**Challenges of the International Negotiation and Decision-Making Process**

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**Abstract.** The purpose of this paper is to examine the challenges of international negotiations and the decision-making process. Global companies’ negotiations vary from domestic qualities, tend to be more complex and include all forms of strategic alliances, each with separate goals, cultures, socio-economic, political, legal, and prejudices. Successful negotiations require advance preparation, effectual strategy, and efficacious execution. Success in negotiations and resourceful decision-making is not just about winning and losing, and is not always measureable. Negotiating parties have different styles and definitions of success.

**Culture and Negotiations**

“The impact of the psychological states of the negotiators, the social conditions of negotiations, and the behavior of negotiators on the outcomes of negotiations differs from country to country” (Huang & Van de Vliert, 2004, p.471). Some argue international negotiations have evolved from an art, to a science. Cultural differences affect the outcome of a negotiation and can create significant barriers to the successful decision making and negotiation process. Negotiators must recognize the influence of intercultural factors on principles, values and the overall negotiation landscape. International negotiations diverge from domestic negotiations because of cultural differences influencing styles, perceptions, and patterns of behavior. Successful international negotiations require that managers/negotiators foster sensitivity to all cultural factors. Different cultures evaluate differently, the expected outcome of a negotiation. Many argue the goal of the negotiation process is not just the completion of a deal, but also development of a relationship. As a result, of the differences in home and host country goals and processes, negotiators should be culturally respectful and appreciative of host country strategies appropriate for each specific negotiation, valuing individual and organizational aspects of the relationship. Figure 1 is an overview of how culture relative factors have noticeable influences on international negotiation interests and priorities. Additionally, Chang (2010) offers eight cultural differences in negotiations: (1) definition of negotiation, (2) selection of negotiators, (3) rituals of negotiation, (4) communication, (5) time, (6) risk tendency, (7) group and individual, (8) natural agreement (p. 138).



Figure 1 How Culture Affects Negotiations. Source: (Brett, 2001)

**Cultural Dimension and Cultural Values**

**“**National cultures differ in demographic composition, based on their cultural value priorities, nations arrayed in a two-dimensional space, revealing meaningful groupings of culturally related nations” (Schwartz, 1999, p. 23). Conservatism versus intellectual and affective autonomy; hierarchy versus egalitarianism; and mastery versus harmony, defined, see Table 1, provide the basis for comparisons that will help international negotiators address cultural factors. These cultural values and dimensions are international in nature, important in bi-lateral negotiations and in the management decision-making process. Successful international negotiations require foreign management address, respect and prepare the negotiating manager or team with specific host country knowledge of cultural dimensions and values, designed to meet the host country requirements while achieving the negotiation goals for the home country firm.

Table 1

*Seven Types of Values Comparing Nations*

|  |  |
| --- | --- |
| Issue | Definition |
| Issue I | * *Conservatism*: Conservatism is a cultural emphasis on maintenance of the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidary group, or the traditional order (social order, respect for tradition, family security, and wisdom).
* *Intellectual Autonomy*: Intellectual autonomy is a cultural emphasis on the desirability of individuals independently pursuing their own ideas and intellectual directions comprising curiosity, broadmindedness, and creativity.
* *Affective Autonomy*: Affective autonomy places the cultural emphasis on the desirability of individuals independently pursuing affectively positive experience (pleasure, exciting life, varied life).
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| Issue II | * *Hierarchy*: Hierarchy is the cultural emphasis on the legitimacy of an unequal distribution of power, roles, and resources (social power, authority, humility, wealth).
* *Egalitarianism*: Egalitarianism is the cultural emphasis on the transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others (equality, social justice, freedom, responsibility, honesty).
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| Issue III | * *Mastery:* Mastery is a cultural emphasis on getting ahead through active self-assertion (ambition, success, daring, competence). An opposing resolution of this issue is to accept the world as it is, trying to fit in rather than to change or exploit it.
* *Harmony*: A cultural emphasis on fitting harmoniously into the environment (unity with nature, protecting the environment, world of beauty)
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*Note.* The theory presented here derives seven types of values on which cultures can be compared by considering three issues that confront all societies. This theory also specifies the dimensional structure of relations among these types of values. Source: (Schwartz, 1999, p. 26)

**Cultural and Cross-Cultural Dynamics**

The dynamic nature of cultural change is reflected in technology and economics, social organizations, education, political structures, belief systems, art, music and folklore, and finally in language. These dynamics in domestic negotiations have a more or less common pace and understanding and familiarity between negotiating adversaries. International home country negotiators in foreign markets rely on research and interpretation, presenting hurdles of potential misunderstandings, perceptions, attitudes, and behavior. Successful international negotiations occur when negotiators from one culture adapt to the rules, societal norms, and customs and integrate proper language skills to share information, opinions, beliefs, and behaviors. The final agreement integrates a “multi-culture” attitude.

**Global Influences, Differences, and Consequences**

 International/global influences that are different from domestic attach to an environmental context and immediate context. Environmental include: (a) political and legal pluralism, (b) international economic factors, (c) foreign governments and bureaucracies, (d) instability, (e) ideology, (f) culture, and (g) external stakeholders. Immediate include: (a) relative bargaining power, (b) levels of conflict, (c) relationship of negotiators, (d) desired outcomes, and (e) immediate stakeholders. All of these influences create differences that complicate, prolong, and frustrate negotiators and foreign decision-making processes. These influences also affect how each party views the negotiating process, behaves, and determines goals and objectives. An example would be whether both cultures believe in one winner and one loser, and how they deal with these global influences in their positions and strategies, resulting in adaptation of integrative or disruptive negotiator strategies, leading to adjustments in expectations and positions. Just as with cultural factors, global influences are dynamic and require perpetual repositioning.

**Emotional Intelligences**

 **“**Emotional intelligence (EI) refers to the ability to perceive, control, and evaluate emotions” (Psychology.about.com, n.d.). Emotional intelligence is comprised of: (a) perceiving emotions, (b) reasoning with emotions, (c) understanding emotions, and (d) managing emotions. Further, effective leaders have the ability to recognize EI characteristics, in themselves and others, include self-awareness, self- regulation, motivation, empathy, and social skills. International managers need to not only recognize these characteristics, but also allow for the cultural influences that doing business in foreign countries requires. In addition, successful traits of leadership include integrity, maturity, energy, judgment, motivation, intelligence, expertise, and more. (Dess, Lumpkin, & Eisner, 2010, p. 394) Further, EI qualities embrace the negotiators ability to understand what they are feeling, also those of the other players in the negotiation, and not letting them reveal themselves. An example is the cultural requirement when negotiating in China; eliminate emotion, especially anger, during the negotiating process. Additionally, an ability to motivate yourself to be creative, performs at your peak, and develops a mutually respectful negotiation process. Finally, EI qualities that require extra culturally sensitive comprehension in an international environment are the abilities to influence and persuade others, change their viewpoint and problem solve, all with a conscientiousness and integrity.

**Differences in Communication Principles**

Richard D. Lewis, in his book, “When Cultures Collide” divides cultures into three main categories as seen in Table 2, reflecting that many cultures mix, but tend to dominate in one or two categories. Home country managers, upon review of these characteristics in preparation for host country negotiations can improve their communicative skills and enhance the prospects for success. “Communicative difficulties are often influenced by the following eight cultural factors: (1) attitude, (2) social structure, (3), cognitive pattern, (4), roles and role interpretation, (5) language, (6), non-verbal expressions, (7) spatial usage and organization, and (8) the understanding of time” (Chang, 2006, p. 136). Some cultures utilize a more direct or simple communication style, others are complex and/or indirect. Low-context cultures tend towards structured and linear communications, normally explicit as to the exact meaning of the message. High-context cultures use more of a non-linear logic, more ambiguous, which can also have different meaning, depending on context. Non-verbal communications are an important aspect of high-context cultures. Time perception plays an important role in international negotiations and decision-making. Some cultures are monochromic where every moment matters, short term in nature and agendas and plans are typically unalterable. Other cultures are polychromic, where time and resources are devoted to establishing relationships, and mutual trust is a key focus. People make up the relationship and flexibility in plans and strategies that are appropriate.

Table 2

*One Theoretical Model for Analyzing Broad Cultural Differences*

|  |  |  |
| --- | --- | --- |
| Linear-Active | Multi-Active | Reactive |
| Talks have the time | Talks most of the time | Listens most of the time |
| Does one thing at a time | Does several things at once | Reacts to partner’s action |
| Plans ahead step by step | Plans grand outline only | Looks at general principles |
| Polite but direct | Emotional | Polite, indirect |
| Partly conceals feelings | Displays feelings | Conceals feelings |
| Confronts with logic | Confronts emotionally | Never confronts |
| Dislikes losing face | Has good excuses | Must not lose face |
| Rarely interrupts | Often interrupts | Doesn’t interrupt |
| Job-oriented  | People-oriented | Very people-oriented |
| Uses mainly facts | Feelings before facts | Statements and promises |
| Truth before diplomacy | Flexible truth | Diplomacy over truth |
| Sometimes impatient | Impatient | Patient |
| Limited body language | Unlimited body language | Subtle body language |
| Respects officialdom | Seeks out key person | Uses connections |
| Separates the social and professional | Interweaves the social and professional | Connects the social and professional |

**Negotiation Styles in International Business**

Ghauri & Usunier suggest (as cited in Torres, 2011) “Negotiation is a basic human activity”; not just related to business activity. A process involves spouses, children, parents, employers, employees, buyers and sellers, business associates, and everyone else in managing relationships and in achieving desired goals (p.9). Styles of negotiations vary between cultures, as do definitions of negotiations. For example, Americans look at negotiation as a competitive process between proposals and counterproposals, whereas the Japanese people view it as an opportunity for sharing information. Cross-cultural ethical differences effect negotiations. Some ethical categories that influence cross-cultural negotiation styles: (1) in-group/out-group bias, the tendency to evaluate one’s own group more favorably than others; (2) contextualism, reflects the degree of sensitivity to communication contexts; and (3) gender difference, studies reflect women maintain higher standards, (Ma, 2010, p. 124).

**Tactics**

A negotiation strategy is a “set of behaviors”, and negotiation tactics are the “particular actions that make up a strategy” (Odell, 2002: 40). International negotiators should enter negotiations considering both sides of the process. This can be approached by assessing the other side’s strategic points of negotiations such as: (a) target points, the points at which a negotiator would like to conclude negotiations; (b) resistance points, the negotiators bottom line, or the point at which they are indifferent to the deal; (c) bargaining zone, the space between the resistance points of each negotiator. Additionally, employ international negotiation tactics, based on research and preparation, considering the local culture, pointing to a number of key tactical concepts. These include: patience; persistence; tactic appearance of fairness to both sides; strength of position, appears friendly fully involved; avoid making the first offer, push for more than you actually need, accentuate the positive; listen attentively, make appropriate concessions at the right time, avoid direct confrontational approach, such as using a direct “no”; avoid stalling; and avoid emotional appearances.

**Conflict Management**

There are many reasons that disagreements or friction surface in negotiations caused by opposing interests or cultural differences. Additionally, negotiation skills and experiences may be different. International conflict management styles versus domestic styles, share many similarities, however, cultural issues tend to influence foreign negotiations that add complexity and provide the basis for misunderstandings. Conflict resolution styles might include avoidance, accommodation, compromise, collaboration, and head-to-head competition, a model offered by Thomas& Kilman (Managetrainlearn.com, n.d.). Conflict management styles adopted by international business managers and decision-makers, should develop constructive methodologies for potential problem solving and conflicts, for whatever reasons that might develop, prior to entering these discussions and negotiations. An example is conflict between different status groups in hierarchical cultures, such as China, becomes incompatible to the social or corporate structure where the norm is for lower status members not to challenge the directives of their superiors. Defining conflict management styles do not follow generally agreed upon principles, however, being aware of one’s own patterns, principles and goals, and planning a scenario based set of options for differences that arise in negotiations, provides the best opportunity for successful negotiations and decision-making processes.

**Negotiation Processes and Strategies**

To varied extents, different cultural backgrounds lead to different types of negotiations. The starting point for international negotiations and strategy development is preparation. Cross-cultural factors for considerations that need to be understood to negotiate effectively with potential clients or alliances include organizational structures, who are the decision makers in the company, and what will be the impact of an agreement between home and host country business because of the negotiation? Who are the stakeholders and other potential influential players, and what are their weaknesses and strengths. Finally, how does their culture affect their decision making and negotiation style?

**Reciprocity**

“Reciprocal negotiation is a practical process that allows each party to recognize more deeply their role in the situation, the needs of the other party and their mutual obligations. Reciprocal negotiation is based on empathy, options, and reciprocity” (Barthel, 2007, para. 4). Reciprocity plays a key role in international and domestic negotiations. During the negotiation process, one perceives that others are behaving cooperatively; individuals are moved by honor, altruism, and like dispositions to contribute to the negotiation process, even without the inducement of material incentives. When, in contrast, they perceive that others are shirking or otherwise taking advantage of them, individuals are moved by resentment and pride to retaliate.  (Kahan, 2002, p. 1) Assuming that negotiators maintain ethical tactics and contributions to the process, reciprocity can be a valuable negotiation and decision-making strategy, if also considerate of cultural influences and have positive influences on negotiations, building trust, mutual respect, and a collaborative business environment.

**Conclusion**

International negotiations and decision-making are complex, culturally sensitive and requires research, preparation, execution and ongoing assessment and adjustment. The cultural factors provide the fundamental difference between international and domestic negotiations. These factors include cultural dimensions, values, cross-cultural dynamics, resulting in varying degrees of influence and consequences. Emotional intelligence, communication principles, negotiation styles, tactics, reciprocity theory, and strategies, all shape successful outcomes in international negotiations and decision-making processes. As cultural differences are as dynamic as economic and political changes within countries, future research needs to focus on each of the elements of social and corporate foreign market strategies.

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