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The influence of culture on international business negotiations

Brian J. Hurn

Abstract
Purpose – The purpose of this paper is to examine the importance of the effect of culture when negotiating in an international business context. The paper covers language of negotiation, the need to study the culture of the parties involved, building trust and personal relationships and appropriate training for international managers.

Design/methodology/approach – The various key cultural factors are considered in international business negotiation, with examples and suggestions as to how these can be used to achieve success.

Findings – The paper presents an overview illustrated with examples of the cultural factors involved in international negotiation. From these, suggested guidelines for good practice are given.

Originality/value – The paper shows that there is relatively little literature on negotiating across cultures, although the cultural “gurus” (Hofstede, Trompenaars, etc.) cover cultural differences. Also shown is the continued spread of globalisation and joint ventures, showing advice on negotiating across cultures will assume increasing importance.

Keywords Decision making, International business, Negotiating, National cultures, Relationship marketing

Paper type Research paper

The paper aims to examine the importance of the influence of culture when negotiating in an international business context. It looks in particular at the advantages to be gained by carrying out some form of “cultural audit” or cultural assessment prior to commencing negotiating to help increase the negotiating options. It also considers some of the main factors such as communication style, choice of language, approach to decision making, business etiquette and culturally acceptable protocol. The paper emphasizes the advantages for negotiators to undergo some training in cross-cultural communication to develop cultural fluency and the desirability of achieving whenever possible cultural synergy.

Negotiating across borders differs markedly from negotiating within the domestic market. A number of new factors have to be considered, including different languages, cultural sensitivities, legal systems, tax regimes, labour laws and different business practices. The negotiating environment can be further complicated by government-led bureaucracy, restrictive regulations and, in some cases, direct government interference. All of this can be set against a background of political and economic instability, with currency fluctuations and uncertainty stemming from ideological differences.

Perhaps a working definition of international negotiating is “getting people of different nationalities to seek agreement by considered dialogue on an agreed agenda”. It is undoubtedly throughout a process of communication, when a word or phrase meaning one thing in one culture can mean something quite different in another. “The idea itself does not really travel, only the code – the meaning that a person attaches to the words received will
come from his own mind – interpretation is determined by one’s frame of reference” (Cohen, 1999).

Qualities

The qualities of an international negotiator are well summarized by Adler, 1991 as:

- listening skills;
- sensitivity to cultural differences;
- orientation towards people;
- willingness to use team assistance;
- high self-esteem;
- high aspirations; and
- attractive (i.e. people-orientated) personality.

These are in addition to fundamental requirements such as receiving a comprehensive briefing and preparation, backed by sound economic market/political intelligence, and the selection of a language for communication understood by all concerned.

Language

It would, of course, be much easier if all international negotiations were conducted in the same language. Many would make the case that English is now the main international language used in negotiating across cultures, but not everyone speaks English, or, more to the point, not everyone wants to speak English, even though English has become the world’s first language after Mandarin, and by far the most common second language. It is certainly far more widely spoken than any other European language and is the main language for diplomacy, air traffic control, “computer-speak”, much of pop culture and is used for most business and scientific papers. English is also the most studied and emulated language with many words becoming truly international. The English language, however, is undeniably complex with a very wide and rich vocabulary and many often confusing metaphors and colloquialisms. It also has a number of variants, e.g. as in India with “Hinglish”, different forms in the Caribbean and, of course, in Australia and the USA. As a result, many foreigners, particularly experienced business people, tend to speak a form of “International English” or, as it is sometimes called, “off-shore English”, a form of “low-risk English”, which uses words, phrases and grammatical structures which are in less danger of being misunderstood, avoiding idioms, slang, jargon and complex structures. International English is described by Guy and Mattock (1991) as: “The English language as spoken by people with other first languages who have learned it as adults for practical rather than academic purposes”.

Interpreters and translators

In negotiating across cultures, there is often a need to use translators and interpreters. Their selection should ensure they are professionally qualified with experience in similar negotiations. There is often a requirement for specialist linguists in certain fields (e.g. technology, contract law). Summaries in both languages of key points in the negotiations should be provided in translation as necessary to ensure all parties are in agreement up to a certain stage. Interpreters should be fully briefed beforehand and given any notes you may have on the proposals you intend to make. When giving presentations it is helpful to emphasise your main points by expressing them in several different ways so that the meaning is clear. This also helps the interpreter to ensure that there is no misunderstanding. It is usually the convention, especially when dealing with senior managers of the other culture, that one speaks directly to one’s opposite number rather than to the interpreter. To do otherwise may be perceived as showing a lack of respect and therefore may cause offence.
“Shared experiences”

It is often helpful to use to advantage, particularly in the early “getting to know you” phase, any “shared experiences”. These can often be a form of cultural shorthand and are extremely helpful in preliminary and informal discussions, as “small talk” or “ice-breakers”, covering, for example, interests, sport, art, family, etc. The family unit is highly valued in many cultures (e.g. in India, Middle East, Africa), therefore showing interest and respect towards your counterpart’s family is a vital part of establishing successful relationships. As Adler (1991) comments: "Effective negotiations must view luncheon, dinner, reception, ceremony and tour invitations as times for inter-personal relationship building, and therefore as the key to the negotiating process.” In certain cultures where building relationships and mutual trust are initially more important than proceeding to detailed negotiations, such “shared experiences” are invaluable in helping bond people together. However, they should always be used with care. It is therefore essential to check their appropriateness and relevance and whether they will be appreciated or even understood. Avoid anything contentious such as political, cultural or religious sensitivities, any “taboo” subjects. If in doubt it is best to avoid using them. It is also important to understand how other cultures view the past, the present and the future. One should be aware of their cultural history, the importance they place on historical events, which are often enshrined as part of national pride and even folklore. Care should always be taken to show respect for these aspects of a foreign country’s cultural heritage.

Humour

The use of humour can also be an “ice-breaker”. Humour was once described by the comedian Victor Borge as “the shortest distance between two people”. On the international stage, however, the use of humour can be something of a double-edged sword, as humour does not always translate well across cultures. If there is any possibility of causing embarrassment or, at worst, offence or confusion, through misunderstanding, its use should be avoided. The British, in particular, like to use humour in business presentations, but this is not always appreciated as it may give the wrong impression. A German businessman is quoted as saying when a British company executive began his formal presentation with a joke: “er ist nicht seriös!”

“Face”

The importance of “face” in cross-cultural negotiations is often not appreciated. In many Eastern cultures, e.g. the Chinese, the Thais and the Japanese, “face”, the regard in which one is held by others, is of vital importance. For example, in the case of the Chinese, “face” (mianzi) relates to a person’s image and status within a social structure. However, this social status is complex and other definitions associate “face” with loyalty, trust, reputation, competence, indebtedness and obligation issues. According to Cardon and Scott (2003), the Chinese are sensitive to the preservation of “face” because of the importance they attach to the establishment and maintenance of long-term relationships. Chinese business people use various communication strategies in order to save “face” and give “face”, including indirectness and the use of intermediaries. Westerners need to remember that
they usually separate their business life from their personal life, whereas for the Chinese and other Eastern cultures this distinction is often less significant.

**Agenda**

As in all negotiation meetings, the issue beforehand of an agenda is a key feature. When negotiating across cultures, a previously agreed agenda is usually essential as it provides structure and helps signpost the stages in a negotiation. It is also valuable when there are possible language difficulties and, above all, it should contain no surprises and no hidden items if trust is to be maintained.

**Listening skills**

The development of good listening skills is particularly important in negotiating across cultures in order for the participants to pick up the various subtle cultural nuances. The Japanese are also renowned for using silence to mull over what has been said and what alternatives are open to them. This silence is used for contemplation, but it can be mistaken by Westerners as showing a lack of understanding. This often makes Westerners feel uncomfortable and produces a tendency for them to jump in and even make concessions. For Westerners who are very often relatively poor listeners, they should look upon listening as a “process of self-denial”. Such an attitude also shows respect and the avoidance of interruptions should be maintained. Do not, as the Russian proverb states, “hurry to reply”, but “hurry to listen”.

**Pace**

The actual pace of negotiations differs greatly from culture to culture. For example, in India and the Middle East, progress is often initially slow. If trust has not been fully established early on, it is important to concentrate one’s effort on building rapport. In low-context cultures, (e.g. the USA), indirectness is disliked. There is emphasis on “getting to the point”, “cutting to the chase”, with an urgency directed at getting down to the business. What is said is usually stated quite explicitly, with language which “performs mainly an informational rather than a socially lubricative function” (Cohen, 1999). Content is taken seriously and rhetoric does not always impress. The American negotiating style is considered as adopting an instrumental and often an overtly manipulative approach which analyses a problem in depth, evaluates the costs and benefits of the various options available and tends to come to a solution that emphasizes the benefits to both parties. The French tend to view negotiations more as an intellectual exercise in logic, defending or disproving a hypothesis. Arabs look upon deadlines as merely general guidelines and see the possibility of amending these in the light of circumstances. Other cultures, such as the Germans, the British and the Japanese, want such matters as deadlines and schedules to be specifically stated and agreed in the contract and would expect other cultures involved to honour these.

**Time**

Another area of culture difference, which often causes concern, is over different attitudes to time. Difficulties can occur when people from a monochronic culture are negotiating with those from a mainly polychronic culture. The first are happier with strict time-keeping, punctuality and keeping to schedules; this applies to North Americans, Germans, Scandinavians and the Japanese. Those from polychronic cultures, Latin Americans, Southern Europeans, Arabs and Africans, will not have the same regard for keeping to time. For them, it will not be unusual for people to arrive late, they will often deal with several issues and activities at the same time, or engage in multiple conversations and even move away to discuss a point separately. Such behaviour can cause frustration for monochronic cultures who perceive this as irritating and unhelpful. In such situations a high level of patience is required.

**Socialising**

Socialising, as already mentioned, plays an important part in negotiating across cultures. Due regard to seniority is essential with strict attention to seating at formal dinners, the order...
of speeches, with the appropriate toasts and the giving and receiving of gifts. The last point requires knowledge of the relevant customs, the type of acceptable gifts and such detail as the correct colour of the wrapping paper. Gift giving has a high importance in certain cultures and it would be considered a show of disrespect not to give and receive gifts. In many Western cultures gifts usually have to be declared and must not be accepted or indeed misconstrued as bribes. Gifts that symbolize the status of your company and the importance of the impending deal, preferably an item characteristic of your local area, or one that displays the company logo, are usually permissible.

**Business etiquette**

Business etiquette differs greatly across cultures. One important aspect is the exchange of business cards. This is particularly the case with the Japanese where the *meishi* is treated with great respect. For the Japanese the business card is a manifestation of the business person’s persona. It is normally exchanged immediately after the initial formal introduction. When offered, it should be studied respectfully and either placed on the table in front of the recipient for reference or placed carefully in the wallet in the top pocket (never in the back pocket). Much of what is considered by Westerners as rather strange customs or indeed ritual in other cultures is really an expression of the need to study you and your company carefully for signs that there are good prospects for long and fruitful business based on strong friendship and close relationships. In all cases when negotiating internationally, you should ensure that one side of your business card is printed in your own language and the other side in the language of the other culture.

It is more important in some cultures than others to use people’s official titles. In Germany, The Netherlands and Italy, for example, it is usual to address people with doctorates formally as Doctor rather than the more familiar approach used by Americans and, increasingly, by the British. This is because academic titles and background are considered to convey an individual’s expertise and thorough knowledge of their particular field. Greetings for some cultures are more formal. This is very much the case with the Germans and the Russians when at the beginning of the day handshakes all round are an essential part of business etiquette. In other cultures, e.g. India and Thailand, handshakes can be used but it would also be appropriate to follow the local custom of the namaste, where the palms are brought together at chest level with a slight bow of the head. When a woman is a member of a negotiating team, it is usually culturally polite for a man to wait for her to initiate the handshake.

**Decision making**

Decision making in negotiations is often dependent upon cultural characteristics and a major difference is the amount of authority given to the actual negotiators. In high-power distance cultures (e.g. Greece, Latin America) decisions are ultimately made by the negotiating team leader. In Anglo cultures, those negotiating assume that they have the power to make decisions. In other cultures, in particular the Japanese, those who are negotiating often have to report back to higher authority, for example to more senior managers or the government for a decision to be authorized. In any case, the Japanese would adopt a step-by-step approach to decision making, in effect a form of cautious incrementalism, with the emphasis on having an accurate written record of what is agreed. Their approach is also made on the basis of group consensus, where the best interests of the group are the ultimate objective. This can often cause frustration for Western companies who are used to face-to-face negotiations with those who are empowered to make final decisions there and then.

**Negotiating environment**

The negotiating environment itself requires careful consideration. Lewis (1999) considers certain cultures, particularly the French, many Latin Americans and the Japanese, “regard a negotiation as a social ceremony to which are attached important considerations of venue, participants, hospitality, protocol, time-scales and the courtesy of discussion”. Other nationalities, including the British, Americans and Scandinavians, put less emphasis on the
social aspects. The author is reminded of an occasion when involved in negotiations with a major French company. The British had been fêted with an expensive lunch at a top Paris restaurant, but, to the dismay of the French delegation, when they came to London, the British MD, because of pressure of time, proposed lunch should be sandwiches in the Board Room.

Cultural review

A helpful approach to increase one’s options in negotiating across cultures is to carry out in advance as part of your preparation a cultural review or a cultural audit of the other cultures concerned (Cohen, 1999). This helps avoid any pitfalls caused by lack of awareness of cultural sensitivities and improves the ability to understand any cultural nuances in communication. Such a review could consider the following both from the viewpoint of one’s own culture and that of the other culture:

- Cultural sensitivities, customs, history, etc.
- Communication style – direct or indirect.
- Relationship building, including “shared experiences”.
- Decision-making style.
- Choice of negotiating language.
- Attitude to time – monochronic or polychronic.
- Business etiquette and socializing.
- Importance of “face”.
- Non-verbal signals.
- Attitude to hierarchy, seniority, age, professional status.

Training

Training to prepare managers for negotiating across cultures includes the involvement of nationals of the other culture, cultural briefings and experiential learning using role-play in simulated scenarios, cultural assimilators and critical incidents (Hurn, 2007). Training should examine the different attitudes, values and assumptions of those cultures that will be encountered in the negotiating situation. Emphasis should be placed on understanding different cultural perceptions, as we tend to look at the world around us through the filter of our own values and prejudices.

Suggested guidelines

In summary, the following guidelines to help achieve success in international business negotiations are suggested:

- Ensure you study the other party’s cultural background, including conducting a cultural review;
- Adapt your negotiating style and pace accordingly;

“Much of what is considered by westerners as rather strange customs or indeed ritual in other cultures, is really an expression of the need to study you and your company carefully, for signs that there are good prospects, for long and fruitful business based on strong friendship and close relationships.”
• Spend time building trust by establishing personal relationships at an early stage;
• Always show patience;
• Use skilled, trusted and experienced translators and interpreters; and
• Be prepared for negotiations to continue after an apparent agreement.

References


About the author
Brian Hurn is Associate Lecturer at Universities of Surrey and Westminster, and Associate Professor at Schiller International University, London, teaching International Business Management, International Negotiating and Intercultural Communication. He can be contacted at: brian.hurn@btinternet.com
Business is done differently in different parts of the world, with varying levels of emphasis put on things like dress codes, time-keeping, and hierarchy. In some offices, colleagues will refer to each other informally, wear jeans, and take lots of breaks; in others, everyone will use titles, wear suits, and take care to be punctual or even early. Neither of these approaches are inherently better than the other; they are simply different. It's important to research typical company cultures and the values that inform them before meeting or visiting people from other countries so that you w International business deals not only cross borders, they also cross cultures. Culture profoundly influences how people think, communicate, and behave. It also affects the kinds of transactions they make and the way they negotiate them. Differences in culture between business executives—for example, between a Chinese public sector plant manager in Shanghai and a Canadian division head of a family company in Toronto—can create barriers that impede or completely stymie the negotiating process. Applying this framework in your international business negotiations may enable you to understand your counterpart better and to anticipate possible misunderstandings. This article discusses this framework and how to apply it. 1. Negotiating goal: Contract or relationship? Cultural Differences in Business and the Impact of Culture on International Business. I think you'll agree with me that cultural differences in business matter. Here are 6 examples and 6 simple & effective strategies to tackle them to your advantage. Let's start with the impact of culture on international business. The good news is Cultural Competence is a skill that can be learned. Question: Why does culture matters when doing business international? Answer: Culture eats strategy for breakfast. Dealing with different cultures can be learned. Also by you. Negotiations errors. For me, ALL of the above points are directly or indirectly related to cultural differences. In other words, they are all a sign of the impact of culture on international business.