
UNIT 12 NEGOTIATIONS IN INTERNATIONAL BUSINESS

Objectives

The objectives of this unit are to familiarise you with:

- the linkage between negotiations and communication
- the process of cross-cultural negotiation
- the steps required for planning and preparation for negotiation
- the effective management of negotiations
- comparative cross-cultural negotiating styles.

Structure

- 12.1 Introduction
 - 12.2 Negotiations and Communication
 - 12.3 Cross-cultural Negotiation Process
 - 12.4 Planning and Preparation for Negotiations
 - 12.5 Managing Negotiations
 - 12.6 Negotiating Skills
 - 12.7 Re-negotiation
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 - 12.9 Comparative (Cross-cultural) Negotiating Styles
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12.1 INTRODUCTION

Negotiations involves discussions and presentation of the viewpoints by two or more parties in an attempt to reach a mutually acceptable or beneficial relationship. Discussions may range from a couple of hours to a couple of years, or even more in some cases. Though the objective in all negotiations is to reach an agreement, perceived to, be beneficial by the parties (otherwise there would be no agreement); yet every negotiation may not necessarily lead to agreement. Circumstances, situations and perceptions may change.

According to one author, "Negotiation is a process for resolving conflict between two or more parties whereby both or all modify their demands to achieve a mutually acceptable compromise." Another author says "Negotiation is a process of adjusting both parties' view of their ideal outcome to an attainable outcome". Another defines "Negotiations as the use of common sense under pressure to achieve objectives".

Negotiations have increasingly been used as a means to decide the terms on which a company may begin or terminate its operations in a foreign country. Negotiations



may relate to (foreign) direct investments, licensing agreements, strategic alliances, establishment of joint ventures, exporting, etc. Negotiations may be conducted with a host country firm, a group of firms, or a host country government (through its officials), or all of them simultaneously or in a phased manner.

Negotiation is 'not a one time activity, rather it is an ongoing activity. New problems may emerge in MNE relations with different governments. Hence, specific information about the environment is to be gathered in order to better understand and forecast emerging government priorities. This enables the management to position itself to take advantage of the opportunities or to mitigate threats.

It may be felt necessary by an MNE to generate support for its actions from key decision makers in the host country. The firm has to demonstrate that it is promoting the board public interest. Sometimes the firm may have to dispel false impressions about how it is conducting its international business activities. All these activities call for negotiations.

With increasing globalisation, the ability to conduct successful cross-cultural negotiations cannot be overemphasised. Failure to negotiate productively will result in lost potential alliances and lost business at worst, and confusion and delays at best.

Ignorance of native bargaining rituals may often be responsible for unimpressive results. Important differences in the negotiation process from country to country include: (i) the amount and type of preparation for a negotiation, (ii) the relative emphasis on tasks versus interpersonal relationships, (iii) the reliance on general principles rather than specific issues, and (iv) the number of people present and the extent of their influence.

This unit deals with all relevant aspects of international negotiations. Cross-cultural negotiation may be seen as cross-cultural communication. The barriers in cross-cultural communication are briefly explained. The various steps in cross-cultural negotiations are discussed, with relevant underlying cross-cultural beliefs and philosophies. The role of planning and preparation and managing negotiations effectively is underscored. The unit concludes with a discussion about comparative cross-cultural negotiating styles.

12.2 NEGOTIATIONS AND COMMUNICATION

All business communications, whether domestic or international, should be seen in the context of human communication. The process by which verbal and non-verbal language is shared is communication. Communication has no determinate beginning or end; it is an ongoing exchange of messages between two or more people. Human communication travels through a variety of signals, not just words, and depends on the context for its meaning. Context means the degree to which the communicator and listener share a common background of knowledge and experience. This occurs when both individuals have a common history or, at least, a shared understanding of each others' lives, intentions and experiences. Additionally, communication depends on the competence of the communicators. If a person is able to send or express message's clearly and receive and interpret them clearly, communication is enhanced.

This dimensions of human communication assume particular importance in the cross-cultural context. To communicate with someone from a different culture, one must learn not only the language but also the rules regarding how the languages is used in different context and situations. Culture is a factor that influences to a large degree how people do what they do. Culture Influences hand gestures, tones of speech, clothing and so on. A negotiator must understand the barriers so that effective communications can take place with someone from a different culture. He should have a fairly good understanding of the gestures, facial expressions, body movements in relation to communication, otherwise misunderstandings can occur. Perceptual biases and mindsets based on those biases may adversely affect the ability of a negotiator to effectively interact with people from other cultures. "The



more we consider our views and experiences (our categories of their world) to be absolute and universal, the less prepared we are to deal with people who have different backgrounds, experiences, cultures and their views (categories) of the universe.” To overcome this kind of barrier, some MNEs have gainfully used the services of former government employees of the host countries for dealing with government in relation to sensitive negotiating positions.

Faulty attributions to others' action or behavior and stereotyping, i.e. categorising a group of people (or a society or a nation) based on some feature they hold in common such as nationality, race or religion, can also cause barriers in cross-cultural communication. Stereotyping can be a powerful barrier in cross-cultural communication because interactions with people from groups other than their own, are categorised on a variety of issues such as intelligence, industriousness, education, level of authority and responsibility, integrity, honesty etc. If a community is classified as being dishonest, for example, whenever one interacts with a member of that community, it will be difficult for the holder of the stereotype to trust whatever the outsider does or says. Box 12.1 provides an interesting insight in connection with this phenomenon.

Box 12.1 Foreign Perceptions of Americans	
Mexican Perceptions	Taiwanese Perceptions
Americans are :	Americans are:
Reserved	Friendly/Outgoing
Rushed/Time conscious	Relaxed/Easygoing
Realistic/Hardheaded	Optimistic
Team worker	Independent
Quality-conscious	Output-oriented
Unemotional	Emotional
Serious/Businesslike	Fun-loving/Joking
Self-controlled	Self-indulgent

Source : *Newsletter*, National Council for International Visitors, 1981

12.3 CROSS-CULTURAL NEGOTIATION PROCESS

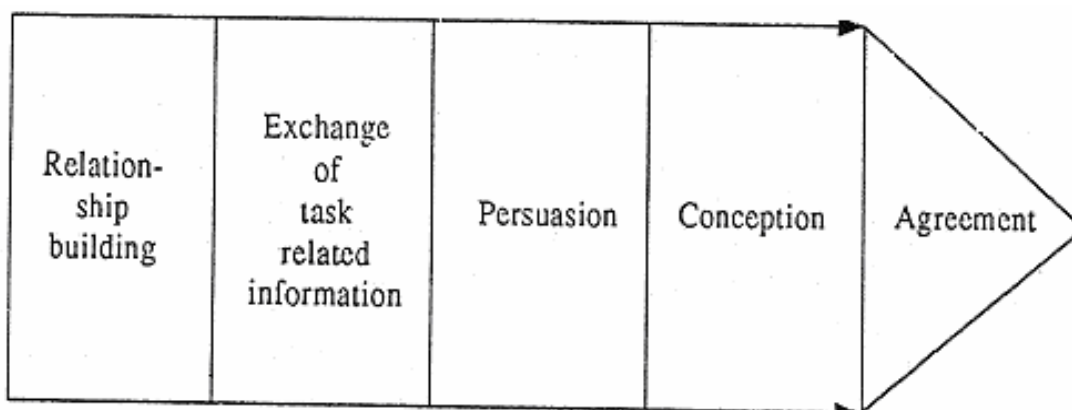
Whether business would or would not occur depends on whether negotiations have or have not been successful. The negotiations would be on a firm ground if the negotiators understand and appreciate the barriers to and complexities of cross-cultural communication.

Research on cross-cultural communication indicates that within any culture, people go through four stages in the negotiation process¹. These stages (depicted in Figure 12.1) are:

- Relationship building
- Exchange of task related information
- Persuasion

Making concessions and agreement

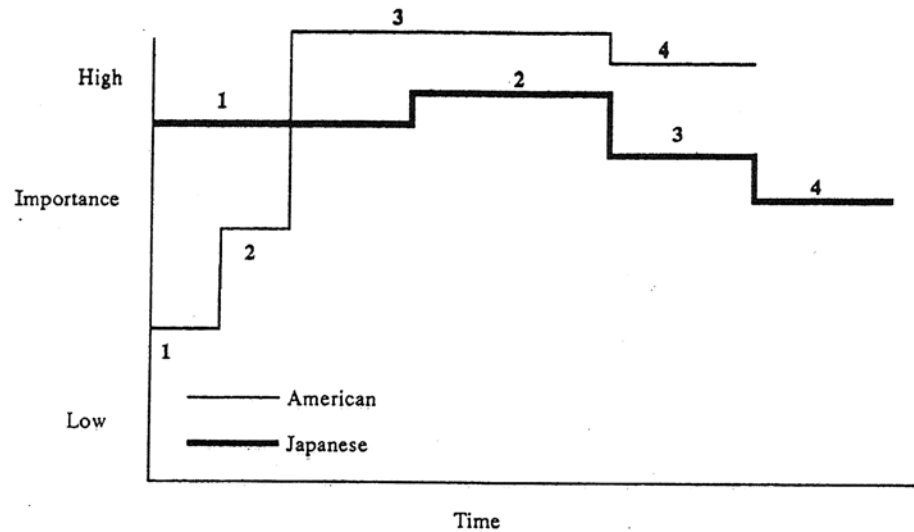
Figure 12.1: Cross-Cultural Negotiation Process





It may be pointed out that cultures differ in the degree to which value is placed on each stage of negotiation relationship. Figure 12.2 shows the importance of each step in negotiation between U.S. nationals and Japanese. Importance is also reflected by the amount of time spent on each stage of negotiation

Figure 12.2 : U.S./Japanese Stages of Negotiations



Negotiation Stage Legend

- 1 = Non-task Time (Building Relationship)
- 2 = Information Exchange
- 3 = Influence Bidding
- 4 = Conclusion and Contact

Source : Mendenhall Mark, et al. (1995) Global Management, Black Weel Publishers, p 552

Relationship Building

The first step in negotiations involves building interpersonal relationships between the negotiating parties. This step is crucial in the negotiation process. Japanese realise the importance of this step and, therefore, spend considerable time in building relationships with the other party, as would be clear from Figure 12.2. On the other hand, Americans in general consider this aspect of the negotiating process as less important and thus spend much less time on it than do the Japanese. Japanese spend considerable time in informal interaction with the members of the other party in going round the town, eating and drinking. In this way formal barriers are broken down between the parties and a sense of trust and respect slowly develops which becomes the basis for negotiating contracts. In fact, looking from Asian angle, developing a mutually trusting relationship is the cornerstone of negotiated agreements. While Americans tend to get down to business in their very first meeting, Japanese like to talk in general, having in their minds that the preliminary sessions are meant simply to know each other well. -Japanese thus desire to build a trusting relationship before doing business so that frustration. and failure do not occur later.

In many countries, personal commitments to individuals, rather than the legal system, from the basis for the enforcement, of contracts. Effective negotiations, therefore, allow plenty of time in their schedule for relationships building with bargaining partners. As mentioned above, this process may usually take the form of social events, tours, ceremonies alongwith much light conversation of general nature, while both sides get to know- one another.

Information Exchange

The second phase of the cross-cultural negotiations involves information exchange. In this phase the parties make presentations and state their positions. A question-and-answer session usually ensues, and alternatives are discussed.

It is often difficult to understand the other party's situation, intents and needs even if the latter belongs to one's own culture, but understanding these matters is even more difficult when the other party is from another culture. People from differing cultures may view problems, realities, and business operations in different ways. It takes a more sincere and sustained effort to clearly articulate one's own situation and understand other party's situation.



As would be clear from Figure 12.2 the Japanese rate this step as important and spend a fair amount of time on the issues involved. Americans, on the other hand, rate this as of moderate importance and spend relatively little time on this phase.

From an American viewpoint, this stage is one which is straight forward objective and efficient. However one study¹ points out that negotiators from other countries continue to take a more indirect approach at this stage. Mexican negotiations are usually suspicious and indirect, presenting little substantial material and more lengthy, evasive conversation. French negotiators enjoy debate and conflict and will often interrupt presentations to argue about an issue even if it has little relevance to the topics being presented. The Chinese also ask many questions and they delve specifically and repeatedly into details at hand. The Chinese presentations contain only vague and ambiguous material.

Persuasion

Persuasion involves influencing the other party to adopt one's viewpoint, position, or beliefs. Outcome in any negotiation very much depends upon the persuasive abilities of the parties. It is during this stage that the hard bargaining starts. Typically, both parties try to persuade the other to accept more of their position and to give up some of their own.

Americans view this phase as the most important part of the negotiation process and spend quite a bit of time in the use of persuasive tactics. However, as indicated in Figure 12.2, American take up the persuasive part rather too early in the process and expect the party to agree to their offer, bit, contract, etc. The Japanese also rate this phase as important and spend a fair amount of time on it as well. However, for the Japanese, persuasion should take place only after mutual trust has been built up. For Americans, persuasion can take place quickly with appeals to logic and rationality. They do not consider the need for warmth in personal relationships as a prerequisite for fruitful negotiations.

Table 12.1: Differences in negotiating behaviour among Japanese, North Americans and Brazilian negotiators

Behaviour (Tactic)	Japanese	Brazilians	North Americans
(Number of periods greater than 10 seconds, per 30 minutes)	55	0	5.5
Conversational Overlaps one person speaking number per	12.6	28.6	10.3
Facial Gazing (Minutes of gazing other party's face per 10 minutes period)	1.3	5.2	3.3
Touching (Not including handshaking per 30 minutes periods)	0	4.7	0

Adapted from Graham, J.L. 1985. "The influence of culture on the process of business negotiations : an exploratory study." *Journal of International Business Studies*, Spring. pp. 81-96

International managers usually find that this phase of bargaining fraught is with difficulties because of the different uses and interpretations of verbal and non-verbal behaviours. Studies of the negotiating behaviour have revealed the use of certain recognizable tactics, which skilled negotiations should take note of. Table 12.1 shows the results of a study comparing the use of various tactics (promises, threats, and so forth) by the Japanese, Americans and Brazilians. The results indicate that the Japanese and Americans tend to be more alike in the use of these behaviours, whereas the Japanese and Brazilians are less alike. For example, the Brazilians use fewer promises and commitments than, the Japanese or the Americans, but they use commands far more often. Just in any other negotiation, dirty tricks or rough tactics may also be used by international negotiations. In a survey of 18 U.S. Korean joint ventures, U.S. executives reported that the behaviour of the Koreans during the course of negotiations was often "abusive", resulting in shouting matches, desk



pounding, and chest beating.³ International managers, therefore, must keep in mind that what seem like dirty tricks to the negotiators of one nation may simply be the way some other culture conducts negotiations. In some South American countries, for example, it is common to start negotiations with misleading or false information.

The messages emanating from non-verbal behaviour are often most difficult to deal with - the use of voice intonation facial and body expressions, eye contact, etc. Non-verbal behaviours are ingrained aspect of culture used by people in their daily lives; they are not specifically changed for the purposes of negotiation.

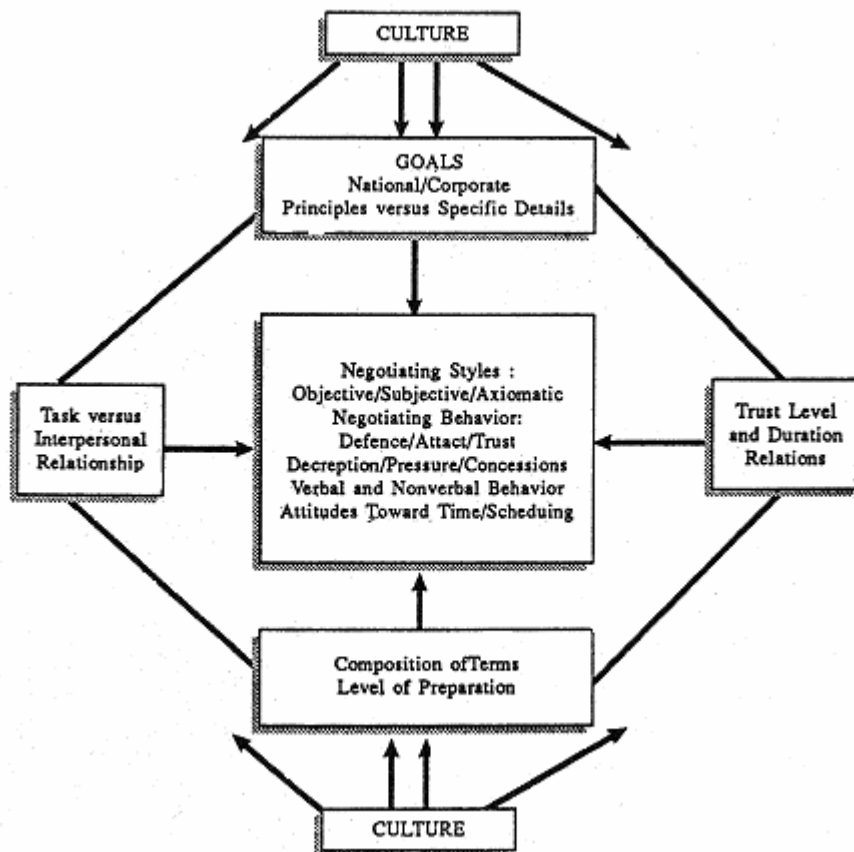
Concessions and Agreement

Giving concessions and arriving at an agreement is, in fact, a logical consequence of persuasion process and rests on the principle, of mutual give and take. As shown in Figure 12.2 the Japanese value- this phase lesser than the Americans do (in relation to other phases), though they spend about the same amount of time as Americans do. Americans, in general negotiate sequentially i.e. they discuss and attempt to agree on one issue at a time. They attempt to separate the issues into pragmatic parts. Throughout the bargaining process they make many small concessions, and expect the opposite party to reciprocate. They then finalise the list of concessions to be incorporated into the overall agreement.

The Japanese do not like to spend a lot of time and energy in making small concessions in reciprocation to the opposite party's concessions. Instead, they like to view the process holistically, trying to accept each others' views and needs build trust and then make concessions, if any, at the end as a form of warping up the negotiations.

As far as concessions are concerned, tactics vary greatly across cultures. Well-prepared negotiators are usually aware of the various concession strategies of the other country's negotiators, and therefore, decide ahead of time what their own concession strategy should be. It is known that the Chinese and the Russians generally open their bargaining with extreme positions, asking for more than they hope to gain, whereas the Swedes usually start with what they are prepared to accept. The relationship between culture and negotiations is vividly portrayed in Figure 12.3.

Figure 12.3 Cross-Cultural Negotiation



Activity 1



Arrange a meeting with the 'Chief Executive of a Company which has been involved in a major international negotiation for the last 3 to 5 years. (It may be either your company or some other company). With which country's citizens the negotiations were conducted? discuss. Gather detailed information on the process involved. 'How did the negotiations go about?

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12.4 PLANNING AND PREPARATION FOR NEGOTIATIONS

The importance of careful preparation for cross-cultural negotiations cannot be overstated. The managers in any negotiation need to familiarise themselves with the cultural background and underlying motivations of the negotiators and the tactics and procedures they use to control the process. By doing this they can make progress, and therefore maximise company goals. For long-term positive relations, the goal should be to set up win-win situation that is, to bring about a settlement beneficial to all parties concerned. In preparing for negotiations, it is "critical to avoid what is known as **projective cognitive similarity** - that is, the assumption that others perceive, judge, think, and reason in the same way when in fact they do not because of differential cultural and practical influences. "Instead, astute negotiators empathetically enter into the private world or cultural space of their counterparts, which willingly sharing their own view of the situation."

The successful negotiations depend on thorough understanding of each other's position. The first step in that direction is that each party should assess not only its own strengths but also weaknesses i.e. self analysis. Each party to the negotiations should consider: what options it has available. Should negotiations fail, what is the fall back positions? How many concessions it is willing to make for the negotiations to succeed? What is the cost of failure? What are the benefits of the possible alternatives?

The second step in the preparations for negotiations is to analyse the positions of anticipated counterpart i.e. **analysis of the other party**. What the other party (government or a company) is likely to seek? What are its strengths, and weaknesses? What are the options that will be sought and, what are the disadvantages that it will try to avoid? The analysis also includes determining the other party's alternative options. If one party is unwilling to accede to the other's demand, how readily can the latter find an attractive alternative? Traditionally, this is an area where investing companies practically have done their home work better than the host countries. Host countries have frequently been woefully unprepared. But, this is less likely to happen in future. The proliferation of experts (advisers and consultants) has greatly strengthened the position of host countries in their negotiations with investing companies.

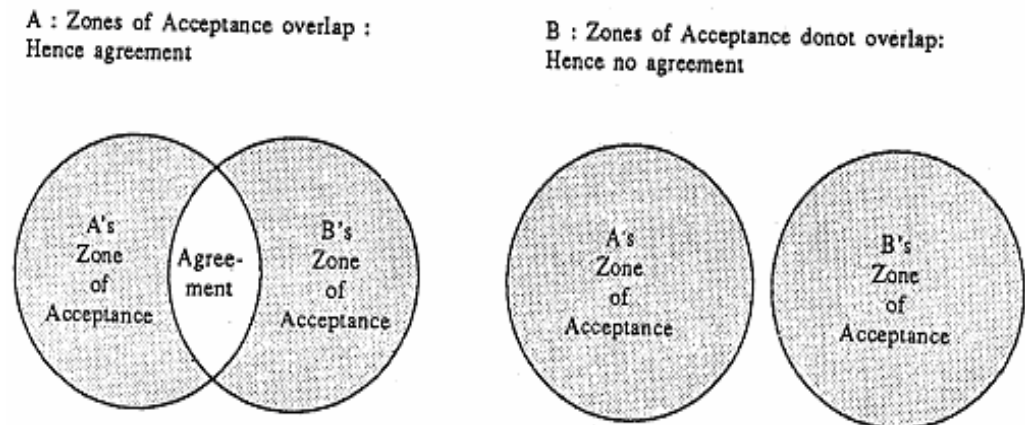
The third logical step by which both the prospective investors and the prospective host country government or company can prepare themselves is the setting of **realistic or reasonable goals**. The company must certainly identify what it wants to get out of an investment. It should also decide what can be the least acceptable condition". Similarly the host country should evaluate the proposed relationship from the same perspective that is what is the least acceptable condition under which the country would be interested in the investment. Both the parties must determine their zones of acceptance, and non-acceptance. As portrayed in Figure-12.4. (A and B), if the acceptance zones overlap, there is a possibility of coming to an agreement; if



they do not, there is little hope of agreement. The stating of goals must be realistic. It must take into account the goals that the other party is likely to set for itself, otherwise, a lot of time can easily be wasted in fruitless discussions. Besides, opportunities for potential attractive partnership may be lost.

The fourth logical step is to understand cultural differences in negotiating styles. The managers first need to know their own styles and then determine how their styles differ from the norms in other countries. Keeping in mind the nature of the negotiations and all other relevant factors the top management must decide about the size and^s composition of the negotiation team. The age, experience, expertise and mastery on human relationship are important qualities that the members are expected to possess. For instance, patience, respect and experience are necessary prerequisites for anyone negotiating in China. For best outcomes older (or more) experienced people are more acceptable to the Chinese in cross-cultural negotiations. Section 12.9 on comparative Negotiating Styles should prove interesting and informative in this context. Studying these differences in negotiating behaviours can help the managers in recognising what is happening in the negotiation process. Adept negotiators do some research to develop a profile of counterparts so that they know in most situations what to expect, how to prepare and how to react. After developing thoughtful profile of the other party or parties, managers can plan for actual negotiation meetings. Prior to the meetings, they should find out as much as possible about the kinds of demands that might be made, the composition of opposite team, and the relative authority that the members possess. After this, the managers can gear their negotiation strategy specifically to the demands of the situation and the other party, allocate roles to different team members, decide on concessions and prepare an alternative action plan in case a negotiated solution cannot be found.

Figure 12.4: Zones of Acceptance



Bargaining and Compromise

Bargaining is a process of give and take. Negotiations, therefore, are seldom a one-way street. Negotiations take place in the context of goals and are a function of the personalities involved. Neither party will get everything it wants. And no bargaining opportunity can offer each party its maximum goals. Therefore, compromise in many situations is inevitable. In any positive-sum relationship there is likely to be a wide variety of combinations of the distribution of both the gains and disadvantages resulting from relationship. If the expectations of each party have been realistic and if the bargaining has been carried out with careful awareness of the mutual advantages and disadvantages, then a successful conclusion to the negotiations may often be possible. Even under these circumstances, some negotiations may fail. This is to be expected. Neither party should therefore make the mistake of relying excessively on the successful outcome of a particular negotiation, especially where both or even one of the parties have options available. By the same token each party should weigh the cost of an excessive prolongation of the negotiations, which in the final analysis might fail anyway.



The objective in any negotiation is to reach an agreement which is seen as advantageous by both the parties. From the view-point of this objective, negotiation is both an art and a science. The science implies systematic analyses for problem solving. The "art" includes "interpersonal skills, the ability to convince and be convinced, the ability to employ a basket-fill of bargaining ploys, with wisdom to know when and how to use them."⁴

On a conceptual plane, the negotiation process can be said to be occurring within the context of four C's: *common interest, interest conflicting, compromise and criteria* (or objectives)⁵. For example, any developing country would be interested in the setting up of a new enterprises. Both the parties have a common interest in so far as the establishment of the enterprise is concerned. However, the extent of import duties imposed on the technology and material brought in by the foreign venture may create a situation of conflicting interests. This aspect involves reaching a decision which is advantageous to both parties even though it may not be ideal to both. The criteria (or objectives) for the foreign investor may be satisfactory profits with low risk and few restrictions. The objective for the host country is attractive net social benefits. Thus, international business negotiations are concerned with the balancing of freedom and restrictions, benefits and costs, and profits and risks between the host country and the foreign investor.

In a particular situation, many other characteristics may become important. For instance, in a joint venture, apart from the foreign investor and the Government, a local business firm may be involved as a third party in the negotiation. The negotiation may create significant precedents for either party. The outcome of negotiations reflected in a particular agreement may have important implications for other agreements which the foreign investor might be thinking of entering into with governments in other countries. There may also be linkage effects if the project results in encouraging new local industries that become supplier of material or distributor of the finished product. An astute negotiators can use these linkage effects to improve the investor's bargaining position.

A way of managing complex international business negotiations is to list the major mistakes commonly made. One study has identified at least 19 major mistakes which are organised in four broad and interrelated categories, namely, **empathy, role of governments, decision making characteristics and organising for negotiations**. The list includes such mistakes as failure to put yourself in the other person's shoes, insufficient understanding of different ways of thinking, insufficient recognition of or the perceptions of the host country about the role of multinational home government in negotiations, insufficient allocation of time for negotiations, and insufficient recognition of loci of decision making authority⁶.

Bargaining Power

What would be the outcome of the negotiated agreement will depend upon the respective bargaining power of the parties. As we had discussed in the previous units, you are aware that multinationals, in general, have considerable bargaining power which mainly arises from their access to resources and possession of specific advantages. Multinationals also possess considerable bargaining skills as compared to the skills of the developing countries. The deal that is struck between the foreign investor and the host government reflects the need for and scarcity of the resources offered by the two parties. A very important element of the bargaining power is whether or not the parties have alternatives available to them. If no alternative is available with one of the parties, practically speaking, its bargaining power can be said to be nil.

The foreign investor who can offer capital, technology marketing know-how, managerial skills and new jobs would relatively be in a stronger bargaining position, particularly when alternative sources for these benefits are not readily available. A



country with a large market, such as India (if the multinational is a market seeker) . or with attractive human and natural resources (if the foreign investor is a production efficiency or resource seeker) would relatively be in a strong bargaining position. Just as an international firm may possess bargaining power due to its hold on the scarce resources or the skills available with it, a host government may also derive its bargaining power from the control it has on the market access. However, as far as foreign investor is concerned, the country's bargaining position would be viewed by him in the light of the attractiveness of opportunities in other host countries.

The main findings of a study on bargaining power are as follows :

- ▼ The bargaining power of host governments is likely to be, weak when negotiating with high technology firms. This is quite understandable. Skilled scientific and technical resources are in scarce supply in most countries. As a result, host governments are often in a take-it-or-leave-it positions, if they want to develop a domestic technological infrastructure.
- ▼ Firms with well-known brand-name products that *enjoy* success in export markets also possess stronger bargaining positions in negotiating with foreign governments.
- ▼ Firms that produce a wide range of products are able to secure above-average success in international negotiations. This probably could be attributed to the fact that multi-product firms better fit into a host government's import substitution strategies.
- ▼ The greater the number of firms competing in an industry, the weaker the bargaining power of any individual firm in that industry.

We need to appreciate the time -dimension of the bargaining power. The bargaining power of the multinational is likely to be greatest before it makes its initial commitment to investment. However, once the capital has been sunk in a country, its bargaining power may considerably decline. If the technology for the project is required to be periodically improved or upgraded, the bargaining power of the foreign investor may stay strong, especially when the host country views competitiveness of the project as being of crucial importance. The host country in its assessment, may consider the continuous flow of product and process innovation by the parent firm as essential for maintaining competitiveness of the project. On the other hand, if the technology is old and static, or it is not required to be .the periodically upgraded;-nit may be easier for the host country to acquire or develop technological capability locally. The bargaining power of a foreign investor in such a situation would diminish over time.

The negotiating process between the multinational enterprises and the host country can be seen as a function of not only the relative strengths and weaknesses and the goals of the two parties but also of the perceptions held by each of the relative strengths and weaknesses and goals of the other, together with the appropriate negotiating skills of each. Given the reasonableness of the conditions that each party brings to the bargaining table, an acceptable agreement may be possible. However, if the alternatives available to the other party seem more attractive, the negotiations may fall through. Sometimes irreconcilable difficulties may develop. Both the NINE and the host country firm need to be realistic about their minimum conditions. A potentially attractive agreement may fall through because of unrealistic demands and failure to give adequate consideration to cultural differences. The investor, or the host country, or both may be responsible for this. For example, Citibank, which has been well established in Nigeria by the mid 70s refused to accept the demand to sell 60% of its Nigerian operations to local interests. The Bank was fearful that yielding to the government demands in Nigeria would have repercussions in Columbia and South Africa, the countries in which Citibank was more deeply entrenched than in 'Nigeria. As a result of its refusal, Citibank was forced to withdraw from Nigeria. And this was much to the satisfaction of the other foreign banks who were able to pick up the business of the former. However, Citibank later yielded to the Government demands in both Columbia and South Africa anyway. It

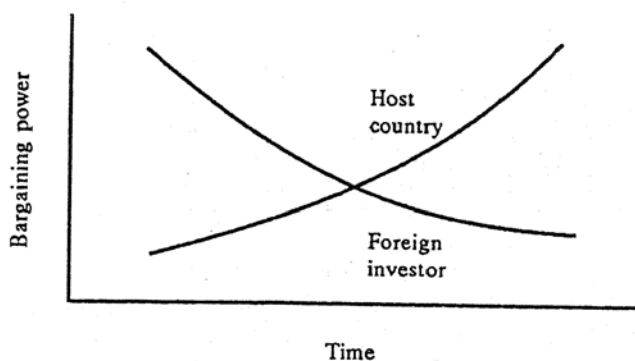


belatedly regretted its Nigerian decision and was subsequently anxious to return to Nigeria but was unable to do so. The Nigerian Government was not very favourable toward a bank which had earlier withdrawn from the country rather than accept its demands.

The governments, particularly in developing countries have been concerned about the same types of issues, viz., domestic employment, exports, technological development, balance of payments, local participation in management, use of local resources/inputs ownership and tax revenues; but priorities change and different criteria become more or less important over time. Many countries over the recent past have given incentives to attract foreign investment. (These incentives may also be available to local firms). The various incentives, apart from full or majority ownership, may include tax holidays, accelerated depreciation, low-interest loans, loan guarantees, subsidized energy and transportation, construction of roads, etc.. By signaling changes in priorities, a structured or systematic approach to issues identification can give international managers an important advantage in negotiating with government officials. Management can tailor concessions to suit the circumstances of individual business proposals.

As was mentioned earlier the related bargaining power of the two parties changes over time. Generally, the foreign investor's bargaining strength is greatest before the investment is actually made. Once the investment has been committed, the bargaining strength generally shifts to the advantage of the host country/company. In other words, once the facilities have been constructed and run for some crucial period of time and local nationals trained, the need for foreign firm may be less felt. It might be thought that the operations are well within the abilities of the host country's nationals who could manage without the help of the foreign investor. In a sense, the firm becomes a hostage to the host government authorities. Knowing the "captive" nature of capital assets involved, host government may be tempted to change the terms of existing agreement unilaterally on the premise that the international firm would accept a modest reduction in profitability, in preference to a large write-down of its assets. This position is vividly portrayed in Figure 12.5. After the facilities have been completed and have been there for some period of time, there might be a strong temptation for the host government to utilise its relatively stronger position to demand renegotiation of the investment contract to the government's advantage. Knowing the potential for this pattern in advance, management should try to negotiate the initial agreement that embodies a safety margin for the firm's profit in the event of future unilateral unfavourable decisions by governments. Management might also consider actions designed to reduce the risks arising from opportunistic behaviour on the part of foreign governments. One way is to include local investors in the international activity. This encourages the host government to maintain a favourable attitude towards initial agreement. Another way is to establish and nurture an infrastructure of local suppliers which may enhance the company's long-term relationships with host governments. Through these ways the company can manage its political risk, above and beyond the negotiation strategies, over the life of an international business venture.

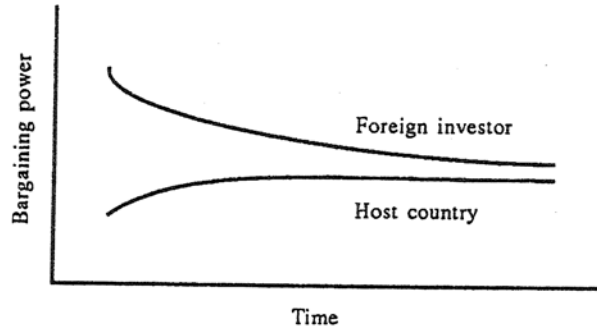
Figure 12.5 : Relative Bargaining Power : A





Since the host government has sovereign authority and since the governments relative strength increases once the investing company has committed its resources, the company needs to demonstrate that it continues to bring net advantage to the country. A continuing infusion of capital or technology, plant expansion, export markets and purchases from within the host country or sales to affiliated organisations abroad (i.e. vertical integration) *are* excellent means (or bargaining weapons) to demonstrate its continuing usefulness to the host country. This is especially effective if there are no other sources or customers for the subsidiary. Thus the bargaining power of the company may remain above that of the country for extended period as shown in Figure 12.6

Figure 12.6: Relative Bargaining Power : B



Several efforts have been made in the past towards drawing a **code of conduct** to guide foreign investors in their operations in host countries. Two of the many codes of conduct were designed, one by the United Nations (basically reflecting the host country's perspectives) and the other by the International Chamber of Commerce (reflecting the corporate viewpoint). These codes of conduct, elaborately discussed in unit 17 (block 5), can serve as useful guidelines for helping foreign investors avoid "inappropriate" behaviour. They can also guide host governments in terms of what to expect from foreign investors. However, these codes cannot insure an investor against all troubles with the host country. Moreover, the codes themselves may not be completely applicable in many investment situations. Although they can be useful guidelines, they must be used with discretion.

Activity 2

Try to find out if your organisation has been involved in negotiations on international level over the last few years. How did your organisation prepare itself before entering into the negotiations? What strategy has your company evolved to manage the negotiations?

After discussions with the concerned people, mention the salient points on how negotiations were managed.

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12.6 NEGOTIATING SKILLS

In addition to the respective bargaining power of the negotiating parties, the decisive factor in determining the outcome of a specific bargaining situation is the negotiating skills of the persons involved in the negotiation process. The understanding of psychology and sociology of negotiations is therefore extremely important. The questions: how people perceive each other, how they interact, how the ambience of interaction can be altered, how confidence and trust can be



established are relevant and determine the outcome of negotiations. In the negotiation process, as we have noted earlier, even threats and intimidating tactics are used.

The psychological and social dimensions mentioned above affect all types of business negotiations. However, the problem can be more serious in international business negotiations due to conflicts arising from different economic, political and social environments, different cultural influences, and in many cases, different languages.

It is in this background that for effective negotiations one author has laid stress on understanding the underlying social, cultural, political, and economic systems as well as expertise in technical, financial, accounting and legal analyses. Any international firm can enhance its leverage in negotiations with host governments by altering the organisation and behaviour of the firm in specific ways.

Before becoming involved in overseas negotiations, a manager should have some experience of handling bargaining process which is somewhat similar to the future experiences in the foreign sphere. For example, experience obtained in the process of acquiring or taking over a domestic company would prove to be a source of strength while acquiring a local firm in a foreign country.

The development of negotiating skills requires instructions, training and guided experience in actual negotiation situation. There has been a widespread belief in the Third World that host countries are at a sharp disadvantage as to the negotiation skills in dealing with multinationals. However, the learning experience of host countries, on the whole, has improved over time. Besides, several international agencies have been providing technical assistance to the developing countries in their negotiations with foreign governments. In some cases host country government and firms have sent officials abroad to learn more about how multinationals operate and for improving their negotiation skills. Multinationals have also become increasingly sensitive to the needs of the developing countries and have trained their international managers for negotiating under cross-cultural situations.

Simulation and role playing exercises, based on actual case histories, have been used as valuable devices for training negotiators, especially for projects requiring approval of a foreign government. By practising their own roles and those of the governments negotiators and by researching the culture and history of the country to determine its attitude towards foreign investors, business executives can be in a much better position to anticipate responses and plan their own actions. Instead of limiting to one's own pre-conceived static positions, negotiators can prepare for their meetings by practising role rehearsal.

A number of Indian firms are endeavouring to reach beyond the borders. Why and how they are preparing their corporate executions to overcome barriers of culture and etiquette, see Box 12.2.

12.2 : Cross-Cultural Training : New Tricks of the Trade

When executives at Texas Instruments-India (TII) first met their counterparts from Japanese electronics giant Hitachi, the Indians made it a point to squeeze in their age along with the preliminary introductions. No, it was not part of a brave attempt to embellish their credentials, but a deliberate strategy to play on a cultural nuance of the Japanese who set great store by the age of the person they are dealing with.

And when they got down to business, the Indians relied more on charts and figures than the usual sales spiel. They

had been fore-warned that long discourses would not catch the Japanese attention. No thumping of desks to make a point, they were told, because the Japanese would see it as a display of aggression. The subtle game continued till the excessively polite and patient Japanese decided to unwind after the discussions were concluded. The upshot of these negotiations is that the two companies are now involved in a project to develop memory-integration circuits. Says BM senior product-development manager, TII: "The customs in Japan were far removed from Indian or western practices. But we could still fit in very easily."



The trouble TII took to keep the Hitachi team at ease underscores a subtle shift in corporate thinking: towards equipping executives with cross-cultural inputs that can help them avoid gaffes while dealing with the diverse attitudes and life-styles of overseas negotiators.

Several companies are now impressing upon executives that in the esoteric world of international trade negotiations, an out-of-turn eye contact could derail a deal in one environment, and the lack of it could equally leave them in the lurch elsewhere. Among the first to focus on cross-cultural inputs, TII has put several employees through a specially designed cultural-diversity programmes that helps participants know better the country and the people they are doing business with.

BM whose job involves constant interaction with foreign clients, can now hold his own with the Japanese, deal with the highly individualistic style of the Americans and settle down to the laid-back pace of the Italians. In fact, infotech players such as TII and the Bangalore-based software firm Infosys, are leading the race to equip managers with cross-cultural skills. Infosys has roped in foreign as well as Indian trainers and evolved a system which teaches employees how to converse and negotiate with foreign clients and conduct themselves in alien cultures as different nationalities have different ways of doing business. "The employee becomes that much more effective and productive with such inputs," says NN deputy managing director, Infosys, explaining that the extra focus is needed to succeed in the competitive global market. Venturing beyond mere etiquette and language skills, companies are exposing employees to the finer points of clinching deals abroad and driving home the message that even seemingly minor details count. Those in the know say the Indian penchant for interspersing conversations with "fine" could land a negotiator in trouble if he happens to be in America. And in Scandinavia, eager-beaver executives will do well if they manage to suppress the irresistible "Do you understand?" poser which often leaves clients annoyed. Similarly, you have to brace yourself for lengthy and detailed meetings while in Japan, but learnt to be brisk and precise in Germany.

As boardroom behaviour abroad is laced with such subtleties, companies

are understandably keen to ensure that their representatives do not collapse with egg on their faces. Says AS, who moved from Tata Consultancy Services to Smith Newcourt, Hong Kong: "Multicultural training helps build an employee's self-confidence. You know how to react to a particular situation without ending up looking like a fool."

Even in remote Tirupur in Tamil Nadu, the hub of the knitted-garments export industry, the exports' association provides its members with extensive tips on how to conduct business abroad, including making appointments, starting discussions, negotiating techniques, picking business gifts and even using the telephone.

Eager to wrest the maximum advantage, several corporate bodies are now chalking out training programmes to bridge the difference between cultures and to help understand the nuances of how business is done beyond the borders. Says PK, organisation development consultant and human resource development (HRD) manager at Alpic Finance: "Doing business within --say, Asia--is a complex thing. Despite the cultural similarities, there are subtle differences which have to be considered." And Alpic Finance, which plans to open an office in Bahrain, is doing exactly that. Before it sets up shop there, its Indian staff will be familiarised with Arabian culture.

But cultural awareness alone is not enough. It has to be conveyed across the table through body language. ABB's programme on negotiation skills for its domestic and international supply managers lays a accent on body language and behaviour in different cultures. Says ABB General Manager (HRD) YS. "If a Frenchman brings his thumb and index finger to form a circle, he means things are perfect. But in certain other cultures, the same gesture would mean a zero." YS adds that even if companies do not have structured training programmes in cross-cultural skills, frequent international exposure provides managers with a global perspective. "Most of them learn to listen, observe and understand before responding."

Meanwhile, the stress on cross-cultural inputs has spawned numerous training programmes. Delhi-based RM's Corporate Arms conducts 'Globetiquette' RM's started off by training executives on etiquette and soon the programme was expanded to cover issues such as



how to overcome cultural barriers. Some of the companies that have tapped these inputs in RM's programmes include HCL-HP, Ranbaxy and ANZ Grindlays Bank.

RM says several executives who participated in her programme had abundant job expertise but were making their debut on the international stage. "Knowing about the culture you are dealing with ensures that extraneous factors do not negatively affect the outcome of a business negotiation," she says. Another player, the Hyderabad-based Centrax Services, which organises workshops on contemporary management practices, is planning a series on multicultural management with experts from the US. Centrax's AK warns that cultural insensitivity could destroy a business relationship. "Multinationals such as Sony, Nissan and Motorola place tremendous emphasis on cultural-sensitivity training. This awareness is spreading in India. AK says companies such as Bombay Dyeing and Bakelite Hyelam have shown a keen interest in equipping their managers to be more effective in negotiations with foreigners.

Most companies are culturally sensitising employees who interact with

their counterparts of other nationalities. Infosys, for instance, trains all sales and software engineers who are on projects abroad, who account for 50 per cent of its 800 employees. The company even provides a foreign-travel manual which list the basics on travelling and doing business abroad. Says HR vice-president (HRD): "Often, language is not a barrier but other less obvious things are."

However, opinions differ on whether the companies can reap tangible benefits from the move. Sceptics point out that, at best, the exercise may help managers set the right stage for starting negotiations, but the outcome will depend on the inherent strengths of the firm and the credibility of its plans. But, as companies expand business borders, Indian managers can no longer afford to ignore the differences in customs and traditions of various societies. Ignorance about the nuances of a particular culture build up prejudice and lack of tact could show the company and the country in poor light. Ranbaxy's HRD chief PKS says: "When people poorly trained to recognise cultural differences are sent to do business it undermines the very objective of their work."

Adopted from India Today, April 15, 1995 pp-102-103.

12.7 RE-NEGOTIATION

Normally in commercial relations a contract between two parties is a legally binding agreement for the duration of the contract. However it is not unusual for the parties to renegotiate or rebargain contracts even before their expiry. Renegotiations may take place when market conditions shift substantially against one of the parties to the contract. For example, a borrower may be able to renegotiate a fixed term loan when interest rates have fallen. These situations are especially likely when the party in the more favourable position. (i.e. the lender in our case) is anxious to do more business with the party in future.

Investment contracts with a host government are sometimes renegotiated. The changes in the objectives or, goals of the government or the objectives of the new government that comes into power in the host country may necessitate retrospective changes in the contract. One of the most common cases of demand for renegotiations may relate to the governmental perception that the foreign investment is no longer making significant marginal contributions to the host country. What the government likes to see is that the foreign investment continues. to make marginal contribution over and above what domestically owned company can make. The government's perception may be that the advantages are far fewer than the. disadvantages arising from the investment, for example, a continual drain upon the balance of payment in the form of outflows of profits, fees, and even capital. As discussed earlier, it is therefore in the interest of foreign investor that it continues to provide a unique contribution via continual inflows of new technology, such as in electronic or computers, via expanded local investments, or via providing continuing access to captive foreign markets. Renegotiation may also be resorted to by a host government or company when it learns that the bargaining power of the MNE has substantially declined. This was elaborated in Section 12.5.



12.8 ARBITRATION OF DISPUTES

Despite all the efforts of the parties, disputes may sometimes arise. The differences can occur even when two parties otherwise wish to continue working together. The contracts entered into as a result of negotiations often provide for legal alternatives which would be open to the parties. The local courts may be accepted by a foreign company as having the appropriate jurisdiction. However, the legal system in the other country may be considered by the investing company as not being sufficiently independent of governmental influences, or may be viewed, philosophically, biased against the company. Accordingly, the investing company may not deem it as an appropriate avenue for settling its dispute with the country. The company may insist on the legal system of its home country if the same is acceptable to the other party. However, it is also possible to select a neutral jurisdiction, noted for its efficiency and independence. In addition to the use of usual legal channels there are three multinational channels that might also be of assistance. One is to seek the intermediation of some third party or agency, including one of the several organisations available for international arbitration, such as the Geneva Arbitration Tribunal. In 1969 the World Bank created the International Centre for Settlements of Investment Disputes (ICSID) to provide a channel for binding arbitration between an investor and a host country. The host country must be a member of ICSID (only Governments can be members). One final legal avenue is the International Court of Justice in The Hague in Netherlands. Only governments can represent cases to the International Court. Therefore, a company could only utilise this channel if its host government is willing to present its case.

Support from home country's governments

Frequently, the home-country government plays an intermediary role, either by applying informal pressure on the host government or by challenging host-government policies in the international court. In extreme cases such as refusal of a host government to negotiate or in the case of outright confiscation (or expropriation) the government of the investing company, (i.e. home country) may take direct action against the host country. This is a very unfortunate situation. However, whether action would be taken or not depends on the sensitivity of the home country's government, magnitude of the problem and its long term outlook.

All investment one risky, whether made domestically or internationally. Governments should tend to avoid the temptation to bail out a home company's investments abroad. A government has responsibilities that are far greater and more important than protecting individual or a group's international operations. Though the days of gun-boat diplomacy seem to be behind us, instances can still be seen on international horizon when the interest of the home country's companies are aggressively backed up or supported by the Government. International power politics is still very much with us. Only the weapons have been updated. They are now generally economic or political. It would be ideal for governments to remain aloof from the international activities of their companies. Private business problems in fact, should not become the basis for international relations. However, in reality governments are willing to be involved especially if the investments are made in developing countries in support of governmental policies. Also since the other countries are doing the same thing to encourage and protect their own companies, competitive pressures between governments encourage them to offer comparable protection to their companies.

12.9 COMPARATIVE (CROSS-CULTURAL) NEGOTIATING STYLES

We had discussed four phases in the cross-cultural negotiation process and had noted the differences in styles and behaviours of negotiators from different cultural backgrounds. Why negotiators behave the way they do? The answer probably lies in



the underlying values and philosophies of different cultures. We suggest that you carefully go through tables 12.2 and 12.3 which would reveal some very interesting facts. It is, important for a negotiator to understand the underlying beliefs, values and philosophies of different cultures. The understanding of the cultural norms would enable him to manage the negotiator appropriately.

The following observations are based on the various research findings that have been undertaken on this subject. However, these findings, which are general in nature, should be taken with a pinch of salt. Firstly, because some of these research studies were conducted long ago. Things might have changes. Secondly, because of the policies of liberalisation and globalisation pursued by many countries, developed and developing, over the past decade or so, countries, are tending to come closer to each other. The interaction among nationals of different countries has substantially increased. The cross-cultural differences might, therefore, be sinking. The world seems to be moving from greater cultural heterogeneity to lesser heterogeneity or lesser homogeneity to greater homogeneity.

Table 12.2 : Comparison of Negotiation Styles - Japanese, North American, and Latin American

Japanese	North American	Latin American
Emotional sensitivity highly valued	Emotional sensitivity not highly valued	Emotional sensitivity valued
Riding of emotions	Dealing straightforwardly or impersonally	Emotionally passionate
Subtle power plays; conciliation	Litigation not so much as conciliation	Great power plays; use of weakness
Loyalty to employer; employer takes care of employees	Lack of commitment to employer; breaking of ties by either if necessary	Loyalty to employer (who is often family)
Face-saving crucial; decisions often made on basis of saving someone from embarrassment	Decisions made on a cost benefit basis; face-saving does not always matter	Face-saving crucial in decision making to preserve honor, dignity
Decision makers openly influenced by special interests	Decision makers influenced by special interest but often not considered ethical	Execution of special interests of decision maker expected, condoned
Not argumentative; quiet when right	Argumentative when right or wrong, but impersonal	Argumentative when right or wrong; passionate
What is down in writing must be accurate, valid	Great importance given to documentation as evidential proof	Impatient with documentation as obstacle to understanding general principles
Step-by-step approach to decision making	Methodically organized decision making	Impulsive, spontaneous decision making
Good of group is the intimate aim	Profit motive or good of individual intimate aim	What is good for group good for the individual
Cultivate a good emotional social setting for decision making; get to know decision makers	Decision making impersonal; avoid involvements, conflict of interest	Personalism necessary for good decision making

Source : Pierre Casse, *Training for the Multicultural Manager: A Practice and Cross-Cultural Approach to the Management of People* (Washington, D.C. : Society for International Education, Training and Research, 1982)



Table 12.3 : Comparison of Negotiation Style — North Americans, Arabs, Russian

Primary Negotiating	North Americans	Arabs	Russians
Style and Process	Factual: Appeals made to logic	Effective Appeal made to emotions	Axiomatic Appeals made to ideas
Conflict : Opponents Arguments Countered with ...	Objective facts	Subjective feelings	Asserted ideals
Making Concessions	Small concessions made early to establish a relationship	Concessions made throughout as a part of the bargaining process	Few, if any, small concessions made
Response to Opponent's Concessions	Usually reciprocate opponent's concessions	Almost always reciprocate opponent's concessions	Opponent's concessions viewed as weakness and almost never reciprocated
Relationship	Short-term	Long-term	No continuing relationship
Authority	Board	Board	Limited
Initial Position	Moderate	Extreme	Extreme
Deadline	Very important	Casual	Ignored

Adapted from E.S Glenn, "Cultural Styles of Persuasion," *International Journal of Intercultural Relations* 1 (1984)

We shall now briefly summarise the styles and underlying value, and philosophies of negotiators from same countries.

United States of America

A successful American negotiator knows when to compromise. He takes a firm stand at the beginning of the negotiation and refuses to make concessions before hand. He often keeps his cards close to his/her chest and accepts compromises only when the negotiation is deadlocked. He sets up the general principles and delegates the detailed work to his associates.

An American negotiator keeps maximum options before negotiations. He operates in good faith and respects the opponent and states his position as clearly as possible. He is usually briefed about the issues of negotiation. He has a good sense of timing and is consistent. He attempts to make the other party reveal his position while he keeps his own position hidden as long as possible.

Americans often plunge straight to the matter on hand, whereas negotiators particularly from the East want instead personal rapport to develop over a period of time. Americans are business-like in negotiations. Their factual appeals are based on what they believe in objective information presented with the assumption that it is understood by the other side on logical basis.

Arabian Countries

Arabian countries; following Islamic tradition use mediators to settle disputes. The Arab negotiators are very much concerned about their honour, self-respect and dignity. They try to avoid putting themselves into situations where they have to show weakness or admit defeat. They like to avoid direct confrontation and attempt to come up with honorable solutions for all parties. They would try to resist all kinds of pressure that the opposite party might try to exercise on them. In their conversation, they would often refer to people who are highly respected by the opposite party with a view to persuade them to change their minds on the issues.



Brazil

Brazilians negotiators use a "receptive" style of influence which is a blend of "linking" and "seducing" approaches. Linking involves the desire to understand the frames of reference of the other party by searching for points of agreement, listening and empathetic behaviours. The other party is encouraged to participate in the discussion fully. Seducing involves the desire to win the opposite party over to one's side. This is achieved by ensuring influence, admitting mistakes, motivating others., praising them and raising their spirits through gracious behaviour. As revealed in Table 12.2, Brazilians talk more, touch more and look directly at the other party more than the Japanese or the Americans do. This non-verbal behaviour reflects active linking and seducing activities.

Unlike Americans, Brazilians do not value persuasion in the negotiation process. They depend on personal relationships because they know that they cannot depend upon the legal system to iron out disputes which might crop up later. The linking and seducing behaviours are aimed at engendering trust, obligation and friendship between negotiating parties.

Overall, it may be stated that Brazilian negotiators are open minded, cooperative and receptive, while they believe less in direct persuasion and exertion of pressure.

Peoples Republic of China

In the initial stages of negotiations Chinese negotiators prefer to seek agreement on generalities with the other party. They try to avoid dealing with specific details altogether and prefer to leave them for later meetings. It is perhaps due to the Chinese cultural values. The approach of agreeing on general principles allows the Chinese to adopt a mental framework for the negotiation process from which to work. Many Westerners are not able to appreciate this approach of the Chinese. After the Chinese establish a cordial relationship with foreign negotiators, they use this relationship as a basis for give-and-take in business discussions. The Chinese expect Western firms to sacrifice corporate goals to Chinese national goals and principles, such as meaningful friendship, Chinese national development, and the growth and enhancement of Chinese people. Misunderstandings occur when Americans show polite acceptance of these general principles without understanding their significance. The experience shows that the Chinese put pressures on Americans by shamming them, thereby implying that the Americans are trying to renege on the friendship - the basis of implicit contract.

Chinese put much greater emphasis than American on respect and friendship, on saving face, and on group or national goals. Their emphasis on social obligations and their belief in the interconnection of work, family and friendship underlies their strong orientation toward collective goals.

Two major problems usually confronted by businessmen with Chinese are that they want great amount of detail about product characteristics, and that they are insincere about reaching an agreement.

Chinese negotiators frequently have little authority which frustrates the other who have authority and are ready to conclude a deal.

The Chinese negotiating team is usually about twice as large as the Western team.

The Chinese are said to be among the toughest negotiators in the world. They use various tactics, such as their delaying techniques and their avoidance of direct, specific answers. All these ploys are meant to exploit the patience of the other party.

While American negotiators tend to approach negotiations sequentially, i.e. they divide the issues into parts and settle them one at a time. The Chinese negotiators do not make any concessions in the course of negotiation. The concessions come only at the end. The Chinese thus follow a holistical rather than a sequential approach. The style of the latter is more cognitive. They would not concede on



things which do not fit into their total medal framework. Once the perception of the final settlement is in place in their minds, only then would they make the concessions.

Because of the emphasis on harmonious personal relationships. The Chinese try to avoid confronting the other party in negotiations at all costs. The confrontation tactics may create a feeling of deep personal shame in the Chinese minds.

Japan

Much of the Japanese culture and the basis of Japanese working relationships can be explained by the principle of **wa** meaning "Peace and harmony". This principle is one aspect of the value they attribute to **amae** meaning "indulgent love", a concept probably originating in the Shinto religion which focuses on spiritual and physical harmony. The Japanese identify strongly with their working groups, where the emphasis is on cooperation, participative management, consensus on problem-solving and decision making based on a patient and long-term perspective. Open expression or conflict is discouraged, and it is of utmost importance to avoid embarrassment or shame i.e. to lose face as a result of not fulfilling one's obligations. The culture of collectivism and shared responsibility underlies the Japanese **ringi** system of decision making.

The Japanese are calm, quiet, patient negotiators and are accustomed to long detailed negotiating sessions. They want to get to know those on the other side and spend sometime in **non-task** sounding i.e. general polite conversation and informal communication before meeting. Because of Japanese culture of politeness and hiding of emotions, they are unable to get straight-forward eye contact but maintain smiling faces even in serious situations. The persons negotiating with the Japanese should avoid anything that resembles boasting because the Japanese value humility and like to avoid physical contact. They would like to leave the room rather than give a direct negative answer. They view decisions carefully in the light of long-term consequences, and are objective and analytic and take time for reflection.

India

Indian negotiators generally exhibit firmness for a good cause. This approach combines with strength with the love for truth. Successful Indian negotiators look for and say truth and are not afraid of speaking up. They generally exercise self-control, seek solutions which will please all the parties involved. They respect the other party and do not use any violence or insult. They are ready to change their minds and may even differ with themselves at the risk of being seen inconsistent and unpredictable. They are generally humble and trust the opposite party, and are tenacious, patient and persistent.

Italy

Italian negotiators, in general, have a sense of drama and do not hide their emotions. They read facial expressions and gestures very well and usually do not trust anybody. They believe in the individual initiative and not so much in team work. They feel good when they have to oblige. They generally do not have definite opinions. They are quite capable of giving up with new ways to immobilise and eventually destroy the opposite party. They in general have flair for intrigue and flattery.

Russia

Russia is a country where negotiating style has been considered confrontational by Westerners. (Here, we are talking about undivided Russia, i.e. before its break up into CIS).

Historically, Russian negotiators have been secretive about themselves, their motives and their goals for negotiations. This could be attributed to the type of economic



and social system that prevailed in the Russia which kept them isolated from the international business community. They have a general distrust of foreigners.

The negotiating behaviour of the Russian has been variously described by Westerners as rigid, stubborn, inflexible, confrontational and competitive. Within the Western ethical systems, it is considered positive to seek compromises in order to resolve conflicts and come to an agreement. However, within Russian ethical system the very word "deal" has negative connotations, and any one seeking compromise is considered cowardly, weak and unworthy.

Because of historical reasons, the word "profit" has a negative connotation and implies exploitation. The Russian negotiators do not view negotiation as a means of achieving higher profits for their organisations nor as a vehicle for furthering personal goals. "Instead they view the negotiation process as an opportunity for "right" to succeed over the American perspective.

Historically, Russians have been extremely reliable in honouring their contractual agreements. Although they drive a very hard bargain in contract negotiations, they faithfully abide by its provisions and expect the other party to do the same. They have an excellent record of honouring their financial commitments.

Russians enter into negotiations well prepared. They are well-versed in the specific details of the matter being presented. They put a lot of emphasis on protocol and expect to deal with top executives.

Sweden

Swedish negotiators are very quiet, thoughtful, punctual and extremely polite. They are straight-forward and get straight down to business, and tend to be productive and efficient. They adopt down-to-earth approach, and are quite good at holding emotions and feelings. They are informal and afraid of confrontation. However, they are quite slow at reacting to new (unexpected) proposals.

Activity 3

Arrange a meeting with the Chief Executive of the Company with which you have been associated and ascertain if the company had entered into any major negotiations at international level on any aspect e.g. collaborations, technology transfer, strategic alliances, licensing agreements etc.

After detailed discussions with him,, list the salient features relating to the negotiating parties.

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12.10 SUMMARY

Negotiations have increasingly been used as a means to arrive at important agreements which become the basis for starting a new business activity. The managers therefore must prepare themselves for certain cultural variables, including the relative emphasis on task versus interpersonal relationships, the use of general principles versus specific details, the number of people present and the extend of their influence.

All negotiations are a part of the communication process. Therefore, effective communication skills are very important.



The negotiation process typically progresses through the stages of preparation, relationship building, the exchange of task related information, persuasion, and concessions and agreement. The process of building trusting relationships is a pre-requisite for doing business in many parts of the world. The culturally based differences in verbal and non-verbal behaviour and tactics influence negotiation process at every stage. Such tactics and actions include promises, threats, initial concessions, silent periods, interruptions, facial gazing, etc. Some parties may even resort to various dirty tricks.

The effective management of negotiations requires an understanding of the perspectives, values and agenda of the other party and the use of problem solving approach.

Sometimes due to unexpected developments, agreements or contracts may have to be renegotiated.

It is in the interest of multinationals to adopt policies which are seemed to be contributing to the national welfare of the host country. They may sometimes have to dispel false impressions created by the media regarding their international business activities.

Despite all the efforts of the parties, disputes may sometimes arise. The company has to take a decision on which one of the several mechanism available it could rely upon. One such mechanism is the agency created by the World Bank, viz. International Centre for Settlement of Investment Disputes.

In the concluding part of this unit, we attempted a comparative review of the cross cultural negotiating styles with a view to familiarize the prospective negotiators with the typical traits of the negotiators from different countries so that they plan and prepare themselves well before undertaking negotiations.

12.11 KEY WORDS

Arbitration : Settlements on disputes by recourse to a third independently. The arbitrator may be an individual or a body of individuals.

Bargaining Power : The power that one or both the parties in negotiator from the ownership of the resources-technology, financial, manpowers managerial capabilities, etc.

Projective Cognitive Similarity : Assumption that others perceive, judge, think and reason the same way as we do.

Ringi : The bottom-up approach of Japanese wherein a proposal may first be circulated to the concerned persons throughout the organization for their approval. It represents a culture of collectivism and shared responsibility.

Self Analysis : Analysis of one's own personality characteristics, attributes or strengths and weaknesses.

Stereotyping : Categorising a group of people, or a society, or a nation based on some common features, such a nationality, race or religion.

12.12 SELF-ASSESSMENT QUESTIONS

- 1) "Negotiation should be seen in the context of human communication; managing negotiation is in fact managing communication". Explain and discuss the barriers to cross-cultural communications.
- 2) Identify some specific non-verbal aspects of communication that are important for negotiations in India. Discuss how these non-verbal aspects affect the effectiveness of negotiations.



- 3) Discuss the stages in cross-cultural negotiation process, citing relevant research findings in relation to each stage.
- 4) Highlight the importance of planning and preparation for negotiations. In what way can the negotiators, plan and prepare themselves well before undertaking negotiations?
- 5) Explain the concept of bargaining power of the parties. What are the sources which give rise to bargaining strength? How can a party maintain its bargaining strength over the entire period of the contract?
- 6) How can a company manage its negotiations effectively? Explain fully.'
- 7) What role do negotiating skills play in the process of negotiations? Suggest some ways and means by which a company could enhance the negotiating skills of its managers.
- 8) What is renegotiation? What might be the causes for renegotiating contracts?
- 9) What is arbitration of disputes? What channels for arbitration of disputes might be available to a multinational enterprise? What role, if any, the government of the home country of the company could play in settling disputes?
- 10) Write an essay on the cross-cultural aspects of negotiating styles of three countries of your choice.

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