Track – 7 International HRM and Cross-Cultural Management

Session Format - Interactive

Cross-cultural business negotiations: investigating the micro-dynamics of individual-to-individual and team-to-team sequences of interactions

ABSTRACT

The lack of cross-cultural competence has been blamed as the reason behind a number of international business failures. Studies in international business and management have not fully scrutinised the dynamics of face-to-face negotiations, in particular the behavioural dynamics that may generate negative effects on such interactions. The Bales (1950) interactive process analysis model is adapted in this study to analyse behavioural patterns in group negotiations and to develop a modified interaction model that can be used by researchers for coding behavioural patterns. The main study aims at identifying sequences of interaction and their impact on the negotiation process. In addition relevant frameworks are discussed in order to develop this conceptual model primarily based on the literature and also suggestions are made for consequent stages of research. In due course, the main study will enable the researcher to unveil implications and provide recommendations for negotiators across business sectors in general and for cross-border negotiations in particular.

Cross-cultural business negotiations: investigating the micro-dynamics of individual-to-individual and team-to-team sequences of interactions

INTRODUCTION

In today's competitive business world, people from different cultural backgrounds interact with each other regularly. These interactions comprise of both verbal and non-verbal elements. Husbands interact with their wives, employers interact with employees, and children interact with their parents etc. in order to reach a mutual agreement. The stakes are however not the same in all these types of interactions.

Since interaction is a large subject to explore, this study will focus on business interactions, where the stakes are much higher since it involves careful preparation and planning.

Negotiation is an important component in these business interactions. A breakdown in the negotiation process could be attributed to different factors. However, many studies have shown that most often these breakdowns in negotiations have risen from differences in national culture (Brett, 2000). While exploring the area of business negotiations in depth, I have started developing a model to further understand how national culture can affect the negotiation process and its outcomes. Additionally, the Bales' Interaction Process Analysis (Bales, 1950; see Figure 1) is adapted in this study, to analyse the behavioural patterns in face-to-face negotiations between teams. The Bales model has been chosen because it is the earliest and most durable systems for examining face-to-face interactions in groups (Bales and Strodtbeck 1951; Perakyla 2004). It has been a helpful guide to identify and capture both verbal and non-verbal behavioural patterns in groups, with its twelve category typology.

The initial focus of this working paper is to investigate how the Bales' IPA model can be modified and used for coding observations and for the identification of behavioural patterns considering sequences of business interactions between and within two teams or groups. A second objective of this paper is to gain a better understanding of the micro-dynamics of cross-cultural negotiations, since cultural differences are known to influence the face-to-face negotiation process. The analysis will consider cultural dimensions from Hofstede (Hofstede 2002) and from the globe project (House et al. 2004), or more generally, West-East differences, though this is a highly contested topic (McSweeney 2002, Taras and Steel 2009). The study aims to further my understanding of the sequences of interaction that are conducive to positive outcomes when individuals of different cultural backgrounds are involved. This will enable me to advance my development of the interaction model that can help executives in multi-national companies during their negotiation sessions and can also be referred to by future researchers who are interested in pursuing further study in the area of cross-cultural business interactions.

This paper will be divided into the following sections: Literature Review that links the study to relevant theoretical frameworks and models, the results obtained from the pilot study conducted and the suggested stages for future research.

LITERATURE REVIEW

The literature review section is divided into four main sections and these are explained below.

2.1 International Business Negotiations

Negotiation is a process undertaken every day in our lives to manage different relationships. Business negotiations can be defined as a voluntary process where two or more parties modify

their offers and expectations in order to work together to meet certain objectives. The prime objective of both parties here is to reach an agreement that favours either of them or the groups that are involved. Fisher, Ury and Patton 1991; Ghauri 1983 1986 and Pruitt 1983 have come up with some common characteristics that occur within a business negotiation scenario. They are as follows:

- The information should flow openly between the parties;
- Both parties should listen to each other's objectives to find a match between the two;
- There should be solution proposed that meets both the parties' objectives;
- Parties should be aware that both common and conflicting objectives will exist during negotiations and they should find a way to achieve common and complementary objectives that is acceptable to both parties;
- In order to be able to achieve the above mentioned point, the parties should make an effort to truly understand each other's point of view.

Negotiation is not a straightforward process and this can be confirmed from the characteristics mentioned above. Howver, it is a problem-solving process that is very different to distributive bargaining. Though some literature tends to use bargaining and negotiating interchangeably (Ghauri 2003), bargaining is more competitive and refers ideally to haggling in a typical marketplace setting, where one party maximises his own benefit at the expense of the other, resulting mostly in a win-lose outcome (Ghauri 2003). However, in business negotiations, parties come together with different preferences, objectives and circumstantial details with an attempt to find a mutual solution that is beneficial to both the parties. The solution achieved should be at

least partially satisfactory to both parties. This thus requires the use of the integrative strategy that involves compromise, mutual trust and far-sightedness, in order to maintain a productive relationship with the other party (Lewicki, Barry, Minton and Saunders 2003).

The preceding section will describe three essential variables namely, background factors, the negotiation process and the atmosphere, and explain how these influence the business negotiation process (Ghauri 2003).

2.1.1 Background Factors.

Background factors include objectives, the environment, market position, third parties influence and negotiators. These are described below to understand how these play a role in negotiations:

Objectives are different interests that each party achieves successfully for their business. These could be common, conflicting or complementary in nature (Ghauri 2003). When objectives are common and complimentary, both parties are comfortable in proceeding with the negotiations as this is beneficial to both parties. On the other hand, conflicting objectives have a negative influence on the negotiation process.

The environment could be the social, political and market structural factors that could hinder the environment of both parties independently. The social and political factors influence the process or negotiation while the market structure factors influence the atmosphere within negotiations (Ghauri 2003). For instance, the number of buyers and sellers in the market determine the alternatives available to both parties and this in turn adds pressure to the parties involved in the negotiation.

Third parties like consultants, sub-contractors or the government can influence the negotiation process as each of their objectives is different. As a result, problems relating to foreign exchange, infrastructure, and employment options etc. could arise (Ghauri 2003).

Negotiators involved in the negotiation process come with different skill sets and different levels of experience as well. Their personalities could additionally play an important role in the negotiation process.

For instance, a negotiator with technical background will focus more on the technical details and may pay less attention to the terms of payment and other related details, whereas a negotiator with a business background will focus on the latter issues than on the technical details.

2.1.2 Stages of Business Negotiations.

According to Ghauri (2003), the process of negotiation can be divided into three stages and these are further explained below. Here, a stage refers to a particular part within the negotiation process that includes all the action and communication pertaining to negotiations that are completed within that part, before the parties move on to the next stage.

Stage I: Pre-Negotiation - In this stage, the parties or groups that are interested in doing business together contact each other to make tentative offers. The pre-negotiation stage is the most important stage when compared to the formal negotiation stages as the parties assess the benefits of entering into a potential negotiation with the other party by gathering information about the other parties' background, their operating environment and infrastructural abilities, their involvement with other parties and their influencers and competitors. On completion, many

countries issue a letter of intent/acceptance at this stage. In the West, this is referred to as the 'grant of contract' and merely indicates the desire for the other party to negotiate further (Ghauri 1986; Lewicki, Litterer, Minton and Saunders 1994).

Stage II: Face-to-face Negotiation - At this stage of negotiations, different expectations continue to exist especially amongst parties from different cultural backgrounds, which makes the negotiation process complex. It is thus important to understand and adjust to the existing cultural differences. According to De Mattos, Ghauri and Sanderson (2002), one of the prominent challenges in cross-cultural business negotiations is the diverse expectations that parties from different cultures have and bring forth to the negotiation table. Further, either party tries not to submit a "final offer" at this stage as the aim of the negotiators is to get into a favourable long-term agreement.

Stage III: Post-Negotiation - This stage could result in the final contract being drawn up and signed when the terms of agreement have been agreed upon or it could also lead to a renewed face-to-face negotiation based on new terms. In order for the latter to be avoided, it will be best to maintain minutes at every stage of negotiation meetings to understand if both the parties have the same understanding of the discussion and exchanges.

2.1.3 Atmosphere.

Atmosphere is defined as the social environment around which parties interact with each other and how the parties regard each other's behaviour. At each stage of the negotiation, parties are

looking for mutual solutions to problems and during this time different characteristics of the atmosphere such as, conflict/cooperation, power/dependence and expectations, take control at each stage (Ghauri, 2003).

Conflict and cooperation are vital characteristics depicted in a negotiation process and the degree of these depends on the objectives put forth by the negotiating parties and the way the parties handle them.

The power/dependence characteristic is closely related to the actual power that either party has on the negotiation process. In other words, if one party has alternatives and other opportunities in the market place, it will indirectly have the ability to control and influence the negotiation to its favour. However, if both parties perceive equal power, then the power relationship is in balance, though this is not mostly the case within business negotiations.

The last characteristic is *expectations* and this is of two types namely, long-term and short-term expectations. Long-term expectations take into account future business prospects for both parties and if these are stronger, the parties will be willing to negotiate further to come to a mutual agreement. On the other hand, short-term agreements are when the parties do not think about the future and move from one stage of the negotiation process to another with the hope of obtaining a good outcome at each stage. Expectations can develop and change at each stage of the negotiations process.

2.2 Cultural Influence and Communication

Culture is one of the factors that impact the negotiation process (Brett 2000), besides other factors such as language differences, differences in work dynamics, communication problems etc. This section will discuss to what extent cultural differences can impact the negotiation process.

According to Bates and Plog (1990, p.7), “Culture is a system of shared beliefs, values, customs, behaviours and artefacts that the members of a society use to cope with the world and with one another and that are transmitted from generation to generation through learning.” This definition includes most aspects of culture such as religion, ideologies, and patterns of behaviour and works of art. Belief systems are a set of values developed within a culture that affect the behaviour of members of that culture. And according to Rokeach (1973, p.161), “Values are a learned set of rules for making choices. These are embedded to create one’s own belief system. Acting as guideposts, they teach us what is right or wrong what to strive for and how to live our life.”

Though culture is an independent variable, it influences verbal and non-verbal communication, which are dependent variables and these in turn can affect the performance within cross-cultural teams in either a positive or a negative manner. Thus, during international business negotiations, communication plays a vital role. According to Beamer and Varner (2008), Language and non-verbal communication are products of culture as these are tools intricately bound up in a cultural process.

In face to face negotiations, individuals experience both verbal and non-verbal communication, since communication is a process through which people exchange information in the form of signs, symbols and also demonstrate different behaviour during such interactions (Adair and Brett, 2004a). Whatever the medium of communication, it is important to communicate in an effective manner as this influences and triggers the behaviour and attitudes of individuals. The reason for such an influence is because communication is culture-dependent and different social groups have different ways of expressing themselves (Adair and Brett, 2004a)

In today's competitive business world, the establishment of strong relationships with people through effective communication will lead to reduced conflict and potentially increase the number of opportunities for international business.

The cultural dimension that this study will explore further is the high-context and low-context cultural dimension theory proposed by Edward T. Hall, as it helps us better understand the inevitable effect culture has on communication.

2.2.1 High-Context and Low-Context Cultures.

This dimension of culture is important to consider because it has direct implications on how much the other party should rely on contextual cues and how much explicit information is enough (Cohen 1991; Hall and Hall 1990;).

According to Hall (1976), "A high context communication message is one in which the information is already in the person, so very little is in the coded explicitly transmitted message. Whereas, a low context communication is one in which the transmitted message needs to be explicitly coded."

Generally people from the West practice direct and explicit communication and are considered low context. On the other hand, communication pattern in Eastern cultures are generally indirect and implicit, with subtle meaning embedded behind many written and spoken words. This is thus classified as high context. People from high context cultures, change very little over time in their habits and communication behaviours and this is because of the cultural and traditional background they come from (Hall, 1976, Adair and Brett, 2004b). People from low context

cultures are quite the opposite and less homogeneous in behaviour (Adair and Brett, 2004b; Hall, 1976,).

Differences in the communication styles of people from high context and low context cultures will influence negotiations to a vast extent. Negotiators from high context cultures are usually comfortable with low context patterns of communication, whereas negotiators from low context cultures are not as comfortable with high context patterns of communication (Adair and Brett, 2004b).

These variances in the patterns of communication will ultimately alter how each culture approaches and responds to negotiations, especially when there is a conflict of interest between parties. Further study on high context and low context cultures will provide insight into what people from diverse cultures pay attention to and what they ignore during a negotiation session.

2.3 The Relevance of exploring other cultural dimensions (Hofstede Study and Globe study)

The other cultural dimensions from Hofstede's and Globe's studies will be considered if they influence the communication patterns of the people from high-context and low-context cultures.

For example: Hofstede ranks Saudi Arabia as having a power distance of 80 (Hofstede 1980) and United Kingdom as 35. This is one reason to explain why the Saudi Arabian team in negotiation sessions 2, 3 and 6 of the sample data had the Sheikh abruptly talking on the phone during the negotiations. Had the British team not been culturally aware of the practises followed within Saudi Arabia, they would have got really offended or possibly even walked out.

Hofstede's identified certain cultural dimensions based on the outcome of his study with IBM employees from 71 different countries. Since some of these were Arabic countries (Eqypt, Iraq, Kuwait, Libya, UAE and Lebanon), he generalised the outcomes from all these Arab countries including Saudi Arabia. He then rated the cultural dimensions on a scale of 0 to 100.

Though several studies have reported that Hofstede's findings do not reflect a true generalisation of the cultural dimensions of Arab countries (Tolba 2003), this will be a starting point for me to understand in a nut shell the cultural practise followed within Islamic countries. I will then be able to confirm this with Globe's study as well.

Before proceeding, it is important for me to reiterate that this paper hypothesizes culture to be one influencing factor in negotiations, which is why I will not be exploring and analysing all the cultural dimensions in detail. Only those patterns of behaviour that recur in the group interactions and that evidently lead to either positive or negative outcomes in these negotiations will be linked with the respective cultural dimension and explored further.

2.4 Bales Interactive Process Analysis

Robert F. Bales, during his tenure as a Professor at the University of Harvard, proposed a framework in 1950 called the 'Interaction Process Analysis' (IPA) framework, giving foundations for the study of interpersonal interactions between groups. Here groups refer to work teams, family groups, psychiatrist and patient(s), etc. (Bales, 1950). His typology is based on the idea that there is an orderly sequences of phases aimed at solving a problem and a parallel sequence of phases aimed at communication. The activities of problem solving involve gathering of information, evaluation of the information and the making of decisions based on this

(McGrath, 1984). According to him, concentrating on such activities will put a strain on the socio-emotional domain. The three task phases continue, which in turn increases the strain and so an effort is made to counter these strains. Thus, there is an increase in both positive and negative social-emotional functions as the individuals or groups progress through the various phases of a task (McGrath, 1984).

Bales' main area of research was focussed on group observation and measuring interaction processes, where he classified group behavioural patterns into two main areas, namely, task-oriented areas and relationship-oriented areas (Bales, 1950). Several reasons support the choice of Bales' framework. First, the twelve categories developed by Bales for his study (see figure 1), consider both verbal and non-verbal interaction; six categories relate to the task domain and the remaining six relate to the socio-emotional domain. These categories are equally grouped into six main functional problems: problems of orientation, problems of evaluation, problems of control, problems of decision, problems of tension-management and problems of integration. Second, coding the group will help researchers in analysing sequential patterns in group behaviour. This approach used by Bales is thus free from members' own biases as the coder is able to see the group interactions as a whole and code them into categories referring to the categories put forth by Bales. Lastly, Bales' framework also allows for the researcher to be present in the environment where the interaction is taking place. This makes the data easier to obtain for quantitative research purposes that may be required for the latter part of the study.

The IPA typology would help in capturing those verbal and non-verbal communicational patterns within teams in order to modify them for maximum effectiveness, so that it could lead to a win-win outcome. It will help functional groups to deal with equilibrium in both task and the socio-

emotional domains. I will then validate the conclusions built from the IPA typology with responses obtained from interviews conducted with executives to reaffirm those behavioural patterns that could be used to help with cross-cultural group interactions.

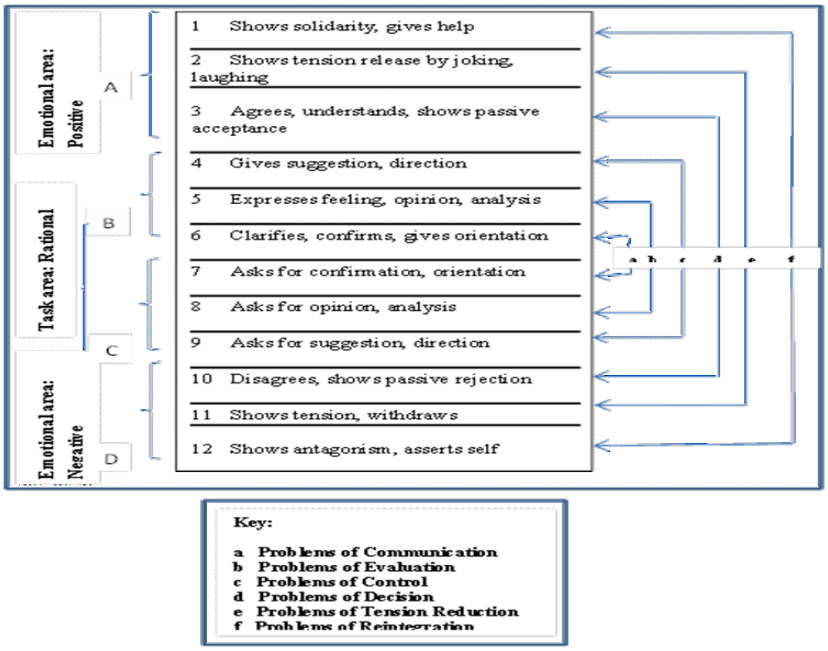

FIGURE 1: The system of categories used in direct observations and their major relations

Source: Adapted from Bales, Robert F. 1950. ***Interactive Process Analysis***

BACKGROUND OF THE PILOT STUDY AND THE RESULTS OBTAINED

The negotiation for this study is a simulation of a British company selling their products in Saudi Arabia. The research will follow a mixed method approach to meet the following objectives:

- To identify the behavioural patterns that are commonly repeated during interaction between individuals;

- To identify if these repeated patterns of behaviour lead to successful or unsuccessful negotiations;
- To validate if these positive and negative outcomes from negotiations are culturally influenced.

An in depth understanding of the literature will guide me in answering the main research question, which is, "What influence does different sequence of interactions have on the effectiveness of cross-cultural business negotiations between different teams?"

Further, the research will be divided into three main stages:

In the first stage or the pilot study stage, an analysis of a relatively small sample of existing role-play video recordings were carried out to develop a coding system that enables researchers in the same area of research to obtain the same results in coding at all times. During this stage, the video recordings were observed and the verbal communication were divided into acts. An act here can be defined as an individual's verbal statement or a non-verbal behaviour. These verbal statements or non-verbal cues are assigned to Bales' twelve categories, to analyse patterns on sequences of behaviour. To simplify the coding process further and to obtain the same results at all times from coding, I used the Bales' model as a guide to develop a similar interaction model for coding the negotiation sessions. The modified interaction model for coding the Negotiations can be seen in Figure 2 below.

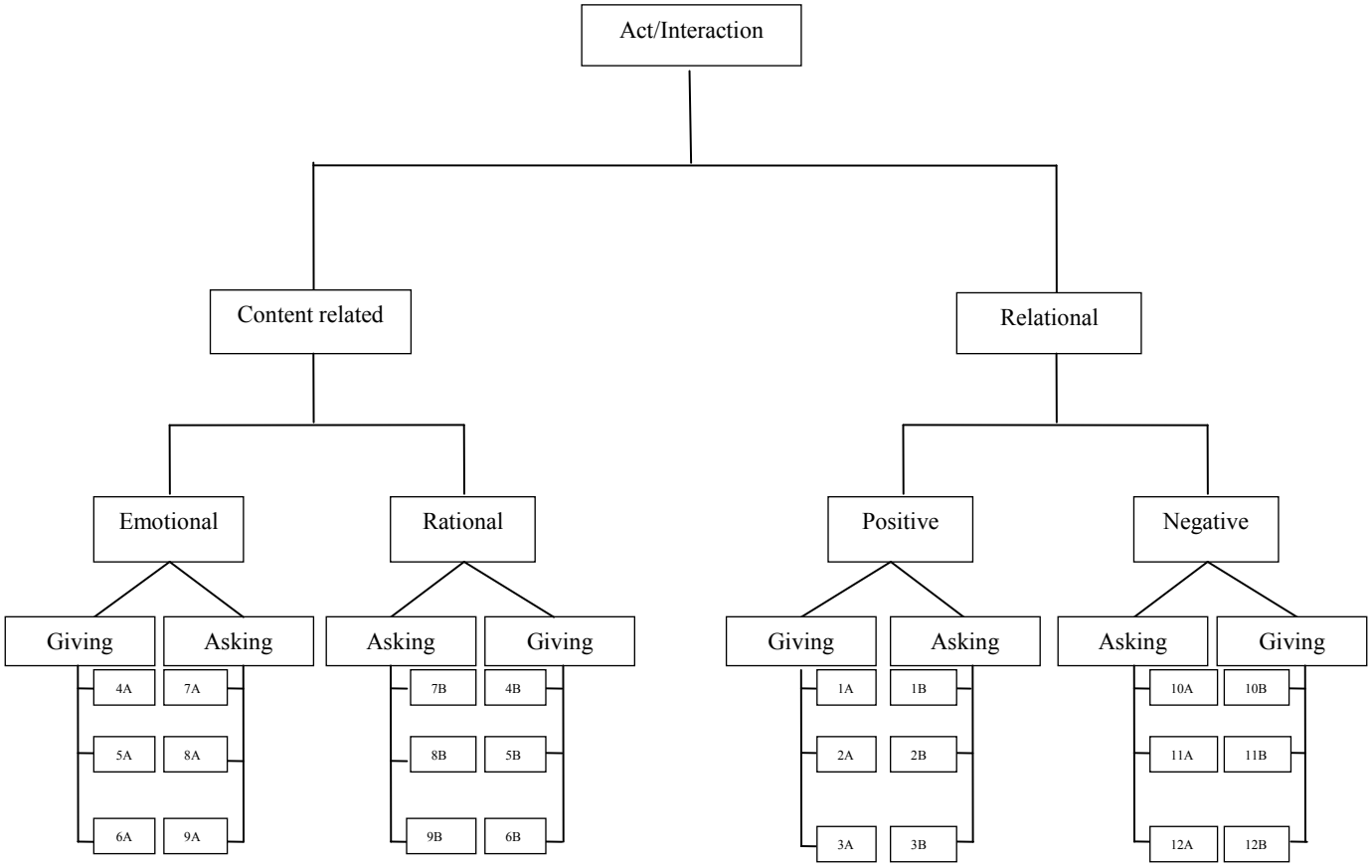

FIGURE 2: Modified Interaction Model for coding Business Negotiations

SUGGESTED STAGES FOR FUTURE RESEARCH

In the second stage, I will be trying the new interaction model to code 70 negotiation sessions, in order to identify patterns in interaction. A success index is created, to associate it with each negotiation session. It represents the number of issues that were agreed upon (at start of the negotiation there are three unresolved issues), i.e. 'very successful' (agreement on all three issues), 'nearly successful' (agreement on two issues), 'nearly unsuccessful' (agreement on a single issue) and 'unsuccessful.' (No agreement). Further analysis will investigate the mediation

effect of culture-dependent and other participant characteristics regarding the outcome of each negotiation session. For instance, we will look at the relationship of specific sequence of interactions and the cultural background of each team member. Similarly, we will investigate the impact of the emulated culture in each team (i.e., British and Saudi Arabian), emulated assigned role of each participant, and participants' gender. I will be considering the use of quantitative methods to calculate the mean using SPSS and also using multi-level modelling since I will be analysing the data at both the individual level and the group level.

In the third stage, a questionnaire will be developed based on those sequences that have been identified and in-depth interviews with experienced executives in large organisations will be conducted to understand if the identified sequences are used in real-life situations.

I aim to disseminate the results obtained from the qualitative and quantitative techniques to practitioners and peers for them to undertake further research in negotiations and group interactions. Preliminary executive reports will also be prepared and sent out to those firms that have participated in the interview sessions.

CONCLUSION

With the growth of internationalised business deals and the increase in global competition, the success of any business will depend increasingly on how effectively cross-cultural interactions are managed and it is most likely that future international managers can make a contribute to bring about this outcome successfully (Henderson 2005, Varner I.I. and Beamer, L. 2005).

Though research has shown that there is rapid development of cultural values, there is little evidence of international convergence (Hofstede, G., Hofstede, G. J. and Minikov, M. 2010).

When an individual is unable to view another person's point of view, conflicts are prone to stem up. According to Bales (1950), "conflict even if it is constructive could lead to tension that damages group cohesion." It is therefore vital for individuals to learn other cultures and their way of life before interacting with people from different cultures. The practice of effective communication will help reduce conflict and potentially increase the number of opportunities for international business. For this to be achieved, acquiring knowledge on cultural aspects should be taken seriously. Cultural awareness is a skill that can be developed with practice (Hofstede G., Hofstede, G. J. and Minikov, M. 2010) and this is what has encouraged me to develop this interaction model for business negotiations.

This model will help me further code the interactions and identify recurring patterns of behaviour that have impacted group negotiations in either a positive or negative manner. The analysis of this coded data will help me recognize those behavioural patterns that can be practised to attain success during negotiations and those behavioural patterns that should be avoided to prevent failures in negotiations. I plan to study and analyse further 70 negotiations before I confirm the validity and reliability of my model.

On completion of the main study, this model can be referred to by executives participating in cross-cultural business negotiations to understand what will work and what will not work in a business negotiation scenario. It will help them understand those cultural factors that can have an influence on the negotiation process and accordingly modify their style of negotiating. This

model will also act as a guide for future researchers to further their study in the area of negotiations.

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