

International Business Negotiation Under The Impact of Cultural Distance

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The negotiation is part of the international business which plays the role of turntable inside the working model of international relationships. The differences between the cultures of the negotiators, known as cultural distance, are the most subtle influences on negotiation. The problems that are generated by the cultural distance could be identified at the different levels of the hierarchy of various factors for success, negotiation styles, thinking processes and decision making.

The cultural distance should be identified and analyzed before the negotiation starts and it should be very much reduced, as pertinent conclusions of researches suggested. In this last respect the multicultural research, analysis of cultural distance and interactive methods could be very helpful.

Key words: international negotiation, cultural distance, cultural empathy, multicultural communication, multicultural research.

JEL Classification: M21, F51

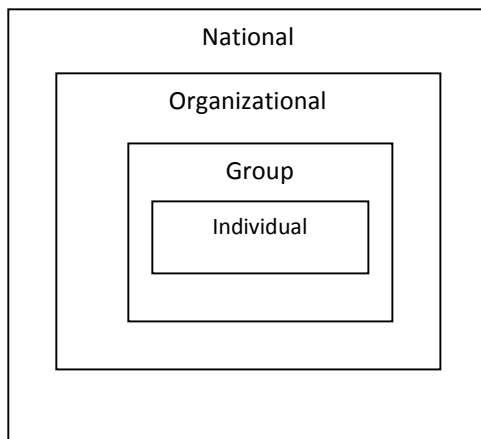
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1. Negotiation and culture in international business

The characteristic processes and mechanisms of international business have the negotiation as an important part with a turn-table role. The numerous effects the whole negotiation process could have on each business transaction or operation justify the prominent role the negotiation is playing. This role depends on the influences the cultural variables have on negotiation. The cultural influences on the negotiation could be found at all layers of the culture, as in figure 1.

The life style and group and organizational values and behavior could be different from a country to another. In the business sector the individual cultural differences are due to the national and organizational culture. The organizational culture that directly leaves its mark on the business behavior depends to a certain extent on the local organizational model (Hollensen, 2008, p.241). The British model of organization seems to be that of a village market with no decisive hierarchy, flexible rules and the resolution of problems of negotiation. The German model is more like a well-oiled machine, where the exercise of personal command is largely unnecessary because the rules settle everything. The French model is more of a pyramidal hierarchy held together by a united command issuing strong rules. When the seller and the buyer are members of different cultures they typically do not bring the same shared values and perspectives about the business subject that is the object of the negotiation. Common ground is typically limited by cultural differences and this increases the degree of uncertainty about the outcome of the negotiation and can limit the efficiency of communication.

Fig.1. The layers of culture that could influence the negotiation.



Source: *Designed and elaborated by the author*

The cultural influences on communication during negotiation have various sources. The national culture alone does not cause the style and behavior in the negotiation process. The partners' behavior is influenced by organizational culture, international experience, professional background, gender and other factors (en. Wikipedia.org/wiki/Negotiations). These numerous and various influences could be found in the communication differences when using verbal and nonverbal language. The differences in verbal communication become visible every time when the negotiators are speaking different languages. A lack of dialogue could appear but

the solution is easily to be found by hiring translators. The interpret seems to be the easiest solution even if the negotiator speaks foreign languages but he prefers to speak mother tongue. The negotiators who are using such tactics get double advantage. On the one hand they can study the nonverbal language of the other part during the translation and on the other hand they could notice the same language of the translator. The Russian and French negotiators are particularly using these tactics. The effectiveness of the maneuver depends yet on the accuracy of the translation and competence of the translator.

The verbal behavior of the negotiators seems similar in all culture during the talks, especially at the beginning of the talks researchers have found (Graham, 1980; Graham, Mintu – Wimsatt, 1994; Lustig, Koester, 2002; Hodgson, Sano, Graham, 2008). As a matter of fact all negotiators are using various tactics in order to exchange information. The differences become more visible with regard to information availability and transparency. The Israeli and Japanese seem to the least willing to give information.

The differences regarding nonverbal language have to be very good known particularly as the most messages that are communicated during talks are nonverbal ones (about 65%). The nonverbal communication has a substantial variety. At one end are negotiators from high context cultures who give the smallest information when using nonverbal language. The Japanese negotiators give the smallest information but they and the Russian ones are using the longest period of silence during the talks (Graham, 1993; Hodgson, Sano and Graham, 2008). At the other hand one can find the negotiators from low context cultures. Such

persons as Germans are the most open (about 47%) and inclined to give more information.

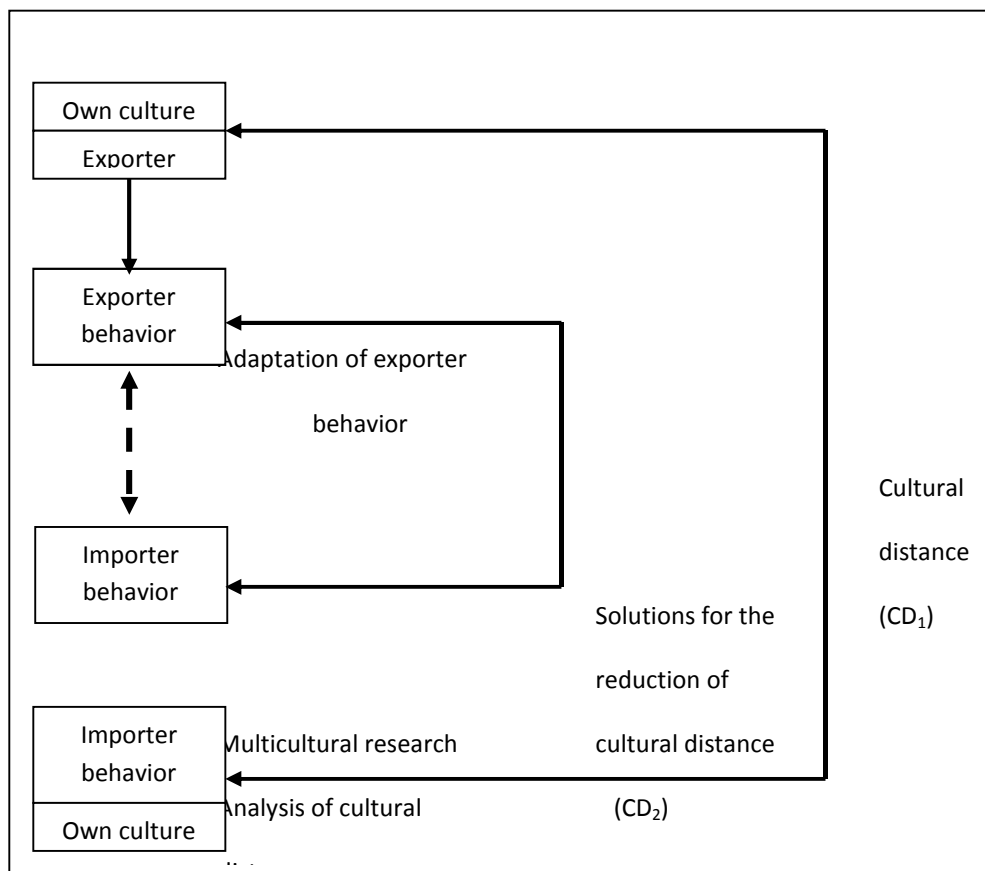
2. Effects of cultural distance on international negotiation

In a multicultural world it may frequently happen that entrepreneurs find themselves in the role of a negotiator between the different values of their own cultural system and those other cultural systems. The cultural background is one indicator that determines how the negotiator sees the whole negotiating process, the communication and interactivity included (Vaadi, Kask, Karma, 2009, p.1). The differences between the cultural profiles of business negotiators influence the communication and interactivity during talks. These differences suggest that the cultural distance is showing itself as diverging general visions and parts of the culture in two or more countries. The expression “cultural distance” is an interpretation of the more comprehensive concept of “gap” that is understood as important as divergent angles about the manner of identification of an issue, searching and finding solutions (The Concise Oxford Dictionary, 1964, p. 513).

The cultural distance in business is about differences between the cultural profile of the exporter and that of the importer. This cultural distance is showing itself as the result of differences in communication and behavior of the partners during the process of international business as CD1 in Figure 2 shows. The cultural variation could be found in the concepts of about time, space, rules and social rituals too. They are particularly showing themselves as modes of communication and behavior during the negotiation process. The complexity of culture shows its effect primarily on communication.

The negotiators from high context cultures have a message that cannot be understood without a great deal of background information. Low context communication of the negotiators spells out more of the information explicitly in the message. As a whole, cultures with West European roots rely more heavily on low communication. In negotiations the kind of indirect speech relies on high context communication to get a message across but there is more involved the simply tendency to engage in high context communication. Indirect speech occurs generally in situations where parties may disagree, in negotiation and also when a decision is discussed or conflicts must be solved (Hooker, 2008, p. 1).

Figure2
The cultural distance in intercultural negotiation



Source: Author's adaptation according to Hollensen, 2008, p. 422

The impact of the cultural distance between the partners during international negotiations could be found in various modes. Such a mode is *the hierarchy of the success factors*, according to the importance each negotiator is attaching to every factor (Le Baron, 2003). As the

information of Table 1 is showing, the geographic proximity or distance has almost no significance for the negotiators when establishing the hierarchy of the success factors. There is no significant cultural distance between the US and Brazilian negotiators from the angle of hierarchy of success factors in negotiation.

Table 1

**The hierarchy of the success factors during business negotiation
in four cultures.**

US negotiators	Japanese negotiators	Taiwanese negotiators	Brazilian negotiators
Capacity of preparing and planning	Working commitment	Insistence and determination	Capacity of preparing and planning
Capacity of thinking under pressure	Perception and capacity of taking advantage of power	Winning respect and trust	Capacity of preparing and planning
Judgment and understanding	Winning respect and trust	Capacity of preparing and planning	Capacity of thinking under pressure
Verbal expressiveness	Integrity	Product knowledge	Verbal expressiveness
Product knowledge	Ability of listening	Interest	Product knowledge
Perception and capacity of taking advantage of power	Large perspective	Judgment and understanding	Perception and capacity of taking advantage of power
Integrity	Verbal expressiveness	-	Competitiveness

Source: Le Baron, 2003 (according to Adler, 1997, p. 127)

The cultural distance is influencing the negotiation style. Differences may appear in communication style depending on the context of each culture. The negotiators from high context cultures have a

relationship-based style of communication. Behavior in relationship-based culture is regulated through close supervision by authority figure. The style of communication in low context culture is rule-based. Rule-based cultures are distinguished by two characteristics that are people's respect for the rules for their own sake, while rules in relationship-based cultures derive their authority from the persons who lay them down. Compliance with rules is often encouraged by guilt feelings and fear of punishment if one happens to be caught violating the rules, rather than shame and constant supervision (Hooker, 2008). The distinction of relationship-based and rule-based culture also underlies differences in negotiation styles. The frankness of rule-based cultures is possible because of an underlying confidence that rules have objective validity and can therefore serve as basis for resolving disputes. The absence of such confidence in relationship-based cultures requires that they fall back on courtesy and face saving (Hooker, 2008).

Differences may show in other parts of the negotiation style too. The North-Americans which belong to a low context culture are thinking that the goal of the negotiation is to find a better and quicker solution. The Japanese negotiators are thinking that the negotiation is a good opportunity for developing business relationships that have as objective getting mutual long term advantages. According to Japanese vision which is one resulting of a high context culture, the economic and commercial issues are the context and not the content of the negotiation. The Japanese believe that the solution will appear following the establishment of harmonious and viable business relationships (en. Wikipedia.org/wiki/Negotiations). All these differences relating to the perspective about time and its management

as a resource leave their mark on the various components of the negotiation. Michelle Le Baron (2003, p.1) has made a systematization which shows that the negotiators from polichron cultures are inclined to start and end the meeting at various periods of time and make breaks when they consider appropriate. At the same time, they seem to be comfortable even when the information flux is big, are preoccupied to read the thoughts of the other part and some times try to prolong the discussion. The negotiators from prolicron cultures could also decide that the start of talks is flexible and does not take the delays seriously. The negotiators from monocron cultures prefer to start and end talks exactly as planned, trying to obtain results as fast as they can. The breaks are planned too and all issues are discussed at a time. The successive approach of the negotiation issues is completed with detailed and explicit communication. Any delay is viewed as a lack of respect and even something cheap.

The cultural distance is producing issues that could be found at the level of the negotiation management. Most Western negotiators are splitting the problem in smaller issues there are to be solved one by one (Lam, Graham and John, 2007). Issues like price, delivery, guarantees or service contracts could be individually solved and the final decision is the sum of partial components. All the parts of the problem are discussed at a time in Asia, without a precise hierarchy or order. The concessions are made for all the discussed issues at the end of the talks.

The successive approach of negotiations in West and the holistic one in East could become sources of confusions and tensions during the talks that have various impacts. The Northern Americans see the time as being limited and are guiding themselves by the slogan

“Time Is Money”. Thus they could have often difficulties in making rapid progress in the negotiation process with Asian partners. During talks nothing seems to be agreed and unexpectedly an agreement about all discussed issues is concluded in countries as China, Japan and Korea (Graham, Mintu-Wimsatt, 1994).

3. Solutions for reductions of cultural distance in negotiation

3.1. The role of cultural empathy for the improvement of the negotiation process

An indispensable element of each business negotiator’s personality should be international adaptation and cultural consciousness. The individuals involved in the negotiation process have to show a great flexibility and adaptation skills. The personality and individual qualities are important but not enough. The companies having business negotiations should be fully aware of these limitations and spare no effort in order to have well trained people for the entire negotiation process.

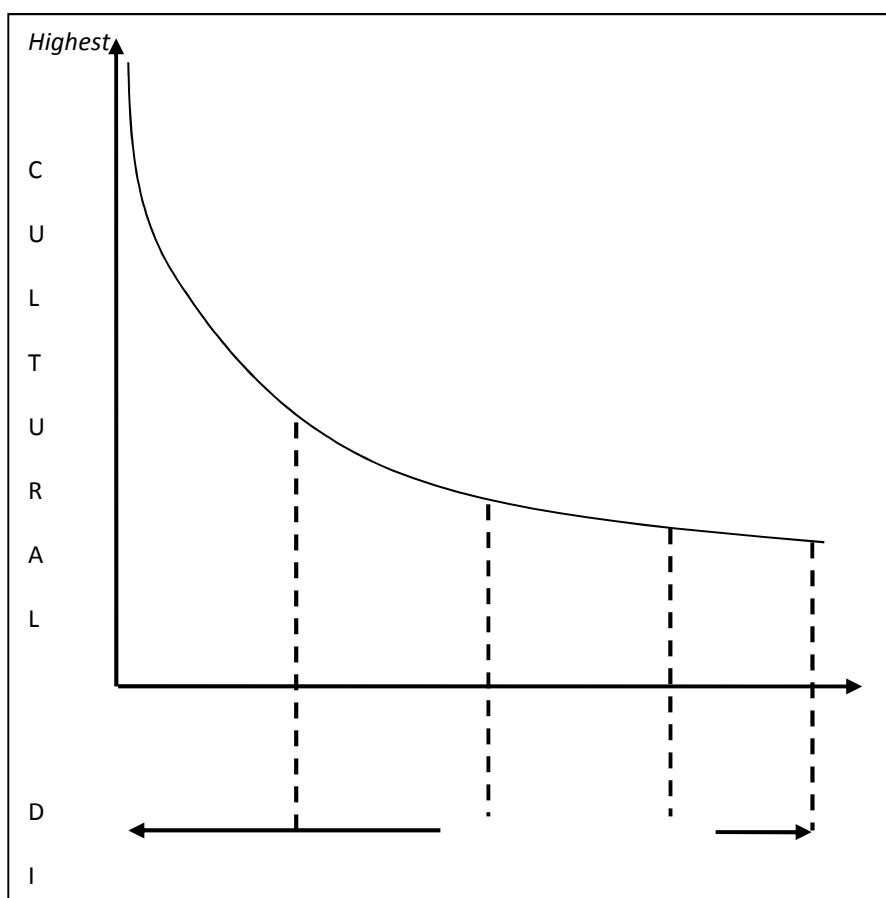
Since international business negotiation are more complex than domestic due largely to this added dimension of cultural diversity *one solution of the limitations is the synergic approach* (Drnevic, 2004, p. 4). The culturally collaborative synergistic style of negotiation emphasizes that understanding the other party, their interest and their assessment criteria becomes more difficult, due to cultural differences. If cross cultural differences are recognized, clearly communicated and understood by the negotiator, they can be the basis for constructing win-win agreements. Limitations exist with cross cultural application of principle and internationalization of synergic negotiating. These limitations have two effects on culture impact on negotiation and they both are routed in the role of culture through its influence on communication style and cognitive biases (Drnevic, 2004, p. 5).

The cultural distance between parties is the highest one before and at the start of the negotiation process. It could be progressively diminished as the professional training and profile of the participants are completed with solid assimilation of information about culture of the other party, one theoretically could assume. Cultural empathy could be obtained by doing so as the negotiation process is reaching its final and decisive stages. This statement can be graphically exemplified as in Fig. 3. It shows that the cultural distance is diminishing from one stage to the next that is from 1 to 4. The pace of cultural empathy could cause the intensity of the decrease of the cultural distance. This condition is graphically shown by the concave line in Fig. 3 that is limiting the extent of cultural distance that measures the coefficient of cultural empathy.

1. *Preparing the negotiation* has the highest cultural distance as starting situation. The participants in the future talks could misunderstand the cultural elements that give a certain behaviour during the negotiation. The sources of cultural misunderstanding and its influence on the negotiation style could be found in the following situations that are the unconscious cultural blindness, lack of cultural knowledge, projection of similarities and parochialism (Danciu, 2009, p.144). The unconscious cultural blindness is a result of an exclusive judgment of the other party's behaviour in the light of own cultural values. The lack of cultural knowledge is due to the incapacity of knowing and recognizing the specific of the own culture and the manner other people is seeing us. The projections of similarities and parochialism is a tendency to assume that individuals and present situations other cultures have are similar to those existing in the own culture. As a result the values of the own culture and behaviour could be projected to other cultural contexts. All these situations could be viewed as basis for the cultural self-reference criterion and the later as the source of cultural distance.

The preparation of negotiation has to be the stage where each part makes efforts to identify all sources of cultural differences, their research and finding the means of reducing their influence during the next stages of negotiation. The outcome of these efforts could be the replacement of the present sources of cultural distance with new sources namely those of the cultural empathy. It shows the ability to understand the culture of the market and particularly the culture of the other party that is characterized by his cultural level.

Figure 3
Reduction of cultural distance through the negotiation process



Source: designed and elaborated by the author

2. *Setting the objectives* has to target and get a balance between the cultural self-reference criterion and the cross cultural knowledge. In other words, the utilization of multicultural criteria that could compensate the possible drawbacks of the sources of cultural distance is needed.

3. *Developing the talks.* This stage has the participants' styles of negotiation as a distinctive mark. These styles have to mirror the necessary degree of cross cultural knowledge that causes the process of getting cultural empathy in order to be effective. This state of things could be obtained following different modes and rhythms, but it has to come as quick as possible during the talks. In addition to the multicultural training and manner of its capitalization during the contacts between negotiators, the exchange of information could be of a great help.

4. *Conclusion of negotiation* focuses on the outcome all parts are aiming to obtain. The goal of its negotiator is to have the best ratio between the planned and obtained result. The chances to improve this ratio for its participant are growing according to the inclusion of the effects of cultural empathy in the negotiation process. In other words, the utilization of cross cultural criteria for mutual cultural knowledge as part of the negotiation style could secure the necessary cultural empathy for best results.

3.2. Methods for the improvement of the negotiation following the reduction of cultural distance

There are many solutions that could lead to the reduction of cultural distance and to reaching the cultural empathy. The multicultural research, analysis of cultural distance, interactive methods and exposure at the culture of the negotiation partner are among the most recommended and used methods. As Figure 2 shows

their results could increase the partners' capacity of adaptation by reducing the cultural distance from D1 to D2.

Multicultural research. The identification of the sources and extend of the cultural distance and the finding of solutions for passing over the obstacles it could create during negotiations depend on getting and assimilation of most significant cultural aspects of the product market and competences for cross cultural communication between the negotiators. The multicultural research has a contribution to the negotiators' cross cultural training who have to get over all stages that Hollensen (2008, p. 425) has suggested. These stages are awareness of cultural differences, negotiators' motivation to rethink their behavior and attitude towards negotiation partners, allowance for the negotiators to examine their own biases, examination how stereotypes are developed and how they could create misunderstanding and identification of various issues that need to be solved.

Analysis of cultural distance. The cultural distance between the exporter and importer marks their behavior and negotiation style. Each should make efforts in order to adjust its style so that this becomes acceptable for the other part any time when certain cultural differences exist. None should impose his cultural model during the talks. On the contrary, each should make efforts to fully understand the cultural characteristics of the model of his counterpart and use them in his own strategy and tactics of communication.

Under these circumstances new opportunities for the improvement of the negotiation process could be found by diminishing the cultural distance that is graphically shown by the descending concave curve in Figure 3. The remaining cultural distance

at the end of each stage could be further reduced if the companies are starting and maintaining the permanent processes of cross cultural training that could allow the negotiators advance on the learning curve. The training programs should take into account that the negotiators have different national and organizational cultures in most of the cases. Both layers of the culture should be carefully analyzed to correctly identify the cultural differences even it is difficult to establish how much of the profile and behavior of each negotiator depends on his national and organizational culture. This dual approach seems to be necessary especially in the case of expatriates. They could have national cultures that are different from the organizational culture of the company. Laurent who is mentioned by Gh. Ionescu (1996, p. 213) has found that there are bigger differences between the foreign employees of some multinational than between those who work for companies from their native countries. These findings seem to show that the national differences are not annulled. On the contrary they are maintained or even increased by the organizational cultures. The two types of cultures are influencing each other. This shows that the cultural distance should be carefully analyzed at all its levels and components in order to identify both the diverging points and the solutions for their reduction and the creation of the context for cultural empathy.

Interactive methods. The improvement of professional profile assumes that the actual and future negotiators should be involved in situations they could find during talks with partners coming from different cultures. In acting this way the negotiators not only gets information but also uses it for precise objectives. Among the most recommended and used interactive methods are workshops, case

studies, role playing and learning foreign languages (Keagan, Schlegelmilch, Stottinger, 2002). These methods could help completion of the negotiator's profile by adding the cross cultural dimension and increasing the cultural empathy and mutual skill of cultural knowledge.

All these opportunities for transposing the negotiators in various situations help the improvement of the speech, argumentation and counter argumentation, capacity of covering and understanding the problems of the negotiation but also the strategies and tactics. The outcome could be found in a synergic effect.

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