectivist culture might say, "I am a wife, mother, and daughter; I am a Kellogg faculty member."

Two researchers, Geert Hofstede and Shalom Schwartz, have measured social values in many cultures.<sup>13</sup> They used questionnaires

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and classified cultures by differences in average scores. Exhibit 1.4 summarizes Hofstede's classification of individualist and collectivist cultures, ranked in each category in decreasing order of individualism.

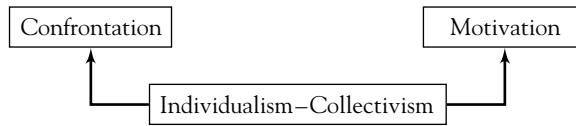
Members of individualist and collectivist cultures differ in many ways. Exhibit 1.5 suggests that both confrontational and motivational behaviors may stem from this cultural value.

Reluctance to confront directly in a negotiation may stem from the emphasis on cooperation in collectivist cultures.<sup>14</sup> Confronting—for example, telling the bicycle maker that the rattles indicated unacceptable quality—signals a lack of respect for an individual with whom you have a relationship.<sup>15</sup> An indirect approach is thought to be relationship-preserving.<sup>16</sup>

**EXHIBIT 1.4.** Individualist and Collectivist Cultures.

<i>Individualist Cultures</i>	<i>Intermediate Cultures</i>	<i>Collectivist Cultures</i>
United States	Austria	Brazil
Australia	Israel	Turkey
Great Britain	Spain	Greece
Canada	India	Philippines
Netherlands	Japan	Mexico
New Zealand	Argentina	Portugal
Italy	Iran	Hong Kong
Belgium		Chile
Denmark		Singapore
Sweden		Thailand
France		Taiwan
Ireland		Peru
Norway		Pakistan
Switzerland		Colombia
Germany		Venezuela
Finland		

Source: G. Hofstede, *Culture's Consequences: International Differences in Work-Related Values* (Thousand Oaks, Calif.: Sage, 1980), p. 158, copyright © 1980 by Sage. Reprinted by permission of Sage Publications, Inc.

**EXHIBIT 1.5.** Individualism–Collectivism and Negotiation Strategy.

Negotiators' motivational orientations may also stem from their culture's values for individualism versus collectivism. This cultural value reflects a society's goal orientation.<sup>17</sup> Individualist cultures emphasize self-interests. Collectivist cultures emphasize collective interests.

***Egalitarianism Versus Hierarchy.*** The second most widely studied cultural value distinguishes *hierarchical cultures*, which emphasize differentiated social status, from *egalitarian cultures*, which do not. In hierarchical cultures, social status implies social power. Social inferiors are expected to defer to social superiors, who in return for the power and privilege conferred on them by right of their status have an obligation to look out for the well-being of low-status people.<sup>18</sup>

Hofstede and Schwartz have also classified cultures on this dimension, which Hofstede calls "power distance." High-power-distance cultures are hierarchical ones where social status is differentiated into ranks. Exhibit 1.6 summarizes Schwartz's classification of egalitarian and hierarchical cultures, ranked in descending order of egalitarian and hierarchical commitment.

Members of egalitarian and hierarchical cultures may have rather distinct confrontational styles. They may also use influence differently. Exhibit 1.7 suggests that both confrontational and influence behaviors may be related to this cultural value.

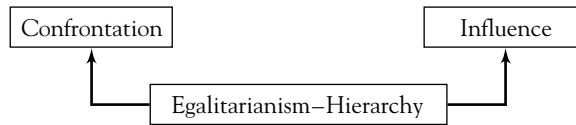
People in hierarchical cultures may be reluctant to confront directly in negotiation because confrontation implies a lack of respect for social status and may threaten social structures. The norm in such a culture is not to challenge higher-status members. When

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**EXHIBIT 1.6.** Egalitarian and Hierarchical Cultures.

<i>Egalitarian Cultures</i>	<i>Hierarchical Cultures</i>
Portugal	Thailand
Italy	China
Spain	Turkey
Denmark	Zimbabwe
France	Japan
Netherlands	Taiwan
Germany	Hong Kong
Greece	Singapore
Finland	Brazil
Switzerland	Poland
New Zealand	Malaysia
Turkey	Hungary
United States	United States
Mexico	New Zealand
Australia	Australia
Brazil	Mexico
Israel	Germany
Hong Kong	Netherlands
Poland	Switzerland
Singapore	France
Japan	Portugal
Taiwan	Spain
Malaysia	Finland
China	Greece
Zimbabwe	Denmark
Slovenia	Slovenia
Thailand	Italy

*Source:* S. Schwartz, "Beyond Individualism/Collectivism: New Cultural Dimensions of Values," in H. C. Triandis, U. Kim, and G. Yoon (eds.), *Individualism and Collectivism* (London: Sage, 1994), pp. 113–114, copyright © 1994 by Sage. Reprinted by permission of Sage Publications, Inc.

**EXHIBIT 1.7.** Egalitarianism–Hierarchy and Negotiation Strategy.

conflict does occur, it is more likely to be handled by a social superior than by direct confrontation.<sup>19</sup> When a higher-status third party gets involved in a dispute, that party's decision reinforces his authority without necessarily conferring differential status on the contestants, as a negotiation that one party lost and the other won would do. In an egalitarian culture, differentiated status due to success in direct negotiations is not likely to translate into permanent changes in social status because there are few avenues for setting precedents in egalitarian cultures.

Negotiators from hierarchical and egalitarian cultures may use influence rather differently if their views of power in negotiation reflect the way power is construed in their cultures. In egalitarian cultures, power is transitory and situational; in hierarchical cultures, power is long-term and general. The concept of BATNA fits well with the conceptualization of power in egalitarian cultures. BATNAs are situational and flexible. If a negotiator is unhappy with his BATNA, he may be able to improve it. Power as status fits well with the conceptualization of power in hierarchical cultures. Status-based power should endure over time and across situations.<sup>20</sup>

The reliance on a status-based interpretation of power can be seen in Japanese commercial relationships in the 1960s and the 1980s. Japan is a hierarchical culture. In the 1960s, when Japanese automobile companies were trying to break into the U.S. market, they sold their cars at a very low margin. Presumably, they viewed themselves as having lower status than the American carmakers, and that status dictated that they could not charge the same high prices for their cars as the higher-status Americans. When the Japanese economy was booming in the 1980s, Japan's self image of

its economic status improved, and Japanese companies paid top dollar, bidding and winning against American companies for commercial real estate and private companies.

These events can be interpreted, as indeed they were in the U.S. press, from an in-group versus out-group perspective. Japan is a collectivist culture. Negotiators from collectivist cultures are said to deal with in-group members cooperatively and out-group members competitively. Japanese commercial behavior in both the 1960s and the 1980s was motivated by competition. This explanation based on competitiveness due to collectivism may be correct, but it is simplistic. Selling at or below margin, as the Japanese automakers did in the 1960s, does not make a lot of competitive sense because it does not build market share when competitors drop their prices too. (Japanese market share for automobiles in the United States was ultimately built on quality, not on price.) Paying significant premiums when you are the powerful buyer in the market and presumably have many options for investment also does not make competitive sense. An explanation based on hierarchy and the status of the Japanese in the marketplace in the 1960s and the 1980s provides additional insight into the behavior of Japanese negotiators.

**Low-Context Versus High-Context Communications.** People in low-context cultures prefer to communicate directly. Meaning is on the surface of the message. Information is explicit, without nuance, and relatively context-free. People in high-context cultures prefer to communicate indirectly. Meaning is embedded in the context of the message and must be inferred to be understood.

Exhibit 1.8 identifies national cultures according to whether high- or low-context communication is normative.<sup>21</sup> In general, high-context cultures are those in which people have extensive information networks among family, friends, colleagues, and clients and are involved in close personal relationships.

Negotiators from low- and high-context cultures may have rather distinct confrontational styles. They may also use information differ-

ently. Exhibit 1.9 suggests that both confrontational and information-sharing behaviors may be influenced by this cultural value.

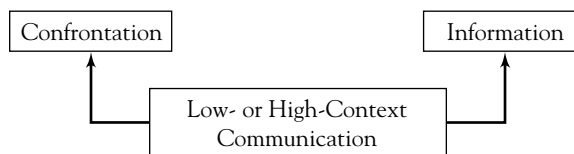
The Western manager in the rattling bicycles story was using high-context communication. He expected his Chinese counterpart to infer from his calling attention to the rattle that the bicycles needed to be repaired. He was neither confronting directly nor communicating directly. The Asian manager on the multicultural team was showing her displeasure at being ignored by in turn ignoring the team for the rest of the meeting. Her behavior was a form of indirect confrontation and communication. The Chinese manager in the joint venture confronted and communicated indirectly by having a third party, who just happened to be the boss, communicate the refusal.

#### EXHIBIT 1.8. Low- and High-Context Cultures.

<i>Low-Context Cultures</i>	<i>High-Context Cultures</i>
Germany	Arab cultures
Scandinavian cultures	France
Switzerland	Japan
United States	Mediterranean cultures
	Russia

Source: E. T. Hall and M. R. Hall, *Understanding Cultural Differences* (Yarmouth, Maine: Intercultural Press, 1990), pp. 7–8, 23.

#### EXHIBIT 1.9. Low- and High-Context Communication and Negotiation Strategy.



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## Culture and Negotiation Strategy: A Complex Link

It would be helpful if the relationships between negotiation strategies and other features of a culture were strong and straightforward. The research to date indicates quite clearly that this is not the case. The link between cultural values and cultural ideology and negotiation strategies is complex.

A look back at Exhibit 1.2 reveals two reasons why this link between features of a culture and negotiators' strategy is not straightforward: not all members of a culture behave like the cultural prototype, and cultural profiles overlap.

Another reason for the complex relationship between culture and negotiation strategy is that cultures are not composed of single features. Cultures have profiles of features. Single cultural features may be more or less important, depending on the profile in which they are embedded. Given the state of the research, we can make at most general statements about single cultural features and negotiation strategy.

Yet another reason why negotiation strategy is not perfectly related to other features of a culture is that cultural norms for negotiation may be cued more strongly in some situations than others.<sup>21</sup> For example, members of a multicultural team may act more in accordance with their national cultural norms when they report to local superiors. When they report to a senior manager at corporate headquarters, they may act more in accordance with corporate norms.

Finally, there is the influence of the strategies of the other negotiators at the table. Negotiators are quite likely to reciprocate each other's strategies.<sup>23</sup> When all negotiators are from the same culture, reciprocity reinforces culturally normative negotiation behaviors. When negotiators are from different cultures, reciprocity may help negotiators adjust their strategies to each other.<sup>24</sup>

Given all of these caveats, it is not unreasonable to wonder why we should study culture and negotiation strategy at all. The answer is that there are cultural differences in the behaviors negotiators use to enact a strategy. Anticipating these differences helps negotiators

make sense of them and adjust their own behaviors to reinforce or to block the other party's strategy. However, the global negotiator needs to be aware of several important points:

- Research is only beginning to profile the characteristic negotiation strategies of different cultures. There may be important strategic differences between cultures in addition to the motivational, influence, information, and confrontational strategies discussed here. Many cultures have not yet been thoroughly studied.
- Individual cultural members may not act like the cultural prototype, especially in particular situations. The cultural typologies based on individualism–collectivism, egalitarianism–hierarchy, and low- or high-context communication may not characterize the negotiators you are dealing with.
- A negotiator's strategy is not immutable; negotiators adjust their strategies to accommodate one another.

There is a risk in knowing too much about the other party's culture and assuming that he will act according to the cultural prototype. Excellent cross-cultural negotiators proceed slowly, testing their assumptions about what strategy will be effective with the other party. They are willing to adjust their use of negotiation strategy to achieve their goals but not compromise on their goals.

Being an excellent cross-cultural negotiator means understanding the nuances of negotiation strategy as it applies in different contexts. The following chapters develop those nuances.