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The Impact of Cultural Difference on International Business Negotiations

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Introduction

As Manrai and Manrai (2010) demonstrate, “international business negotiations (IBN) play a fundamental and critical role in just about every aspect of conducting business in today’s global economy” (p. 69). With increasing integration of globalization and the rapid development of international trade, international business negotiation has become an indispensable part of commercial activity. Metcalf, Bird, Peterson Shankarmahesh and Lituchy (2007) point out that “business negotiation involves two or more distinct entities with various cultural backgrounds” (p. 147). Research from Graham (1985), Foster (1992), Li and Zhang (2004), and Bülow and Kumar (2011) demonstrates that cultural difference largely impacts the success of international business negotiations.

How Cultural Differences Impact International Business Negotiations

Culture is complex, multiple and hard to understand. However, culture is always present in international business negotiations and can include a variety of cultural factors. According to Baack, Harris and Baack (2011), “culture represents the beliefs, customs and attitudes of a distinct group of people; the term culture can be applied to a nation, a region, a city, or single business” (p. 118). Cultures and negotiations are interlinked and can supplement and limit each other. Thus, cultural difference plays a crucial role in impacting international business negotiations. In order to function in international business negotiations, negotiators should understand the essence of cultural differences and figure out how cultural differences affect international business negotiations.

Concepts of Values

Cultural difference is manifested in values difference and is challenging to navigate in international business negotiations (Zhao, 2008, p. 26). The influence of values differences on international business negotiations are mainly seen through misunderstanding and disgust due to differences in the concept of objectivity, equality and time.

In terms of objectivity, international business negotiation reflects behavior on the level of distinction between people and things. Westerners, especially Americans, have strong feelings for objectivity. For example, Americans tend not to practice favoritism, find importance in economic performance, rather than individuals, and believe that business is business. They do not rely on *Guangxi* (relations) when doing business (Buttery & Leung, 1998, p. 380). *Guanxi* describes the basic dynamic in personalized networks of influence, and is a central idea in Chinese society (Buttery & Leung, 1998, p. 379). Americans emphasize separating people from things during international business negotiations. They pay much attention to the substantive issues. In contrast, in some Eastern countries, like China, "*Guanxi* is the foundation of Chinese business negotiation" (Buttery and Leung, 1998, p. 380). Separating people from issues is perceived as impossible. Businessmen and businesswomen use nepotism as a tool to get something beneficial in negotiations, and the outcome of negotiations tends to affect more than the individual.

In international business activities, Britain and the U.S. pursue egalitarian values and adhere to fair and reasonable principles (Bülow and Kumar, 2011, p. 353). They hold to the ideal that two sides traded, regardless of which party should be profitable. In way of introduction, Western businessmen and businesswomen like to convince with real data. Although Americans emphasize practical interests, they generally do not make exorbitant demands, and the conditions and quotes they provide are comparatively objective. Within the trading relationship, the sellers from the United States regard the buyers as equal and the division of profits is comparatively equal. Many American businessmen and businesswomen believe that fairness of the division of profit is more important than how much profit they receive. Easterners are deeply affected by hierarchy, so the sense of equality performed in commercial activities is not the same as with Americans. For example, the Japanese are able to make a big cake, but the approach of dividing the cake is not fair (Graham & Mintu-Wimsat, 1997, p. 491).

When it comes to the concept of time, different cultural backgrounds exhibit different concepts of time. North American people have a strong sense of managing time, and they hold the idea that time is money; in contrast, people in the Middle East and Latin America have a weak sense of the concept of time. In their view, time should be enjoyed. Edward Hall (2000) divides the concept of time into two categories: the linear concept of time and the cyclic concept of time (p. 68). The former, including people from North America, Switzerland and Germany, emphasize doing more than one task in one block of time (Hall & Hall, 2000, p. 69). In contrast, people from the Middle East and Latin America have relaxed schedules and deferred information feedback (Hall & Hall, 2000, p. 70). Different concepts of time result in different negotiating styles. The United States has a linear concept of time. Americans have a strong sense of competition, and they pursue speed and efficiency. They try to shorten time in every link of negotiations and strive for a quick-fix. Chinese people's concept of time is cyclical. The Chinese people will use the method of long-term vision and systematically and comprehensively analyze and evaluate issues and topics in a wide

range (Fang, 1999, p. 96). Differences in concepts of objectivity, equality and time prove that values differences greatly influence international business negotiations, and figuring out how to eliminate these effects is difficult for negotiators.

Manners and Customs

Manners and customs refer to individual and collective traditional customs, fashion, manners, and habits (Gabrial, 2012, p.71). It is a kind of behavioral pattern observed in a specific socio-cultural area for a long time. Custom is formed from history, so it has a very strong social behavioral effect on its members. Custom is the foundation and complementary part of social morality and law, including national customs, holiday customs and traditional etiquette. Each country has its own customs and etiquette, which are not easily changed. In the United States when friends or relatives meet each other, they often give a hug and kiss to each other. It is a custom for Americans, but this scene rarely happens in China. International business negotiations are often interspersed with some social activities, for example, tea meeting, coffee meeting or business dinner. These events are greatly influenced by cultural factors. Germans, for example, are often dress in suits and display courtesy, and they never put their hands in their pockets because they think this action is crude (Hall and Hall, 2000, p.156). The French have a special preference for art, history, and food. When negotiating with them, having working lunch and going sightseeing are good ways to relax the intense atmosphere and enhance mutual friendship (Hall and Hall, 2000, p.164). Nevertheless, negotiators must not mention working when eating and touring. The Finnish show special preference to steam baths because they see steam baths as an important etiquette. When a business partner comes to their land, they will invite their partners to have a steam bath to show hospitality; of course, guests cannot refuse their invitation (Hall and Hall, 2000, p.166). The Australians always hold business activities in taverns, and they feel casual and intimate in taverns. During negotiations in Australia, negotiators should pay attention and remember which meal they should pay for. South Americans have only eyes for dark suits and small gifts. Middle East businessmen regard friendship as supreme and treat time with indifference. Nordic and Americans have a strong sense of distance, and guests are even left waiting at the door, which is normal within their culture (Al-Ghamdi,1999, p.24). When doing business in some regions, like within Latin America, putting a daisy on a negotiation table is taboo. Thus, the customs, rituals, and habits in business negotiations play a crucial role in international business negotiations. To sum up, in international business negotiations, negotiators have to have a clear understanding of the partner country's customs, rituals, and negotiating habits. Understanding their preferences, so as to leave a good impression, and knowing their taboos, and avoiding them in order to keep negotiations going smooth, is significant. All in all, manners and customs impact negotiators' behaviors in international business negotiations.

Ways of Thinking

According to Hendon, Hendon, and Herbig (1996), "thinking patterns refer to forms of reasoning and approaches to problem solution. Thinking patterns differ from culture to culture; a logical, reasonable argument in one culture may be considered as illogical and un-demonstrated in other culture" (p.144). Negotiators have different ways of thinking, thus they have different thinking modes for negotiating. Thinking differences are mainly reflected in two ways, inductive thinking and deductive thinking. Inductive thinking focuses on an individual way of thinking, and this kind of

mode divides complex things into simple elements, and then solves every simple element individually (Graham, 1985, p. 83). Deductive thinking stresses holistic thinking, and it is in accordance with the overall point of view to observe and think about things in the world (Graham, 1985, p.84). Asians prefer imaginal thinking, and the Anglo-Americans have a preference for abstract thinking. Asian cultural preference is comprehensive thinking, and Anglo-American cultural preference is analytic thinking. Asian culture focuses on unity while the Anglo-American culture emphasizes confrontation. Based on the objective existence of differences in thinking, negotiators from different cultures exhibit differences in decision-making, so the conflict between a sequential decision-making method and a holistic decision-making method is formed. When facing a complex negotiating mandate, western negotiators, especially British and American negotiators, adopt a sequential decision-making process (Drake, 2001, p.325). They usually break a large issue into small pieces, such as segmenting price, delivery, warranty and service contracts into individual issues, and every process solves one problem. There are concessions and commitments from the start to the end, and the final agreement is the sum of a series of small agreements. However, the overall decision-making process which Asians adopt emphasizes discussing all the issues together. There is no apparent order to the points, and usually in the end commitment and concessions will be made on all the issues and finally reach a package agreement on negotiations. As a result, different ways of thinking have a direct impact on the negotiation process and outcomes.

Negotiation and Bargaining Styles

Because of different cultural backgrounds, negotiators from different countries and regions have different negotiating styles. Generally, negotiation style is divided into two types: horizontal and vertical negotiation styles (Fang, 1999, p.15). Horizontal negotiation style is listing all topics to be discussed, then discussing them at the same time and gaining ground together. Vertical negotiation style refers to confirming all issues to be covered, then discussing issue by issue. In international business negotiations, the American negotiators are representatives of vertical negotiation style (Kumar, 1999, p.68). Japanese negotiators mainly apply the horizontal negotiation style. They prefer to draw a contour for the question, and then determine every aspect in a certain issue, finally reaching an agreement (Kumar, 1999, p.70). This is opposite to the American negotiation style, and represents their character. The American scholar Prestwich (2007) has conducted a mock international business negotiation between Japanese and American students. During the preparation period, the Japanese team did not consider how to convince their partner, instead; they focused on how to defend. In negotiations, Japanese kept silent and remained defensive. The U.S. team starkly showed a strong desire to win, and were eager to take the initiative to talk (p.30). When every negotiator comes to the negotiating table, they are coming with a deep imprint of their own cultures. The negotiation style in a negotiation process not only reflects negotiators' personalities but also their behaviors. Most importantly, negotiation style affects the relationship of both parties, the whole negotiation process, and the outcomes.

Handling and Reducing Cultural Differences

The manifestations of cultural differences are displayed in four aspects: concepts of values, manners and customs, ways of thinking, and negotiation styles. What is mentioned above demonstrates that every aspect of cultural difference influences international business

negotiations. If negotiators ignore cultural differences, it will bring some risks and trouble to the process and outcome of international business negotiations. Thus, an effective way to handle and reduce cultural differences in negotiations is crucial. Negotiations generally include four stages: the first is pleasantries, during this stage talking about some unrelated topic with work; the second is negotiating; the third is to make concessions; and the last one is to reach a final agreement (Baack, Harris, & Baack, 2011, p.390-391). Prior to the formal business negotiation, negotiators generally have an expectation for the business negotiation process. This expectation always influences the control of the negotiation process and the choice of negotiation strategy. Therefore, if negotiators want to make negotiation successful in international business negotiations, effective ways of handling and reducing cultural differences are necessary.

Flexible and Appropriate Pleasantries

Before beginning negotiations, talking about something unrelated to negotiations and offering warm greetings is a good way to leave a good impression for the partner party. During this stage, pleasantries could include topics such as, how was the flight, how long did it take, are you adapted to living here, if you need something do not hesitate to speak out, and so on. Also, a greeting is an effective way to know the partner party's background and interests, and it provides important clues for the selection of appropriate follow-up communication and negotiation styles. Therefore, a flexible and appropriate greeting is vital to a good start.

Being Well-Prepared

Before international business negotiations, negotiators should be familiar with the partner party's cultural norms, customs, social values, and national conditions, so as to neither cause unpleasantness or misunderstanding, nor affect the progress and outcome of the negotiations (Li and Zhang, 2004, p.67). Negotiators cannot only know the surface, but also have an extensive understanding of the other culture. A British businessman found an ideal Chinese enterprise through long-term market research. In order to establish a good business relationship to the enterprise, he decided to conduct a tour and visit this enterprise. He heard that sending a gift could express sincerity before negotiating. He originally wanted to buy a bottle of liquor, but feared Chinese people would think he was a drunkard; he wanted to buy a high-tech product, but was afraid it was impersonal. He remembered that in Guangdong Province nearly every local restaurant he saw featured a Buddha. He thought that maybe all Chinese people held a belief in Buddhism, so he bought a package of joss-sticks and candles for his Chinese partner. A package of joss-sticks and candles is used to worship dead people in Chinese custom, and it is a taboo for Chinese. As a result, he missed the chance of negotiation and lost business because of a package of joss-sticks and candles (Faure, 1999, p.191). This story proves that before negotiating, negotiators should have a deep understanding of the other side's culture and do extensive preparation for the partner party's cultural norms, customs and social values. This preparation definitely determines the success of a negotiation and of a future business relationship.

Establishing Cross-Cultural Awareness

When two parties are negotiating, building cross-cultural awareness is fundamental. The so-called cross-cultural exchange refers to when "the participants not only rely on their own codes, habits,

attitudes and behaviors, but also understand and experience other's codes, habits, attitudes, and behaviors" (Cai, Wilson, and Drake, 2000, p.591). Understanding and experiencing the other's codes, habits, attitudes, and behaviors is considered to be strange and novel. Therefore, intercultural communication includes all the features of self and strange novelty. It also refers to "relations across system boundaries to experience all relationships between people" (Weinstein and Still, 1990, p.73). In simple words, intercultural communication refers to how people from different cultural backgrounds are involved and perform in mutual communication. Building and strengthening cross-cultural awareness is necessary in international business negotiations. Of course, realizing cultural differences does not necessarily mean that one is able to easily overcome one's influences, but at least it will provide an opportunity to overcome obstacles in order to avoid mistakes in international business negotiations because of cultural differences caused by ignorance. Under the correct guidance, negotiators should be flexible so that their negotiation styles and strategies can adapt to different cultures and easily understand the partner party's motivation and purpose.

Overcoming Communication Barriers

After knowing the partner party's motivation and purpose, barrier-free communication is also a priority. Language is the most important communication tool between countries, and it is also a tool for cross-cultural communication. Sometimes, if two sides cannot understand each other's language, it is impossible for such a cross-cultural exchange. "English language probably is the most common business language"(Gabrial, 2012, p.70). English is normally used in international business negotiations, if neither side's mother language is English, they should try to use simple, clear and concise English, and do not use polysemy, puns, slang, idioms, which can lead to misunderstandings (Li and Zhang, 2004, p.68). Also, do not use words which are distasteful. In international business negotiations, one party cannot subjectively believe that the other party will be in accordance with their wishes and their habits to understand their speech. The most typical example is the use and understanding of yes and no. Yes means I understand or I'll think about it. The expression of no is also very complicated. Some cultural values oppose confrontation, so people generally do not directly say no; instead they use some vague phrases to express refusal. For example, Brazilians use "somewhat difficult" instead of "impossible" (Graham and Mintu-Wimsat, 1997, p.491). When selecting translators, businessmen must be careful. International Business English translators must pay particular attention to cultural differences between different countries, and try to make these differences disappear in the interpretation process, simultaneously reproduced in the target language.

Eliminating Bias

In international business negotiations, negotiators are often used to self-reference and want to interpret and judge all other groups' behaviors based on their own cultural personality and values, which results in bias from different cultures. Finally, it results in cultural conflict. In international business negotiations, eliminating prejudice will be beneficial to successful negotiation (Foster,1992, p. 89). Negotiators cannot impose their own culture on other countries, nor can they use their country's culture to measure other people's cultures. Even if they do not adhere to principles, then they may not win favor. When in international business negotiations, it is significant to rationally deal with the obstacles caused by cultural differences.

Conclusion

International business negotiation and culture are inseparable: international business negotiation is a process of communication; culture is a catalyst for the process of communication. Different countries have different cultures, and then cultural differences are formed. The different languages, concepts of values, manners and customs, ways of thinking, communication and negotiation styles are the most obvious categories in cultural differences. Kennedy (2003) says: “negotiators with different cultures have different negotiation styles, and negotiators are almost completely defined by the negotiation content and methods in the negotiations which the members of this community participant in” (p.386). Due to the way cultural differences exist objectively, the strategies to understand, treat, master, and solve these cultural differences become extremely necessary. International business negotiators have to be aware of the impact of cultural differences on the negotiations, recognize that different negotiators have differences in the way of thinking and negotiation and bargaining styles; they must also recognize that negotiators with different cultures have different understandings for the same thing, a same sentence, and a same action. Conversely, culture differences can easily lead to misunderstandings in two parties, and they become negotiation obstacles. At last, cultural differences can make the negotiation fail which should have been successful.

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