A Comparative Approach to International Marketing Negotiations

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Abstract

Despite the increasing number of marketing transactions that transcend both the national and cultural boundaries, comparative studies on the influence of culture on business negotiations have been lacking. This paper presents intra-cultural and inter-cultural perspectives on business negotiation behaviors of Japan, People’s Republic of China, Canada, and the United States. The authors identify culturally bound factors that can affect the negotiation activity and thereby aid the manager in the adaptation and/or adjustment of the marketing plan to suit the foreign environment.

Introduction

In the recent past, American business endeavors have been faced by dramatic changes (American Excellence in a World Economy 1987). In particular, the strategic marketing orientation which was traditionally geared towards the customer and the product has shifted in favor of the external environment facing the firm. In order to succeed, the firm must analyze the consumer within the context of his or her environment (Bradley 1987). This is critical to the process of adjusting and/or adapting a marketing strategy to various markets, specially the foreign ones (Cateora 1987; Tse et al. 1988).

In retrospect, the United States exemplifies this case. The vast domestic market which was previously dominated by U.S. businesses is leveling off concurrent with the prevalence of the entry of foreign competition (Cateora 1987). These trends in the economic and competitive structure have mandated that international marketing be a key to corporate survival (Cetron, Pagano and Port 1985; Yaprak and Parameswaran 1986).

Among the research foci which have emerged in international business, the study of negotiations has gained increasing interest among academicians and practitioners. From the academicians’ standpoint, the theory, dynamics, and outcomes of negotiations are important topics for investigation. From the practitioners’ standpoint, the growing economic interdependence around the world has led to more cooperative behaviors (Tung 1988). To a certain extent, the notion of economic interdependence and the cultural differences among nations have dictated the need to understand fully the process of international negotiations.

The purpose of the current authors’ research is to provide a comparative analysis of international marketing negotiations. A review of the literature in international marketing negotiations will be presented in the context of both the intra-cultural and inter-cultural environments of Japan, People’s Republic of China, Canada, and the United States. Managerial implications based on the comparative findings of negotiation behaviors will be suggested. Finally, the authors provide recommendations to enhance success in international negotiations.

Theoretical Perspective

International vs. Comparative Marketing

The extension of the practice of marketing outside national boundaries has initiated the semantics of “international marketing” and “comparative marketing” (Bartels 1968). Cateora (1990) defines international marketing as the performance of profit-related business activities that direct the flow of a company’s goods and services to consumers or users in more than one country. As a discipline, international marketing draws its framework from two important paradigms, namely, the geobusiness and interaction paradigms. The former emphasizes the role of the government and public policy as well as the roles played by international institutions including financial, transportation, and communications. The latter focuses on the exchange process in the context of the marketing environment (Bradley 1987).

In the past, comparative marketing has been designated as a type of analysis in international marketing and not so much as a practice in marketing. A comparative study is not simply a description of the different marketing practices of different countries but rather a comparison of the
marketing and environmental relationships in two or more countries (Bartels 1968). Consequently, attention has turned to redefining "comparative marketing" as the applied part of marketing.

Comparative marketing is the "systematic detection, identification, classification, measurement, interpretation of similarities and differences among entire national systems or parts thereof" (Boddewyn 1981, p.61). It deals with the different historical and environmental characteristics of marketing systems (Boddewyn 1981) that support the contention that marketing concepts developed in the United States cannot be applied to other countries without some modification (Barksdale and Anderson 1982).

It is in this connection that the current authors use the comparative approach in the analyses of intra-cultural and inter-cultural marketing negotiations. The approach provides anemic (culture specific) perspective which permits researchers to ascribe religious and cultural identity (Hirschman 1981) based on previously documented research. As such, comparative marketing affords the researchers a better understanding of the behavioral aspects of marketing. In addition, this approach focuses on the practice of marketing in different countries as it pertains to cultural, societal, and social circumstances (Bartels 1960).

Defining the Phenomenon

The process of negotiation is important in the analysis of the exchange relationship in marketing (Pennington 1968). In fact, it has been argued that face-to-face buyer-seller negotiation is fundamental to the marketing process (Graham et al. 1988). According to Webster (1981), negotiation is one of the principal processes involved in the buying and selling process (in Neslin and Greenhalgh 1983).

In the buyer-seller context, a negotiation is a voluntary relationship temporarily established due to the existence of a conflict of interest where the exchange activity promotes the possibility of a mutually beneficial outcome (Karrass 1968; Evans and Beltramini 1987). Negotiation is basically a process of constructive and cooperative problem-solving (Schelling 1956); and each participant is aware of the issues to be settled (Whitney 1986).

Exchange theory suggests that there are three classes of constructs that affect the outcomes of any buyer-seller negotiation, namely: bargainer characteristics, situational constraints, and process-related measures (Rubin and Brown 1975). Although a number of bargainer characteristics, e.g., personality and demographics (Karrass 1969), may impact the negotiation outcome, this research paper primarily focuses on identifying culture-related differences which may subsequently affect the negotiation activity. According to Nader and Todd (1978), identifying the cultural differences is imperative because:

Discovery of the cultural dimension... opens a door to reveal how informants perceive the world, including the way in which they see and evaluate the machinery for processing disputes and decide on their course of action (in Weiss and Stripp, p.2).

Since a vast majority of marketing transactions transcend both national and cultural boundaries (Sheth 1981), marketing scholars must now reckon with the cultural influences involved in marketing negotiations. Individuals who have participated in international business negotiations recognize the fact that culture can be a deterrent to a cooperative arrangement (Campbell, Graham, Jolibert and Meissner 1988). In fact, Tung (1982) demonstrated that the major factor causing failure to international business negotiations is the "cultural differences." The ignorance of or inability to adjust to foreign ways cause problems in the international arena (Copeland and Griggs 1985).

Culture has been defined in many ways. A consensus of anthropological definitions states that:

Culture consists of patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts (in Hofstede 1980).

Therefore, based on the aforementioned definition, it is posited that the culture within which a person is socialized, educated, and reinforced exerts a significant influence on the negotiation activity (Graham 1985, 1983; Tung 1982; Hamner 1980; and, Harnett and Cummings 1980). One's conduct during a negotiation encounter is influenced by attitudes and customs which are embedded in his/her cultural trait (Shenkar and Ronen 1987). Furthermore, Campbell et al. (1988) demonstrated that marketing negotiations proceed differently in various cultures. In particular, negotiation constructs do not necessarily impact the bargaining activity in the same manner across cultures (Campbell et al. 1988).

Intra-Cultural vs. Inter-Cultural Business Negotiations

Adler and Graham (1989) and Adler, Graham, and Gehrke (1987) raise the issue on behavioral differences and similarities between inter-cultural and intra-cultural business negotiation. This section addresses this concern by reviewing the literature on the negotiation practices of managers from four different countries.

Intra-Cultural Negotiations: A Four Country Review

Japan, People's Republic of China, Canada, and the United States have been chosen by the authors as specific case studies because of the growing role of each of these countries in international trade (Cateora 1987). From the U.S. standpoint, the Japanese and the Chinese now assume a larger share in the worldwide economic partnership
compared to a decade ago (American Excellence in a World Economy, 1987). It is estimated that within 10 years, Japan will surpass the U.S. as the world’s largest economy. Likewise, as a consequence of the new Free Trade Deal that came into effect January, 1989, the United States and Canada will undoubtedly share the largest bilateral trade relationship in the world (Bowker 1988).


Negotiation outcomes appear to be determined prior to the negotiation activity. For example, the night entertainment prior to any discussion serves as an important avenue in learning about the personality and character of negotiation participants (Weiss and Stripp 1984). As such, what happens at the negotiation table has minimal bearing on the probable outcomes (Graham 1983).

Japanese negotiators also emphasize the establishment of long-term associations (Tung 1984). They are willing to offer price reductions to a business partner because they look to the future and the broader picture. When a good relationship is developed, a Japanese business person puts trust into it (Weiss and Stripp 1984). However, Japanese business executives take longer time to make major decisions (Tung 1984). It is inherent in the Japanese style of negotiation to sidestep, beat around the bush, or simply remain silent (Graham and Andrews 1987; Graham and Herberger 1983). In this way, they are able to avoid conflict and confrontation (Tung 1984).

There is also the inherent aversion to risk and uncertainty (Harnett and Cummings 1980). As such, the Japanese negotiators are often undecided with about their expectations of business activities. Despite certain time pressures characteristic of most business negotiations, a Japanese representative is often unable to give a definite answer (Graham and Herberger 1983).

Chinese. Any form of negotiation pattern among the Chinese is highly influenced by Confucianism (Moran and Harris 1982; Hall 1976). There are tenets of this philosophy specific to interpersonal behavior such as conflict resolution (Shenkar and Ronen 1987; Moran and Harris 1982). The tenet on conflict resolution embodies the concepts of harmony; hierarchy; and, reliance on kinship affiliation (Shenkar and Ronen 1987).

Harmony reflects a conflict-free social relation (Shenkar and Ronen 1987). The Chinese have a strong aversion towards confronting conflict; it is neither good nor desirable (Moran and Harris 1982; Hofstede 1980; Weiss and Stripp 1984; Tse et al. 1988). Hierarchy emphasizes consciousness towards an individual’s position in society (Shenkar and Ronen 1984). Consequently, the Chinese are rank conscious (Tung 1982). In general, the Chinese have traditionally observed certain norms pertaining to relationships and circumstances that people in their status are expected to encounter (Weiss and Stripp 1984).

This culture is also sensitive to face-saving (Brunner and You 1988; Tse et al. 1988). Based on the Confucian hierarchical system, a subordinate expressing his/her is not expected (Moran and Harris 1982). On the other hand, there is the concept of "guanxi," the use of certain relationships that can help get things done, thereby making decisions more politically and socially bound (Weiss and Stripp 1984; Brunner and Taoka 1977). Just like the Japanese, Chinese negotiators perceive long-term associations to be important (Tse et al. 1988). Consequently, most businesses are prepared to invest time, money, and resources in the maintenance of such relationships (Tung 1982). Like the Japanese, they also take their time in decision-making. However, previous business encounters may expedite the decision-making process since trust is usually assessed on this basis (Weiss and Stripp 1984).

Canadians. Regional stereotyping should be cautioned in Canada (Graham 1988), i.e., all Canadians are alike, since the nation has often been characterized as a mosaic of ethnic groups (Bergier 1986). Canada is a bicultural and bilingual country (Moran and Harris 1982). The two major cultural groups includes the Francophones and the Anglophones. The Francophones predominantly reside in the French-speaking province of Quebec. The majority of the population however are Anglophones whose first language is English (Adler, Graham and Gehrke 1987).

Central to the Canadian society is the family (Moran and Harris 1982). In particular, French Canadians have been criticized for their work ethic in favor of the family. For example, they would forego additional responsibility and achievement in favor of activities related to the building of a social image. Conversely, English Canadians are more achievement oriented and competitive (Adler, Graham and Gehrke 1987).

Despite the notion that the Canadian culture seems to be unsynergistic (Moran and Harris 1982) and individualistic (Hofstede 1980); Francophones do not view profits as the only important outcome of the negotiation activity. In fact, the importance of buyers and sellers’ profits were found to be significantly different among Francophones (Graham 1988).

In general, Canadians rank relatively low in uncertainty avoidance. In a forty country study where the Uncertainty Avoidance Index (UAI) was calculated, this group scored less than the mean. This type of behavior is said to be a
function of the fact that Canada is an "old democracy." Historically, Canada is a country that did not experience severe economic conditions and structural destruction during the twentieth century (Hofstede 1980).

Americans. Graham and Herberger (1983) have used the phrase "John Wayne's Old West Style" to describe the way Americans negotiate. Apparently, Americans tend to "shoot first; ask questions later" (Graham and Herberger 1983, p.161). Most U.S. executives are actually convinced they can accomplish any negotiation situation alone; if and when given enough time, money and technology (Moran and Harris 1982). They construe negotiation as a competitive process of offers instead of a cooperative endeavor (Weiss and Stripp 1984).

For most Americans, "time is money." This explains why this culture has a monochronic and compartmentalized attitude towards time (Weiss and Stripp 1984). To the American bargainer, the outcome of the negotiation is a function of the events that take place at the negotiation table (Graham 1983). To some extent, they believe that the essential part in the negotiation activity takes place during the information exchange and persuasion stage (Graham and Herberger 1983).

In a study relating to personality clustering, American managers were considered as the most risk-taking and trusting of all the national groups observed. They also believed the most in internal control (Harnett and Cumnings 1980). Their preference for internal control emanates from a highly organized and institutionalist American society (Moran and Harris 1982). Additionally, they also are considered risk-takers because they are relatively goal and achievement oriented (Moran and Harris 1982). Likewise, they are willing to put their "cards on the table" (Graham 1983) while expecting the same amount of "honest" information from their counterparts (Weiss and Stripp 1984).

Inter-Cultural Negotiations: An Integration

The preceding section on intra-cultural negotiation behavior demonstrates some of the inherent cultural differences prevalent in international negotiations. Subsequently, the negotiation process and outcomes are impacted by such differences (Tse et al. 1988; Hamner 1980). As such, the assumption that intra-cultural negotiation behaviors can accurately predict inter-cultural behavior seems insupportable. This is consistent with the empirical findings of Adler and Graham's (1989) research regarding the behavioral variations in inter-cultural and intra-cultural situations.

Note that despite the regional proximity of the Japanese and the Chinese, the Canadians and the Americans; it is apparent that very clear behavioral distinctions exist between these populations. This section of the analysis stresses such differences relative to the American perspective.

The Negotiation Concept. The concept of what is negotiation and what it entails, is probably the most fundamental distinction underlying the negotiation practice of each of these countries. To the American business executive, a negotiation does not tend to be an integrative activity (Weiss and Stripp 1984) that allows for changes in the initial concession, nor is it a time consuming process whereby actions need to be well thought out. Instead, Americans perceive negotiations more of a zero-sum game of the "I win and you lose" type (Graham and Herberger 1983). Moreover, Americans believe that outcomes in negotiation are directly related to what goes on at the negotiation table (Campbell et al. 1988).

Conversely, the Chinese are willing to forego negotiation gains in order to avoid conflict (Shenkar and Ronen 1987). According to the Confucian philosophy, there exist traditionally set norms, e.g., unacceptability of subordinate's opinion (Tung 1982); and relationships, e.g., the "guanxi" concept (Weiss and Stripp 1984), that need to be addressed. To the Japanese business person however, the actual negotiation process takes place before the confrontation (Graham 1983). Established interpersonal relations prior to the negotiation (Graham et al. 1988) is important in learning about the personality and character of participants (Weiss and Stripp).

Among the Canadians, the intra-cultural differences between the Francophones and the Anglophones need to be considered (Tung 1982). In particular, the discrepancies in their respective work ethics have significant ramifications (Moran and Harris 1982). The family orientation of the Francophones may change their expectations of negotiation outcomes (Graham 1988). On the other hand, the achievement and competitive orientation of the Anglophones can impact the desired cooperative behaviors in negotiations (Adler, Graham and Gehrke 1987).

Concept of Time. Perceptions of time vary across different cultures (Robinson 1986). In the United States, deadlines are indicative of an activity's priority and importance (Hall 1960), consequently, Americans work by schedules (Copeland and Griggs 1985). In relation to the John Wayne style of negotiating, Americans think that negotiators should be able to handle anything in order to expedite the process (Graham 1988). This reinforces the criticism that American managers are oriented towards the short-run (Webster 1988). Managers who rush into business will not find efficiency rewarded (Copeland and Griggs 1985). To some degree, Canadians are also said to share this perspective (Moran and Harris 1982; Hofstede 1980).

On the contrary, both Japanese and Chinese business executives emphasize the future (Hofstede 1980). They
are willing to forego short-run gains in favor of the establishment and maintenance of long-term relationships (Tung 1984). To the Japanese, even a delay in years does not necessarily imply loss of interest (Hall 1960). This way, some element of trust is developed which later becomes a significant factor in the assessment of future business undertakings (Weiss and Stripp 1984).

**Information Exchange.** Most American managers believe in the honest exchange of information during a negotiation (Graham and Herberger 1983). This type of honesty, however, can cause problems since foreign negotiators often feel uncomfortable reciprocating such gesture. For example, the Japanese may choose to stall an American negotiator because of his adversity to confrontation. It is common among Japanese to simply remain silent and noncommittal to certain aspects of a deal (Tung 1984). Silence usually makes the American counterpart uncomfortable (Hall 1960).

To the Chinese, however, concern for social obligations (Weiss and Stripp 1984) and saving face (Tse et al. 1988) make the negotiation process more complicated. Decisions made have to be in consonance with the social and political boundaries (Tung 1982), as well as generated economic profits (Hofstede 1980).

Once again, the issue concerning the work ethic is raised in the exchange of information with Canadian business negotiators. English speaking Canadians may have the tendency to take advantage of this "honest" information rather than the more conservative French speaking group (Adler, Graham and Gehrke 1987).

**Individualism vs. Collectivism.** An important distinction between the Orientals, e.g., Japanese and Chinese, and the North Americans, e.g., Americans and Canadians, appears to be the collective orientation of the former and the individualistic orientation of the latter. Collective orientation implies relationships not confined to its domain and function (Hofstede 1980). In other countries, dependence among group members is reinforced by a system of rights and expectations (Copeland and Griggs 1985). Conversely, an individualistic orientation emphasizes freedom of choice and competition (Tse et al. 1988; Hofstede 1980). This distinction is important to decision-making. It relates back to the notion of how decisions are made, who makes the decision, and time frame involved in decision-making.

**Managerial Implications:**

As people turn to dealing across national boundaries, it becomes less likely that even the most cosmopolitan negotiators will reason from the same starting assumptions, the same images of the world, or even the same patterns of logic. Ultimately, in understanding any negotiation process, one needs to anticipate how the issue will in fact be challenged. The new challenge is to enter the cross-cultural factor into the equation (Fisher 1983, p.14).

Since the corporate environment has become more interrelated (Adler 1983), American participation in the international market has increased (Munson and McIntyre 1979). Since negotiation is one of the most common means of resolving conflict (Graham 1983), understanding the American counterpart is imperative. The cultural setting dictates whether or not a business executive has to extend or adjust his/her way of doing business in a foreign market (Fisher 1983; Sheth 1981).

When managing inter-cultural negotiations, managers should put their negotiation behavior into a cultural perspective (Campbell et al. 1988; Fisher 1983). In order to succeed, Hall (1960) and Fisher (1983) postulate that the American manager has to learn to appreciate these cultural differences. In as much as ignorance of a foreign country’s language is no longer a valid excuse, inability to understand a culture is neither plausible.

Having identified some culturally related negotiation behaviors that can affect international negotiations, the next step is to discuss how this can be useful to managerial practice. The issue of applicability lies on how these findings can consequently affect a company’s present competitive strategy.

An American chief executive needs to realize that American business practices are not universal (Fisher 1983). Instead, the appropriateness of one’s behavior is highly related to the negotiator’s counterpart (Weiss-Wik 1983). The American convention of "laying cards on the table" does not necessarily work (Graham and Herberger 1983), although this approach might be applicable among the English-speaking Canadians (Adler, Graham and Gehrke 1987).

Based on the aforementioned conclusions, one can infer the importance of careful preparation for negotiation. According to Whitney (1982), thorough preparation is the antidote to the cultural dilemma of international negotiations. In particular, preparation broadens the negotiator’s behavioral alternatives or strategies by effectively anticipating their counterpart’s behaviors (Fisher 1983; Whitney 1982). An effective preparatory approach includes: (1) Analyzing the issues; (2) Setting your goals; (3) Setting the stage for the negotiation; and (4) tactically planning your moves (Whitney 1982:14).

Likewise, it is apparent that most countries do not view outcomes as a function of the negotiation process alone (Weiss-Wik 1983). This is certainly true among Chinese and Japanese negotiators. Behaviors outside the negotiation table are as important as behaviors during the actual negotiation encounter (Shenkar and Ronen 1987).

In a related vein, the knowledge that outcomes of
negotiations are predetermined to some degree, should make the American manager more perceptive on who should represent the company. With the Japanese preoccupation with interpersonal relations (Hofstede 1980), the company should choose a relatively amiable and pleasant spokesperson. Since most Chinese emphasize on the local "network" of relationships (Weiss and Stripp 1984), then it is recommended that the American business manager hire a local person or establish some form of local alliances in order to get acquainted with how the "network" operates. Whenever possible, choose interpreters familiar with both the American and other party's culture.

Similarly, negotiators must also be aware of the differences among countries with seemingly similar cultural heritage, and the diversity occurring within these countries (Shenkar and Ronen 1987). In doing business with the Canadians, stereotyping their behavior is definitely not recommended. Of course, the United States being considered a "melting pot" is also characteristic of such cultural diversity (Bergier 1986).

Managers should also emphasize understanding status relations or hierarchical positions (Graham 1988). According to Hall (1976), several cultures behave in accordance with role prescriptions. As noted earlier, this practice is prevalent among the Chinese and Japanese business executive. Thus, the American manager needs to make sure that representatives sent overseas should hold parallel, if not higher, positions in the organizational hierarchy.

Finally, the cliche "patience is a virtue" should be inculcated in the minds of American executives who go abroad. Whereas most North Americans tend to rely on subtle timing cues; Orientals' perception of time is entirely different. In addition, U.S. firms should be willing to devote time and effort in the cultivation of foreign business relationships (Tung 1982). Relationships are not formed as quickly as in the United States (Hall 1960). Managers should also be willing to forego immediate profits for future gains (Shenkar and Ronen 1987; Weiss and Stripp 1984). According to one Japanese business executive, "You Americans have one terrible weakness. If we make you wait long enough, you will agree to anything" (Hall 1960, p.89).

Conclusions

This research is not an exhaustive analysis on the implications of culture on marketing negotiations. It is, however, a systematic attempt to use a comparative approach in understanding diverse cultures, and how it impacts strategy formulation in American businesses. Since the stakes involved in foreign negotiations are often higher than they would be in a comparable domestic situation, it is imperative that the American business manager realizes these cultural differences (Copeland and Griggs 1985; Fisher 1983).

A comparative approach is important since most cross-cultural studies are more phenomenological in nature, which makes the analysis less obvious. As such, it is necessary that one takes anemic (culture specific) approach in any research undertaking. In particular, the anemic approach is important for two reasons. First, the relativity problem of understanding meanings under the context of certain systems is explored. Second, the insider's perspective is actually a part of the external validity of what is being measured.

Literature supports the contention that the cultural make-up of the buyer-seller negotiation dyad affects the process and outcomes of business negotiations. The current authors distinguish these differences relative to American business practices in order to be able to present managerial recommendations to enhance the success of the American manager. Considering the increasing economic interrelationships worldwide and the diminishing economic role of the United States, today's breed of managers needs to be aware of the importance of these cultural differences in the process of adjusting and/or adapting a marketing strategy to foreign markets.

In conclusion, the following passage best summarizes the authors' viewpoints on culture and business negotiations:

All good people agree,  
and all good people say,  
All nice people like US are WE  
and everyone else is THEY;  
But if you cross over the sea  
instead of over the way,  
You may end up (think of it)  
as a sort of (THEY).

Rudyard Kipling

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