

Chapter 5:

Cross-Cultural Negotiation and Decision Making

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Chapter Learning Goals

1. Learn how to prepare for cross-cultural business negotiations.
2. Recognize the need to build trusting relationships as a prerequisite for successful negotiations and long-term commitments.
3. Be aware of culturally-based behavioral differences, values, and agendas of the negotiating parties.
4. Learn the complexities.



Chapter Learning Goals

- 5. Appreciate the variables in the decision-making process and understand the influence of culture on decision making.**
- 6. Become familiar with the Japanese decision-making process and how it is influenced by their cultural norms.**



Opening Profile: BP's Troubled Joint Venture (JV) in Russia

- In August 2003, the British Petroleum (BP) formed a \$6.7 billion JV called TNK-BP.
- At the time of signing, the JV was hailed as a major project because it brought tangible FDI to Russia.
- However, between 2007 and 2009, BP was asked to negotiate and surrender its control and ownership of oil and gas fields in Russia.
- In 2006 and 2007 BP started to witness state interference in the TNK-BP project and TNK-BP ended up losing its control to a state-controlled gas company.



Opening Profile: BP's Troubled Joint Venture (JV) in Russia

- In early 2008, state interventions, investigations, and other allegations surfaced regarding labor and employment-related inquiries that pressured BP to hire more Russian staff.
- As of April 2009, TNK-BP continued to struggle with its board's appointments and selection of a CEO.
- The relationship-building and cooperation between BP and Russian partners is far from healthy.



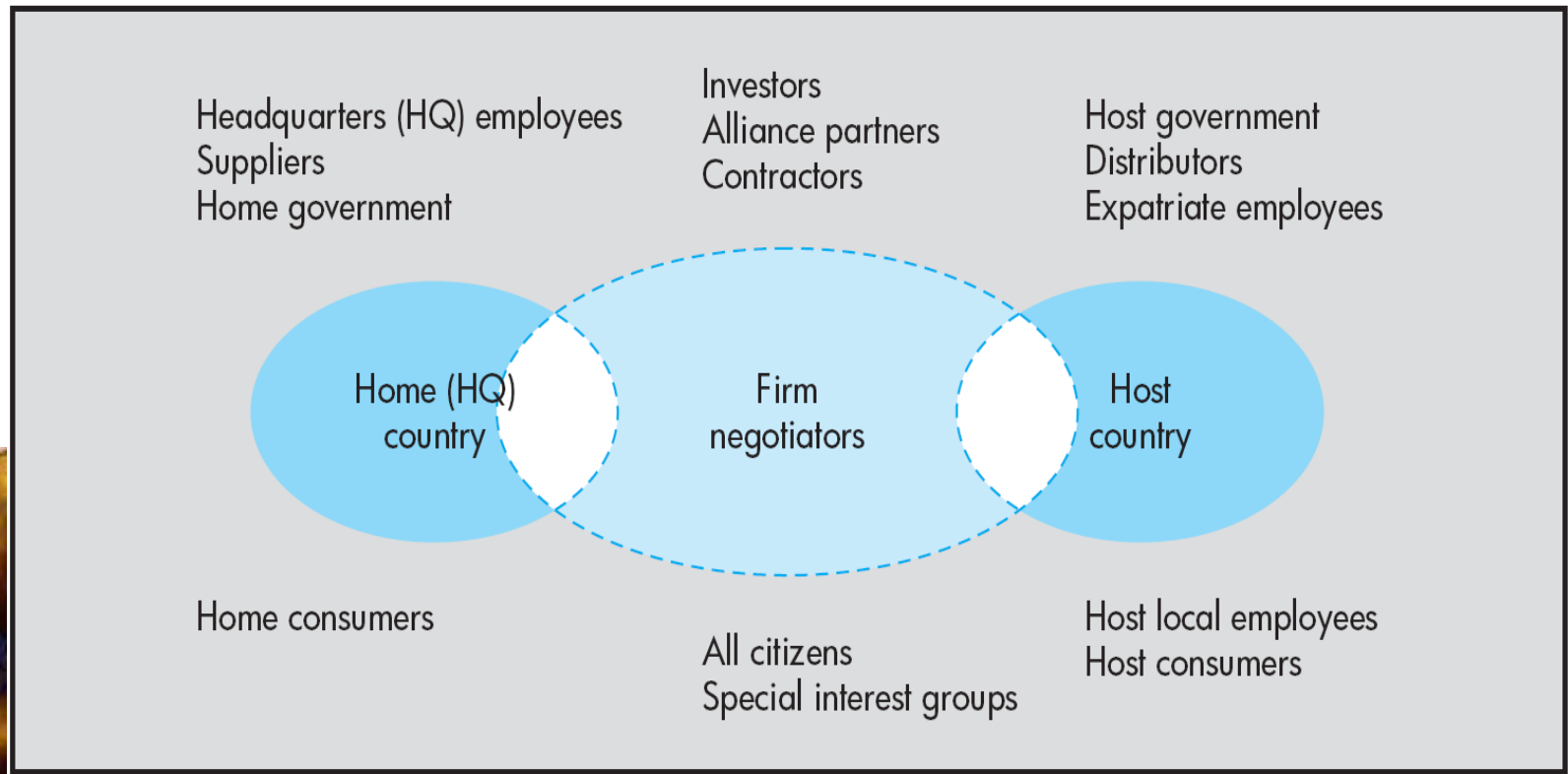
Negotiation

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



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 profile of counterparts.**
- **Find out likely demands, team composition, and counterpart authority.**
 - **Uzbekistan had to learn from scratch**
- **Choose a negotiation site.**
 - **British/French Chunnel negotiations**



Stage Two: Relationship Building

- Getting to know one's contacts and building mutual trust
- Non-task sounding (*nemawashi*)
- Use an intermediary.
- “I have come as a mediator...”



Stage Three: Exchanging Task-Related Information

- **Cultural differences remain an issue.**
 - *The French enjoy debate and conflict.*
 - *Mexicans can be suspicious and indirect.*
 - *The Chinese ask many questions, but provide ambiguous information in return.*
- **Show understanding of the other viewpoint.**



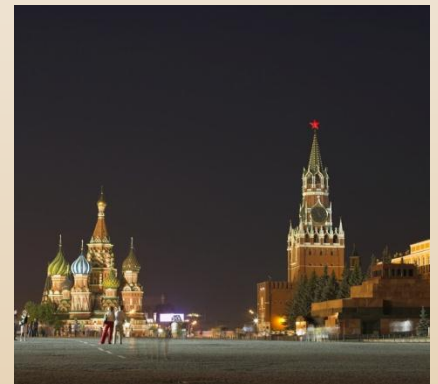
Stage Four: Persuasion

- **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



Management Focus: Cultural Misunderstanding—Joint Venture in China

- Sino-French joint venture was formed in March 1995 by Group Danone and Hangzhou Wahaha Group Co. and took the trade mark name of Wahaha.
- Between 1996 and 2006, a number of issues and disputes took place within the JV.
- Public rows erupted between the two companies when they kept on blaming each other for breach of contract.
- The Danone–WHH case became so much embroiled that Chinese and French governments asked the companies to negotiate an “amicable” resolution.



Management Focus: Joint Venture in China

A Few Lessons We Learn

- Cross-cultural misunderstandings and unfamiliarity with the JV partners were at the heart of the dispute.
- Both companies used media and PR companies instead of having open negotiations.
- Relationship building and exchange of information is critical in any JV.
- There was lack of open communication in day-to-day management of the JV.
- In JVs, relationship building takes time and a good amount of interaction between the partners.



Comparison of Negotiation Styles

Japanese	North American	Latin American
Hide emotions	Deal impersonally	Emotionally passionate
Subtle power plays	Litigation, not conciliation	Great power plays
Step-by-step approach	Methodological organization	Impulsive, spontaneous
Group good is the aim	Profit is the aim	Group/individual good is aim



Successful Negotiators: Americans

- ❑ Knows when to compromise, but stands firm at the beginning. Accept compromises only when there is a deadlock.
- ❑ Refuses to make concessions beforehand and keeps his/hers cards close to chest.
- ❑ Keeps a maximum of options open before negotiation, operate in good faith.
- ❑ States his/her position as clearly as possible, respects the “opponents”.
- ❑ Is fully briefed about the negotiated issues, has a good sense of timing and is consistent.



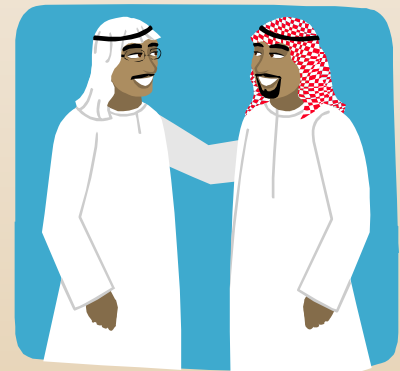
Successful Negotiators: Indians

- ☐ 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



Managing Negotiation

Avoid person-related conflicts.

Examples

Low-context Americans appear impatient, cold, and blunt to Mexicans.

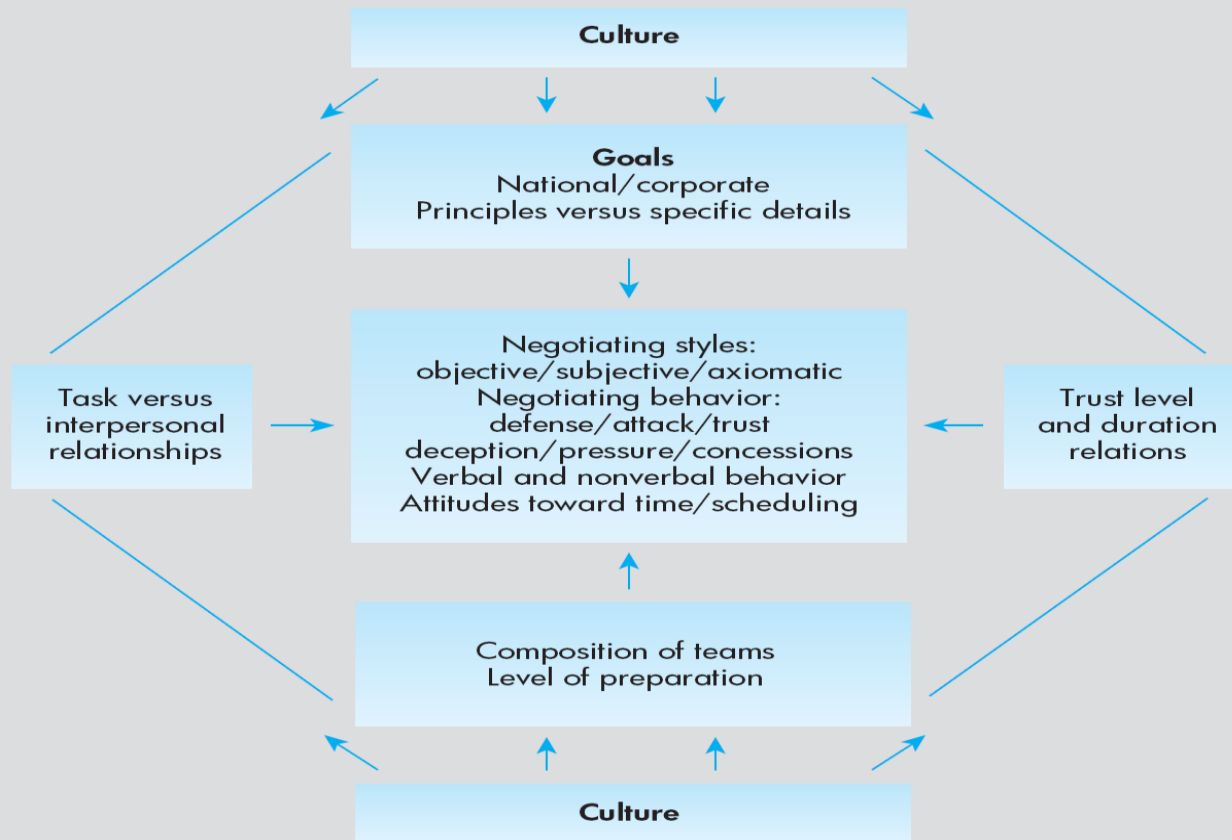


Americans must approach negotiations with Mexicans with patience; refrain from attacking ideas.



Cross-Cultural Negotiation Variables

EXHIBIT 5-5 Cross-cultural Negotiation Variables



Using the Internet to Support Negotiations

Negotiation Support System (NSS)

- Increase likelihood of agreement
- Decrease direct and indirect costs
- Maximize optimal outcomes

Web Application

- Provide support for phases and dimensions such as:
 - Multiple-issue, multiple-party business transactions of a buy-sell nature
 - International dispute resolution
 - Internal company negotiations and communications

E-Negotiations

Advantages

- **Speed**
- **Less travel**
- **Laying out much objective information over time**



Disadvantages

- **Not being able to build trust and interpersonal relationships**
- **Nonverbal nuances are lost**
 - Video conferencing may be a good compromise

Comparative Management in Focus: Negotiating with Chinese

EXHIBIT 5-6 Influence on Western-Chinese Business Negotiations



SOURCE: Xinping Shi, "Antecedent Factors of International Business Negotiations in the China Context," *Management International Review*, H/r no. 2 (April 2001): 182.

Comparative Management in Focus: Negotiating with Chinese

- **Two problems:**
 - *Chinese desire for details*
 - *Apparent insincerity*
- **Saving face:**
 - *Lien*
 - *Mien-tzu*
- **Importance of harmony**
 - *Guanxi*
 - *Guanxihu networks*
- **Two stages of Chinese negotiation**
 - *Technical*
 - *Commercial*



Comparative Management in Focus: Negotiating with Chinese

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



Managing the Conflict Resolution

Instrumental- Oriented Conflict

- To negotiate on the basis of factual information and logical analysis



Expressive- Oriented Conflict

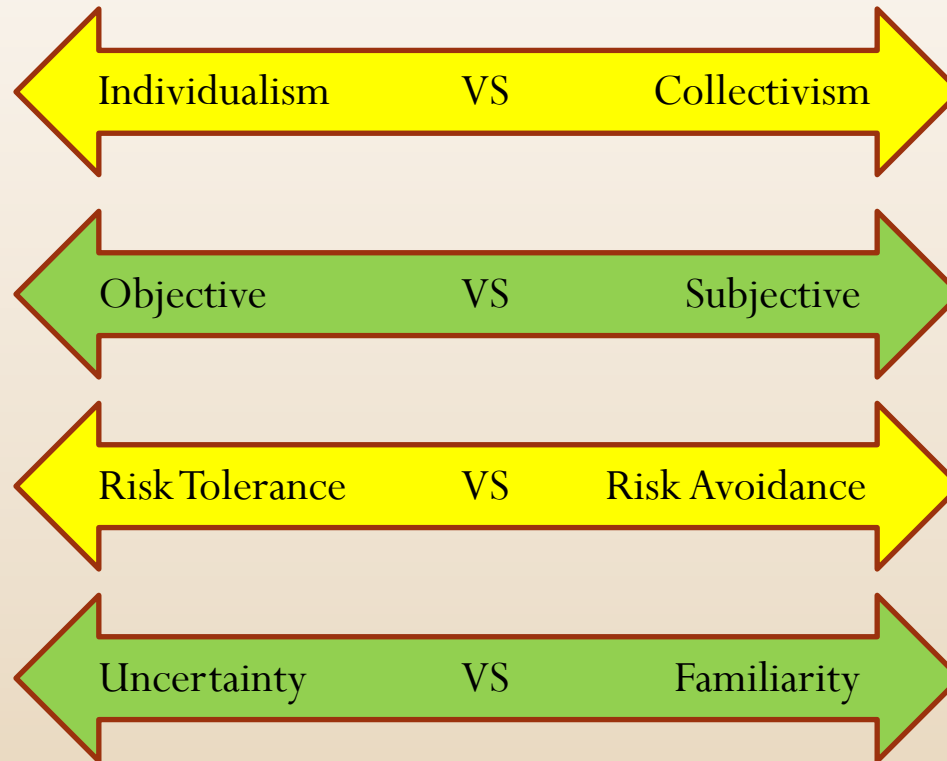
- To handle a situation indirectly and implicitly, without clear delineation of the situation by the person handling it

Low-Context, High-Context Sources of Conflict

	Low-Context	High-Context
Why	Analytic, linear logic	Synthetic, spiral logic
When	Individualistic-oriented violations	Group-oriented violations
What	Revelment, confrontational	Concealment, non-confrontational
How	Explicit, open, direct	Implicit, ambiguous, indirect



The Influence of Culture on Decision Making



Approaches to Decision Making

Utilitarianism VS Moral Idealism

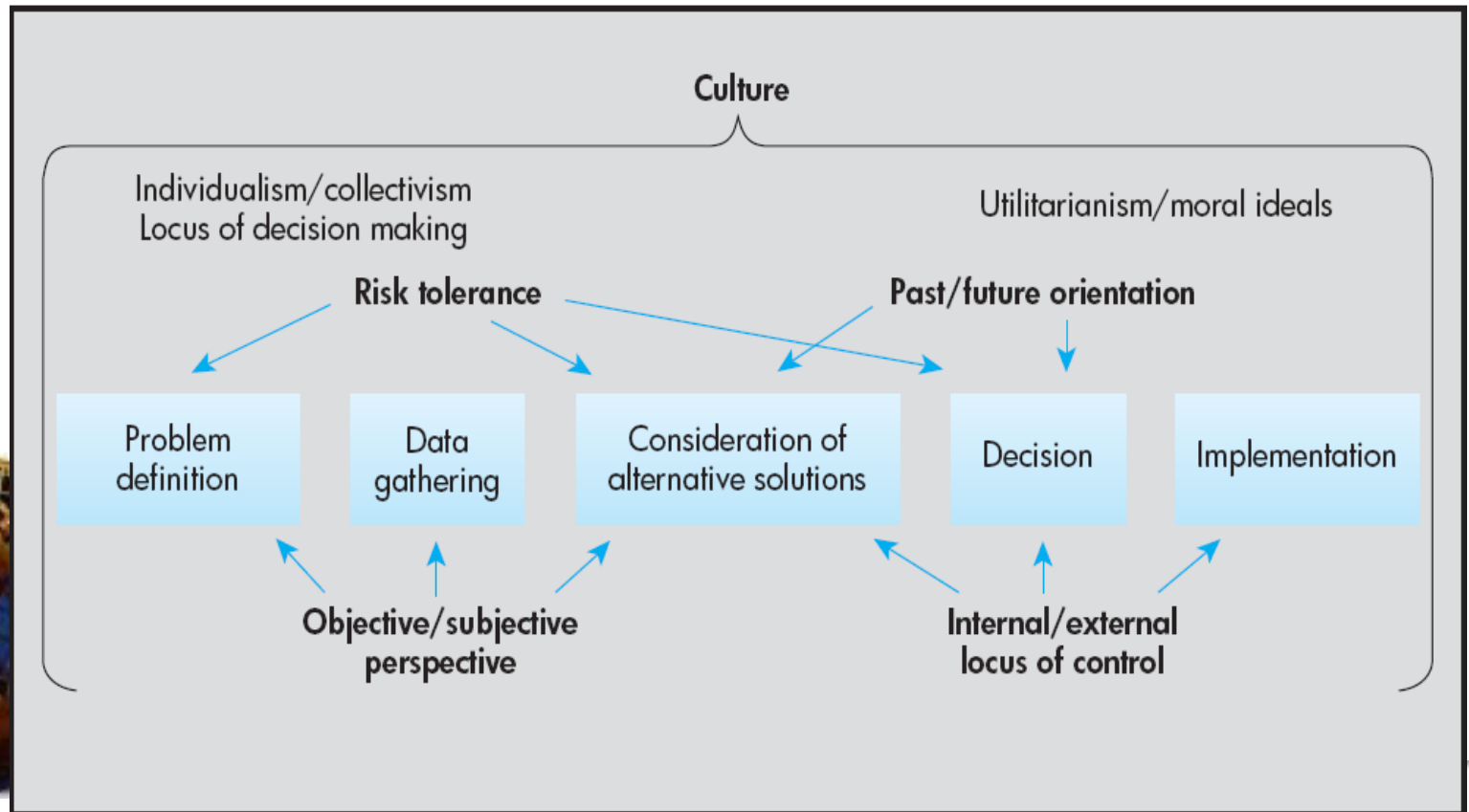
Autocratic VS Participative

Slow Pace VS Fast Pace

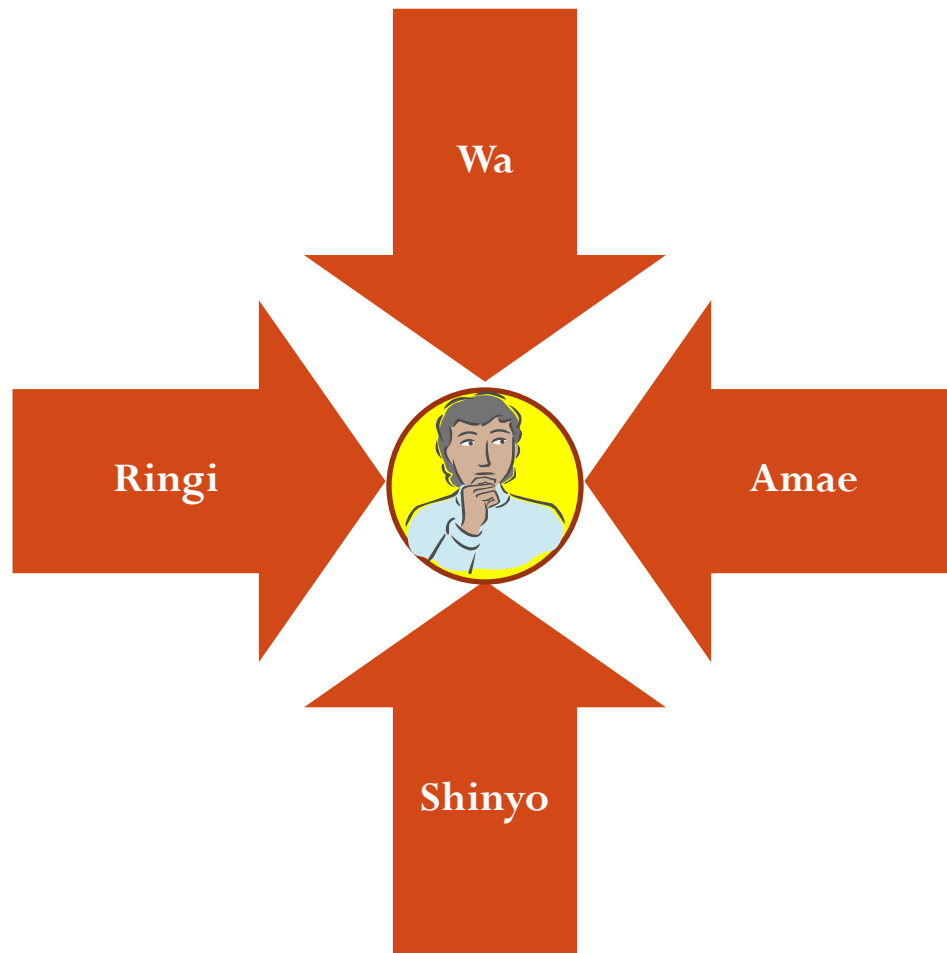


Cultural Variables in Decision-Making Process

EXHIBIT 5-8 Cultural Variables in the Decision-Making Process



Comparative Management in Focus: Decision Making in Japanese Companies



Comparative Management in Focus: Decision Making in Japanese Companies

EXHIBIT 5-9 Decision Making Procedure in Japanese Companies

