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# Intercultural Negotiation

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## 2.2 Intercultural Negotiation

### 2.2.1 Culture and Negotiation Strategies

When Chancellor of the Federal Republic of Germany, Gerhard Schröder, took office in 1998, he proclaimed in allusion to his predecessor, Helmut Kohl, that he did not intend to conduct international politics by languishing in the sauna with the Russian president. Three years later the same chancellor headed an extremely successful economic delegation that resulted in billion dollar business deals in the People's Republic of China. The success of this venture was largely attributed to the good personal rapport between Schröder and Premier Zhu Rongji, which is illustrated in the following negotiation opening:

“Once the delegations were seated across from each other, as was the custom, and Zhu had ended his welcoming speech, Schröder announced his greeting emphasizing that, even more than attending the economic delegation, he looked forward to his wife's arrival the next day. Here Schröder alluded to an extraordinary meeting between the couples in the Schröders' private residence in Hannover the year before, whereupon Zhu sidetracked from the official agenda and responded: ‘What a pity that your daughter is unable to attend this time’. Schröder responded: ‘As you know, we are very disciplined’. The Schröders' daughter was attending school at the time and could not miss classes” (Süddeutsche Zeitung, 11.2.2001).

This example out of the arena of international economic policy offers insight into the influence that cultural norms and values exert on a negotiation situation. Schröder's statement at the beginning of his term in office is typical in the German cultural sphere, where the attitude prevails that creating personal rapport with the negotiation partner has no place in a negotiation. This would tend to undermine the negotiator's flexibility in directing a rational, task-oriented negotiation process toward a successful outcome. In many other cultures, such as China, for instance, creating sustainable personal rapport with negotiation partners is a key factor in successful negotiating as well as reaching and implementing agreements.

A situation can be referred to as a negotiation if the following criteria are met (Rubin and Brown, 1975):

- At least two people are involved.
- There is a conflict of interest.
- The parties voluntarily enter a relationship over a certain period of time.
- This relationship deals with dividing or exchanging specific resources and/or resolving problematic issues between the parties or those whom they represent.
- The negotiation process usually comprises a presentation of demands or offers from one party followed by agreement or counteroffers. This process proceeds sequentially rather than simultaneously.

The influence of cultural factors on the negotiation process is often underestimated. An international negotiation culture has evolved as a result of the impact of globalization on many business sectors. Other factors, such as national, political and specific organizational interests or proportion of power, take priority over cultural aspects (e.g., Zartmann 1993). In fact, the negotiation process is determined by a multitude of outside influences, and there is such a thing as an international agreement regarding how international negotiations are to proceed. This argument, however, ignores the fact that every negotiation is also a social encounter during which people communicate with each other at all times. These individuals inevitably bring in their cultural biography, which they cannot simply shed but must more or less painstakingly adapt to a particular negotiation model that was created in a specific cultural environment. The prerequisite here is that they are familiar with the negotiation model to which they are called upon to adapt. If there is no standardized negotiation culture, the more likely it is that culture-specific norms, values and rules will begin to take hold, possibly causing misunderstanding or conflict, and eventually lead to a sub-optimal result or even outright failure.

Military personnel who were on a KFOR-mission in Croatia reported on an incident involving the rental of a warehouse from a local:

“... we weren't ready to commit to a price at such short notice, but wanted to stall for time. Well, the stalling then came from the other side in that he simply did not show up, missed appointments, cancelled price agreements the very next day or refused to remember what had been previously agreed upon. Right from the beginning, he either arrived late or did not show up at all. When he did finally show up, he let us know that he was strapped for time and would meet with us the next day. The following day was no different. We are not used to these kinds of negotiation practices and, as soldiers, have never experienced this before. I have never been in a situation where I have had to haggle and there it was simply the order of the day. We were made fools of” (Thomas et al. 1997, p. 123).

## 2.2.2 Elements of a Negotiation Situation

Preparing for a successful negotiation in the international context involves good planning and examining the structure of the negotiation in advance to determine possible cultural influences. The following basic components can be differentiated: negotiation context, actors, object of the negotiation, strategy, process and interpreter/mediator (Thomas et al 1997; Faure and Sjöstedt 1993).

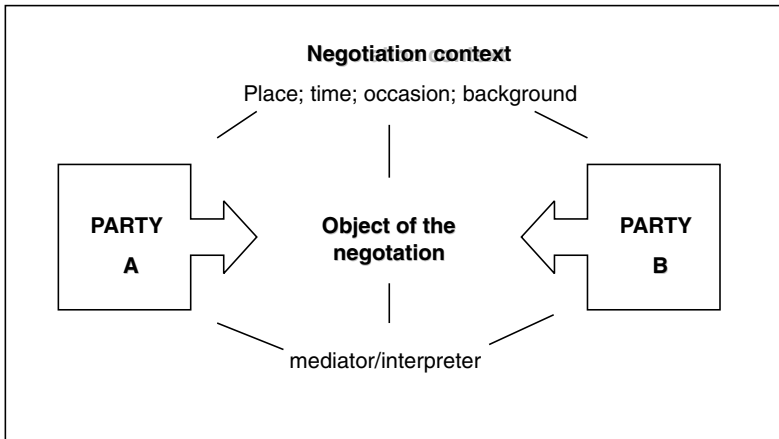


Figure 14

### The Negotiation Context

Negotiations take place in predetermined situational contexts that are determined by time, place and the persons involved in the negotiation as well as the negotiation partners, the social, political and economic interest groups or the media. In mono-cultural negotiations, one can be sure that all involved have more or less the same expectations regarding the context. In intercultural negotiations, the partners can certainly have different expectations of the negotiation situation. Hence, depending on where the negotiation takes place, the location may take on a culture-specific symbolism that defines a particular relationship between the negotiation partners. Timing also plays an important role, such as in the case of a negotiation taking place in the People's Republic of China around Christmas time. The German delegation will, no doubt, feel pressured to reach a quicker decision (Thomas and Schenk 2001). Another consideration is how long a negotiation is usually expected to last in a given culture, how many people are involved in the negotiating and what language is spoken.

## Actors

Each negotiation partner contributes his unique company-specific, social or national system of orientation that determines thinking, judgment, feeling and action. If one judges the behavior of other partners according to one's own system of orientation, then there is a good chance that this will result in misunderstanding or conflict and eventually cause negotiations to fail. In German/Chinese joint ventures, important decisions must be reviewed by many individuals within a complicated hierarchical structure, which often leads to elaborate and drawn-out discussions.

If the channels of decision-making are misinterpreted because the approach is unfamiliar and construed as a maneuver to “wear the Germans down”, then the ambience surrounding the negotiation is likely to turn negative, which in turn can cause behavioral reactions on the part of the Germans that are interpreted as rude or inflexible by the Chinese. Included in such behavior is demanding criteria or tight deadlines.

The lesson here is that in order to negotiate successfully, it is extremely important to examine one's own culturally conditioned negotiation style, in advance, for appropriateness and strategies or behavioral quirks that are likely to be problematic and influence the ambience negatively. This requires an in-depth understanding of the other-culture negotiation style. The more information there is about one's own and the other cultures' *modus operandi*, the more alternatives for action become available, allowing for more flexibility during negotiations. This information includes knowledge of culture-typical decision-making processes, strategies, (non-verbal) communication habits in presentations and discussions concerning offers and counteroffers and/or recording results from the encounter.

The way in which the negotiation delegation is represented is already subject to cultural influences such as whether or not women assume a significant role or whether competence, position in the hierarchy or party membership are the decisive criteria for a higher position within the negotiation team. Ignoring or not addressing these factors as well as the hierarchical structures appropriately in cultures where there is emphasis on very formal hierarchical levels, such as in Japan, may lead to a strained, if not embarrassing, situation.

## Interpreters/Mediators

The role of interpreters in negotiations is usually limited to translating the language rather than acting as envoys for other-culture systems of orientation (“Cultural Interpreter”, q.v. Ch. 1, 1.5). Interpreters, in particular,

could be of invaluable help in securing a successful negotiation outcome as the following story of a Japanese interpreter illustrates:

“I was in Kyoto with my German delegation where the topics of discussion were youth employment, environmental protection and more. The Germans were already arguing among themselves about the issues even while discussions were going on with the Japanese. So, actually this was an internal issue that had nothing to do with the Japanese. A short break followed during which the argumentation between the Germans escalated and became increasingly verbose. They called each other names in front of their Japanese hosts. The Japanese hate such loud disputes and feel embarrassed in such situations. They would prefer to disappear from the scene entirely. They pretended nothing had happened as the others became increasingly louder. I said, ‘That’s enough now . . . not one more word! You can do your fighting later but not in front of the Japanese . . .’ and they were, in fact, silent. I think it’s good that the Germans are so open and can express their opinions but the Japanese are not used to this. They may, after work and a few drinks, become more boisterous and even begin criticizing . . . but certainly not in public.”

Interpreters are aware of the culture-specific connotation of expressions and are able to clarify these for both parties when the linguistic translation no longer suffices. They can directly influence the negotiation parties’ behavior as in the case above, or modify formulations to avoid misunderstandings or infringement on norms of etiquette. To limit such highly qualified interpreters to routine translation work is a waste of a valuable resource. Selecting an interculturally competent and trustworthy interpreter during the preparation phase is extremely important.

## The Negotiation Process

The course of the negotiation can be simplified by dividing it into three phases, which can be interpreted and filled out differently according to the different cultural habits.

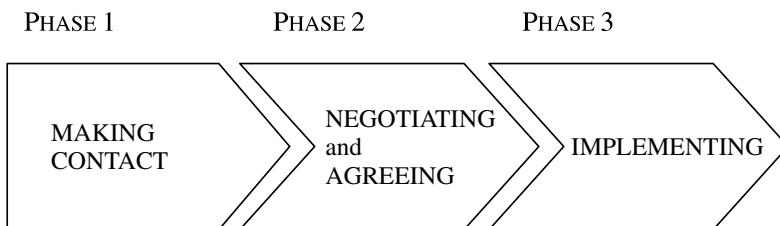


Figure 15: The Three Phases of Negotiating

### *Establishing Contact and Building Trust*

Initiating contact with the intent of opening negotiations is followed by a critical analysis of market conditions and the selection of potential negotiation partners. Already in this phase, different cultural perspectives influence the further course of events. Who might be a “suitable partner”? From a Western perspective, factual criteria, such as competence, cost-containment and quality, qualify an organization as an appropriate negotiation partner. In cultures that tend toward collectivism and whose members, groups or corporations are part of a grown network, such as in Asian countries, partners are often selected on the basis of previous mutual obligation that must now be fulfilled even if other offers are more attractive.

Once initial contact has been made, the priority for both parties is to begin building a mutual trust basis to provide the foundation for successful negotiating. If there is no mutual trust, deception and maneuvering is bound to take its place and the negotiation turns competitive. Furthermore, each culture has different trust-building and trust-maintaining behavior and symbols. In more person-oriented cultures (Thomas et al. 1998), such as in Arab countries or Latin America, it is important to bond with the negotiation partner as a person instead of merely the role he represents for his company. This is often expressed in, what seems to Germans as, long and very personal small talk that has nothing to do with the topic of the negotiation. The trust basis that is created here, however, plays a decisive role in the later successful negotiation outcome. Individuals from very task-oriented cultures, such as Germany, find initial contact rituals and establishing a mutual liking quite difficult. There is not much leeway for interpersonal etiquette in dealing appropriately, elegantly and humorously with such situations. Here, trust tends to arise from the shared understanding of the issue involved and a clear indication of interest and processes.

### *Negotiating and Agreeing*

A negotiation consists of many negotiation sequences comprising suggesting, agreeing/disagreeing/discussion and a summary of agreed-upon points. In this communication process, the cultural aspects of presenting an offer, discussing in favor of own interests, negotiating and non-verbal communication are a priority.

This aspect affects the negotiation span between maximal and minimal demands within which an agreement must be reached and offers and counteroffers are exchanged. German negotiation partners are often perceived as inflexible because the negotiation span is kept quite narrow and the pain threshold is reached after only a few negotiation sequences. Arab countries, on the other hand, tend to go through considerably more nego-

tiation sequences. Negotiating is seen less as a rational pro and con trade-off that must be completed as quickly and effectively as possible, than as a time-consuming procedure designed to create personal relationships.

### *Implementing Results*

The most important goal of a negotiation is the implementation of mutually agreed results. However, this phase may preempt misunderstanding due to mutual distrust. German negotiation parties are more likely to trust their negotiation partners after arriving at a consensus during discussions, which is confirmed in writing and verifiable. The negotiation party merits trust when it becomes evident that conditions have been meticulously followed. Trust is revoked, however, if the partner does not conform to certain conditions or interprets them too generously. This is where the Roman code of law, *Pacta sunt servanda* (contracts must be honored), plays a role. From the perspective of other cultures, the mutual and meticulously drawn up contract is signed at the beginning of the business relationship, not at the end, which led a German lawyer in Shanghai to observe: “Once the contract has been signed, the real problems start”. In this sense, contracts hamper the flexibility required for adapting appropriately to ever-changing circumstances. Moreover, a very detailed contract is more likely to be grounds for mistrusting the negotiation partner, who may be pursuing an alternative motive by insisting on such concreteness. Long-term business partnerships, in these cases, are less dependent on the contractual layout than on the rapport that has been established between the partners and which must be cared for.

### **2.2.3 What Makes a Good Intercultural Negotiation Partner?**

Is there such a thing as a born negotiator? Research has revealed that successful and cooperative negotiators have the following abilities and characteristics (Rubin and Brown 1975):

- Controlled risk behavior
- Ability to perceive and judge events in their complexity
- Ambiguity tolerance
- Positive self-image
- Cooperative and nonauthoritarian attitude

In addition, international negotiations require intercultural negotiation competence (q.v. Ch. I, 1.9). The negotiator should know what culture-



specific expectations the partners have regarding the setting and the negotiation process. Consequently, a negotiation situation can be created in which all parties can cooperate on a win-win basis. The ability to modify perception is indispensable. The more intensively own and other-culture negotiation interests and their cause and effect patterns have been explored, the more likely it is that when a conflict of interests occurs, alternative solutions will be perceived and put to use for the benefit of both parties.

A successful negotiation is based on thorough preparation, which should include the following questions:

*Negotiation context*

- What are the expectations with respect to space, time, duration and procedure?
- – How is the outcome of the negotiation recorded?
- How binding are written contracts in a specific culture?
- What is the language of negotiation?

*The negotiation issue*

- How does the other party define the negotiation issue?
- Must one's own position be modified in order to avoid misunderstanding?

*Other-culture negotiation party*

- What cultural standards, in particular, influence negotiation behavior?
- What communication style does the other-culture party have?
- How are offers presented in different cultures?
- What culture-specific principles determine the selection of delegates?
- What is the hierarchical structure of the delegation?
- To what extent must behavior be modified to comply with the hierarchy?
- To what extent are the negotiation partners competent and authorized in their scope of responsibility?

*One's own negotiation party*

- What cultural standards determine one's own negotiation behavior?
- What communication style predominates in the own party?
- Must the style be modified depending on the negotiation partners?
- How is one's own position presented?
- What effect does my presentation have on the target group?
- How is one's own delegation composed?
- Does something need to be changed in the way the delegation is composed in order to avoid misunderstanding and potential conflict?
- Have one's own competencies and responsibilities been clarified in advance?

*Role of interpreters and mediators*

- Is an interpreter required?
- How competent and trustworthy is the selected interpreter?
- Does he/she have a bi-cultural background in addition to intercultural competence?
- What leeway does the interpreter have to act according to cultural appropriateness?

Improving individual intercultural negotiation skill requires intensive reflection of the negotiation process rather than a focus on the outcome. Qualified interpreters or intercultural coaches can accompany the reflection process as mentors and provide important insight into the development of an operational strategy. Because it is considered an unproductive use of time, organizations are rarely willing to take the time to review their own *modus operandi*. On the other hand, international collaborations focus mainly on the mid to long term due to the substantial initial investment. A rewarding collaboration can only be created on a solid basis of trust and only if the cultural norms and values of participants are adequately addressed.

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