

14.5: Negotiation Behavior

4. How do you recognize and respond to cultural differences in negotiation and bargaining strategies?

We have seen the central role conflict plays in organizational processes. Clearly, there are some areas where managers would prefer to solve a problem between two parties before it results in high levels of conflict. This is usually accomplished through negotiation. **Negotiation** is the process by which individuals or groups attempt to realize their goals by bargaining with another party who has at least some control over goal attainment. Throughout the negotiation process, considerable skill in communication, decision-making, and the use of power and politics is required in order to succeed.

We will consider several aspects of negotiation, including stages of negotiation, types of negotiation behavior, and the negotiation process itself. We begin with the reasons why people engage in negotiation and bargaining in the first place.

Stages of Negotiation

In general, negotiation and bargaining are likely to have four stages. Although the length or importance of each stage can vary from situation to situation or from one culture to another, the presence and sequence of these stages are quite common across situations and cultures.

1. *Non-task time.* During the first stage, the participants focus on getting to know and become comfortable with each other and do not focus directly on the task or issue of the negotiation. In cultures such as ours, this stage is often filled with small talk. However, it is usually not very long and is not seen as important as other stages. North Americans use phrases such as “Let’s get down to business,” “I know you’re busy, so let’s get right to it,” and “Let’s not beat around the bush.” However, in other cultures such as Mexico or South Korea, the non-task stage is often longer and of more importance because it is during this stage the relationship is established. In these cultures, it is the relationship more than the contract that determines the extent to which each party can trust the other to fulfill its obligations.
2. *Information exchange.* The second stage of negotiations involves the exchange of background and general information. During this stage, participants may, for example, provide overviews of their company and its history. In Japan, this is an important stage because specific proposals or agreements must be considered and decided in the larger context. The information exchanged during the second stage provides this larger context.
3. *Influence and persuasion.* The third stage involves efforts to influence and persuade the other side. Generally, these efforts are designed to get the other party to reduce its demands or desires and to increase its acceptance of your demands or desires. There are a wide variety of influence tactics, including promises, threats, questions, and so on. The use of these tactics as well as their effectiveness is a function of several factors. First, the perceived or real power of one party relative to another is an important factor. For example, if one party is the only available supplier of a critical component, then threatening to go to a new supplier of that component unless the price is reduced is unlikely to be an effective influence tactic. Second, the effectiveness of a particular influence tactic is also a function of accepted industry and cultural norms. For example, if threats are an unacceptable form of influence, then their use could lead to consequences opposite from what is desired by the initiator of such tactics.
4. *Closing.* The final stage of any negotiation is the closing. The closing may result in an acceptable agreement between the parties involved or it may result in failure to reach an agreement. The symbols that represent the close of a negotiation vary across cultures. For example, in the United States, a signed contract is the symbol of a closed negotiation. At that point, “a deal is a deal” and failure to abide by the contents of the document is considered a breach of contract. In China, however, there is not the strong legal history or perspective that exists in the United States, and a signed document is not necessarily a symbol of the close of the negotiations. In fact, to some extent it symbolizes the beginning of the final points of negotiation. The signed document identifies the key issues that still need to be negotiated despite the fact that it may contain specific obligations for the involved parties concerning these issues. Quite simply, even though the document may obligate one party to deliver a product on a certain day and obligate the other party to pay a certain price for delivery, the document itself does not symbolize that the negotiation concerning these specifics is closed.

Each of these four stages and the sequence described above are common across most situations and cultures. However, the length of time devoted to each stage, the importance of each stage, and the specific behaviors associated with each stage can vary by situation and certainly do vary by culture.

Bargaining Strategies

Within the context of these four stages, both parties must select an appropriate strategy that they believe will assist them in the attainment of their objectives. In general, two rather distinct approaches to negotiation can be identified. These are **distributive bargaining** and **integrative bargaining**. A comparison of these two approaches is shown in Table 14.5.1.

Distributive Bargaining. In essence, distributive bargaining is “win-lose” bargaining. That is, the goals of one party are in fundamental and direct conflict with those of the other party. Resources are fixed and limited, and each party wants to maximize her share of these resources. Finally, in most cases, this situation represents a short-term relationship between the two parties. In fact, such parties may not see each other ever again.

A good example of this can be seen in the relationship between the buyer and seller of a house. If the buyer gets the house for less money (that is, she “wins”), the seller also gets less (that is, she “loses”). This win-lose situation can also be seen in classes where the professor insists on grading on a specified curve. If your friends get an A, there are fewer As to go around, and your chances are diminished.

Two Approaches to Bargaining		
Bargaining Characteristic	Distributive Bargaining	Integrative Bargaining
Payoff structure	Fixed amount of resources to be divided	Variable amount of resources to be divided
Primary motivation	I win, you lose	Mutual benefit
Primary interests	Opposed to each other	Convergent with each other
Focus of relationships	Short term	Long term

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Under such circumstances, each side will probably adopt a course of action as follows. First, each side to a dispute will attempt to discover just how far the other side is willing to go to reach an accord. This can be done by offering outrageously low (or high) proposals simply to feel out the opponent. For example, in selling a house, the seller will typically ask a higher price than she actually hopes to get (see Figure 14.5.1) The buyer, in turn, typically offers far less than she is willing to pay. These two prices are put forth to discover the opponent’s resistance price. The **resistance price** is the point beyond which the opponent will not go to reach a settlement. Once the resistance point has been estimated, each party tries to convince the opponent that the offer on the table is the best one the opponent is likely to receive and that the opponent should accept it. As both sides engage in similar tactics, the winner is often determined by who has the best strategic and political skills to convince the other party that this is the best she can get.

Integrative Bargaining. Integrative bargaining is often described as the “win-win” approach. That is, with this technique, both parties try to reach a settlement that benefits both parties. Such an approach is often predicated on the belief that if people mutually try to solve the problem, they can identify some creative solutions that help everyone. A good example can be seen in bilateral trade negotiations between two nations. In such negotiations, participants usually agree that a trade war would hurt both sides; therefore, both sides attempt to achieve a balance of outcomes that are preferable to a trade war for both sides. In doing so, however, the trick is to give away as little as possible to achieve the balance.



Figure 14.5.1 Distributive Bargaining in Buying a Home (Attribution: Copyright Rice University, OpenStax, under CC BY-NC-SA 4.0 license)

As shown previously in Table 14.5.1, this approach is characterized by the existence of variable resources to be divided, efforts to maximize joint outcomes, and the desire to establish or maintain a long-term relationship. The interests of the two parties may be convergent (noncompetitive, such as preventing a trade war between two countries) or congruent (mutually supportive, as when two countries reach a mutual defense pact).

In both cases, bargaining tactics are quite different from those typically found in distributive bargaining. Here, both sides must be able and willing to understand the viewpoints of the other party. Otherwise, they will not know where possible consensus lies. Moreover, the free flow of information is required. Obviously, some degree of trust is required here too. In discussions, emphasis is placed on identifying commonalities between the two parties; the differences are played down. And, finally, the search for a solution focuses on selecting those courses of action that meet the goals and objectives of both sides. This approach requires considerably more time and energy than distributive bargaining, yet, under certain circumstances, it has the potential to lead to far more creative and long-lasting solutions.

The Negotiation Process

The negotiation process consists of identifying one's desired goals—that is, what you are trying to get out of the exchange—and then developing suitable strategies aimed at reaching those goals. A key feature of one's strategy is knowing one's relative position in the bargaining process. That is, depending upon your relative position or strength, you may want to negotiate seriously or you may want to tell your opponent to “take it or leave it.” The dynamics of bargaining power can be extrapolated directly from the discussion of power Table 14.5.2 and indicate several conditions affecting this choice. For example, you may wish to negotiate when you value the exchange, when you value the relationship, and when commitment to the issue is high. In the opposite situation, you may be indifferent to serious bargaining.

When to Negotiate		
Bargaining Strategies		
Characteristics of the Situation	Negotiate	“Take It or Leave It”
Value of exchange	High	Low
Commitment to a decision	High	Low
Trust Level	High	Low
Time	Ample	Pressing
Power distribution*	Low or balanced	High
Relationship between two parties	Important	Unimportant
* Indicates relative power distribution between the two parties; “low” indicates that one has little power in the situation, whereas “high” indicates that one has considerable power.		

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Once goals and objectives have been clearly established and the bargaining strategy is set, time is required to develop a suitable plan of action. Planning for negotiation requires a clear assessment of your own strengths and weaknesses as well as those of your opponents. Roy Lewicki and Joseph Litterer have suggested a format for preparation for negotiation. According to this format, planning for negotiation should proceed through the following phases:

1. Understand the basic nature of the conflict. What are the primary areas of agreement and disagreement?
2. What exactly do you want out of this negotiation? What are your goals?
3. How will you manage the negotiation process? Here, several issues should be recognized:
 - a. Identify the primary issues to negotiate.
 - b. Prioritize these issues.
 - c. Develop a desirable package including these important issues.
 - d. Establish an agenda.
4. Do you understand your opponent?
 - a. What are your opponent's current resources and needs?

- b. What is the history of your opponent's bargaining behavior? What patterns can you see that can help you predict her moves?



Figure 14.5.2 **Negotiating with the Referee** Minnesota Gophers coach, Lindsay Whalen talks to a referee during a University of Minnesota Gophers game against Cornell University. Is this negotiation or persuasion? (Attribution: Laurie Schaul/ flickr/ Attribution 2.0 Generic (CC BY 2.0))

Research indicates that following such procedures does, in fact, lead to more successful bargaining. In Table 14.5.3 for example, we can see differences in both the planning approaches and the actual behaviors of successful and average negotiators. Preparation clearly makes a difference, as does interpersonal style during the actual negotiation.

Differences Between Successful and Average Negotiations		
Negotiation Behavior	Skilled Negotiators	Average Negotiators
<i>Before the Negotiation</i>		
Number of options considered per issue	5.1	2.6
Portion of time spent focusing on anticipated areas of agreement instead of conflict	39%	11%
<i>During Negotiation</i>		
Portion of time spent asking questions of opponent	21%	10%
Portion of time spent in active listening	10%	4%
Portion of time spent attacking opponent	1%	6%
Source: Based on data reported in N. J. Adler and A. Gunderson, <i>International Dimensions of Organizational Behavior</i> 5 th edition (Mason, OH: Cengage Learning, 2008), pp. 165–181.		

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Cultural Differences in International Negotiations

In view of the increased emphasis on international industrial competitiveness, it is important to understand what happens when the two parties to a negotiation come from different cultures or countries. A knowledge of cultural differences can assist the manager both in understanding the other party's position and in striking the best possible deal given the circumstances.

A good way to start this analysis is by recognizing how different cultures approach the art of persuasion; that is, how do people in different countries try to win you over to their side in a dispute? Although we cannot possibly examine all cultures, consider the results of a study of differences in *persuasion techniques* for North America, the Middle East, and the former Soviet Union. As can be seen in Table 14.5.4 Americans, Arabs, and Russians have significantly different approaches to persuasion. Americans tend to enter into a discussion emphasizing facts and figures, whereas Arabs may focus on emotions. The Russians may talk about ideals.

Moreover, in a negotiation situation, the American is ever-conscious of deadlines, whereas the Arab takes a more casual approach, and the Russian is often unconcerned about time. Americans make small concessions early in the bargaining process to establish a relationship. Arabs, on the other hand, make concessions throughout the bargaining process, and the Russians try not to make any concessions at all. Clearly, this study has only highlighted trends, and exceptions can be easily found. Even so, a knowledge of such differences, however general, can greatly facilitate improved interpersonal relations and bargaining success for both parties.

National Styles of Persuasion			
	North Americans	Arabs	Russians
<i>Primary negotiating style and process</i>	Factual: appeals made to logic	Affective: appeals made to emotions	Axiomatic: appeals made to Ideals
<i>Conflict: opponent's arguments countered with</i>	Objective facts	Subjective feelings	Asserted ideals
<i>Making concessions</i>	Small concessions made early to establish a relationship	Concessions made throughout as a part of the bargaining process	Few, if any, small concessions made
<i>Response to opponent's concessions</i>	Usually reciprocate opponent's concessions	Almost always reciprocate opponent's concessions	Opponent's concessions viewed as weakness and almost never reciprocated
<i>Relationship</i>	Short-term	Long-term	No continuing relationship
<i>Authority</i>	Broad	Broad	Limited
<i>Initial position</i>	Moderate	Extreme	Extreme
<i>Deadline</i>	Very important	Casual	Ignored

Source: Adapted from J. S. Martin, *Intercultural Business Communication*, (Englewood Cliffs, N.J.: Pearson, 2005).

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We can also examine the personal characteristics of negotiators from different countries. A study by John Graham focused on the key characteristics of negotiators from different countries, in this case the United States, Japan, Taiwan, and Brazil. Results of the study are shown in Table 14.5.5 which shows the rank order of the defining characteristics. Again, we can see major differences in negotiators from around the world. Each has certain strengths, yet these strengths vary considerably from country to country. Americans are seen as prepared and organized, thinking well under pressure, whereas Japanese are seen as more dedicated and shrewd. Taiwanese negotiators were found in the study to be highly persistent and determined, working hard to win the opponent's respect, and the Brazilians were amazingly similar to the Americans.

Key Individual Characteristics of Negotiators (Rank Order)			
American Managers	Japanese Managers	Chinese Managers (Taiwan)	Brazilian Managers
Preparation and planning skill	Dedication to job	Persistence and determination	Preparation and planning skill
Thinking under pressure	Perceive and exploit power	Win respect and confidence	Thinking under pressure
Judgment and intelligence	Win respect and confidence	Preparation and planning skill	Judgment and intelligence
Verbal expressiveness	Integrity	Product knowledge	Verbal expressiveness
Product knowledge	Listening skill	Interesting	Product knowledge
Perceive and exploit power	Broad perspective	Judgment and intelligence	Perceive and exploit power
Integrity	Verbal expressiveness		Competition

Source: "Key Individual Characteristics of Negotiators" by John Graham, Graduate School of Management, University of California, Irvine.

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Finally, we should note that negotiators from different countries differ markedly in their verbal and nonverbal *communication patterns*. In one study (again among Americans, representing North America; Japanese, representing East Asia; and Brazilians, representing South America), observers counted the number of times each negotiator did certain things within a given time limit. The results are shown in Table 14.5.6. As can be seen, these negotiators use both verbal and nonverbal communication in very different ways. Note, for example, that Brazilians on average said “no” 83 times within a 30-minute segment, compared to 5 times for Japanese and 9 times for Americans. On the other hand, Japanese appealed to ideals and societal norms and simply sat in silence more than the others. Such differences affect not only the negotiation process but also, in many cases, the outcomes. That is, if a negotiator from one culture has annoyed or insulted the opponent (intentionally or unintentionally), the opponent may resist doing business with that person or may fail to offer attractive terms. Hence, again we see the value of better understanding cultural variations in negotiations, as in other matters.

Communication Patterns during Negotiations for Three Cultures			
Tactic	Japan	United States	Brazil
<i>Verbal Communication</i>			
Making promises	7	8	3
Making threats	4	4	2
Making recommendations	7	4	5
Appealing to ideals and norms	4	2	1
Giving a command	8	6	14
Saying “no”	5	9	83
Making initial concessions	6	7	9
<i>Nonverbal Communication</i>			
Periods of silence	6	3	0
Interrupting opponent	12	10	29
Looking directly into opponent’s eyes	1	3	5
Touching opponent	0	0	5
Source: Based on data reported in J. Graham, “The Influence of Culture on Business Negotiations,” <i>Journal of International Business Studies</i> , Spring 1985, pp. 81–96.			

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Concluding Thoughts about Conflict and Negotiations

One of the classic negotiations approaches that you might encounter is the book, *Getting to Yes*. This book expound the authors favored method of conflict resolution, which they term *principled negotiation*. This method attempts to find an objective standard, typically based on existing precedents, for reaching an agreement that will be acceptable to both interested parties. Principled negotiation emphasizes the parties’ enduring interests, objectively existing resources, and available alternatives, rather than transient positions that the parties may choose to take during the negotiation. The outcome of a principled negotiation ultimately depends on the relative attractiveness of each party’s so-called **BATNA**: the “Best Alternative To a Negotiated Agreement”, which can be taken as a measure of the objective strength of a party’s bargaining stance. In general, the party with the more attractive BATNA gets the better of the deal. If both parties have attractive BATNAs, the best course of action may be not to reach an agreement at all.

Conflict is most likely to occur when the goals, expectations, and/or behaviors of at least two parties differ and when those differences are difficult to avoid (such as when interdependence among the parties involved is high). Conflict itself is neither good

nor bad, productive nor destructive. The key to the outcome of conflict is the manner in which it is managed. Negotiation, as a key means of managing conflict, has four distinct stages. However, the length, importance, and norms for each stage can vary by situation and especially by culture.

Expanding around the globe

Negotiating Styles in Malaysia and America

One of the emerging countries in Southeast Asia is Malaysia, whose natural resources and stable economic growth are allowing it to develop as an important manufacturing center in the region along with Singapore, Indonesia, and Thailand. What happens when American businesspeople visit Malaysia to do business? In the following example, cross-cultural researcher George Renwick describes major differences between the two cultures as they approach a negotiation.

Americans' patterns of negotiation, like all of their patterns, differ somewhat depending upon their context. The negotiating patterns of government officials working out a treaty, for example, are somewhat different from those of a business executive "hammering out" a contract. The pattern portrayed here will be that of the business executive.

The American businessperson usually begins a series of negotiating sessions in a cordial manner, but he is intent on getting things under way. He is very clear as to what he and his company want, when it is wanted, and how he will go about getting it; he has planned his strategy carefully. And he has done what he could to "psyche out" his counterpart, with whom he will be negotiating. From the outset, the American negotiator urges everyone to "dispense with the formalities" and get on with the business at hand. As soon as possible, he expresses his determination, saying something like, "Okay, let's get down to brass tacks."

The American usually states his position (at least his first position) early and definitely. He plans before long to "really get down to the nitty gritty." He wants to "zero in" on the knotty problems and get to the point where "the rubber meets the road" (the point, that is, where "the action" begins). Once the negotiations are "really rolling," the American usually deals directly with obstacles as they come up, tries to clear them away in quick order, and becomes impatient and frustrated if he cannot.

Most of what the American wants to convey, of course, he puts into words—often many of them. His approach is highly verbal and quite visible—and thoroughly planned. He has outlined his alternative ahead of time and prepared his counterproposals, contingencies, backup positions, bluffs, guarantees, and tests of compliance, all carefully calculated, and including, of course, lots of numbers. Toward the end, he sees that some bailout provisions are included, but he usually doesn't worry too much about them; making and meeting business commitments "on schedule" is what his life is all about—he is not too concerned about getting out. If he has to get out, then he has to, and he will find a way when the time comes.

The American experiences real satisfaction when all the problems have been "worked out," especially if he has been able to get provisions very favorable to his company—and to his own reputation as a "tough negotiator." He rests securely when everything is "down in black and white" and the contract is initialed or signed.

Afterward, the American enjoys himself; he relaxes "over some drinks" and carries on some "small talk" and "jokes around" with his team and their counterparts.

Malay patterns of negotiation, as might be expected, differ considerably. When they are buying something, Malays bargain with the merchant, and when they are working, they socialize with their boss and coworkers. Their purpose is to develop some sense of relationship with the other person. The relationship then provides the basis, or context, for the exchange. Malays take the same patterns and preferences into their negotiating sessions. When all is said and done, it is not the piece of paper they trust, it is the person—and their relationship with the person.

A Malay negotiator begins to develop the context for negotiations through the interaction routines appropriate to this and similar occasions. These routines are as complicated and subtle as customary American routines; they are cordial but quite formal. Like Americans and their own routines, Malays understand the Malay routines but are seldom consciously aware of them. Neither Malays nor Americans understand very clearly the routines of the other.

As the preliminary context is formed, it is important to the Malay that the proper forms of address be known beforehand and used and that a variety of topics be talked about that are unrelated to the business to be transacted. This may continue for quite a while. A Malay negotiator wants his counterpart to participate comfortably, patiently, and with interest. As in other interaction, it is not the particular words spoken which are of most importance to the Malay; rather he listens primarily to the attitudes which the words convey—attitudes toward the Malay himself and toward the matter being negotiated. Attitudes are

important to the relationship. At this point and throughout the negotiations, the Malay is as much concerned about the quality of the relationship as the quantity of the work accomplished. Motivation is more important to the Malay than momentum.

The Malay negotiator, as in other situations, is also aware of feelings—his own and those of his counterpart, and the effects of the exchanges upon both. He is also aware of, and concerned about, how he looks in the eyes of his team, how his counterpart looks in the eyes of the other team, and how both he and his counterpart will look after the negotiations in the eyes of their respective superiors.

The Malay is alert to style, both his own and that of his counterpart. Displaying manners is more important than scoring points. The way one negotiates is as important as what one negotiates. Grace and finesse show respect for the other and for the matter under consideration. Negotiating, like other interaction, is something of an art form. Balance and restraint are therefore essential.

The agenda that the Malay works through in the course of the negotiation is usually quite flexible. His strategy is usually rather simple. His positions are expressed in more general terms than the American's, but no less strongly held. His proposals are more offered than argued: they are offered to the other party rather than argued with him. Malays do not enjoy sparring. They deeply dislike combat.

In response to a strong assertion, the Malay negotiator usually expresses his respect directly by replying indirectly. The stronger the assertion and the more direct the demands, the more indirect the reply—at least the verbal reply.

The Malay and his team usually formulate their positions gradually and carefully. By the time they present their position, they usually have quite a lot of themselves invested in it. Direct rejection of the position, therefore, is sometimes felt to be a rejection of the person. Negotiating for the Malay is not quite the game that it is for some Americans.

If the Malay and his team have arrived at a position from which they and those whom they represent cannot move, they will not move. If this requires a concession from the counterpart, the Malays will not try to force the concession. If the counterpart sees that a concession from him is necessary, and makes it, the Malays, as gentlemen, recognize the move and respect the man who made it. A concession, therefore, is not usually considered by the Malay team to be a sign that they can press harder and extract further concessions. Instead, a concession by either side is considered as evidence of strength and a basis for subsequent reconciliation and cooperation.

What about getting out a contract? Making and meeting business commitments is not what a Malay's life is all about. He has other, often prior, commitments. He therefore enters into contracts cautiously and prefers to have an exit provided.

In addition, Malays are certain of their control over the future (even their control of their own country) than are Americans. Therefore, promising specific kinds of performance in the future by specific dates in a contract, especially in a long-term contract where the stakes are high, is often difficult for Malays. It is even more difficult, of course, if they are not certain whether they can trust the persons to whom they are making the commitment and from whom they are accepting commitments. Malays therefore give a great deal of thought to a contract and to the contracting party before signing it. And they are uneasy if provisions have not been made for a respectable withdrawal should future circumstances make their compliance impossible.

Questions:

1. How are the different approaches important to understanding negotiations and cultural differences?

Sources:

G. Renwick, *Malays and Americans: Definite Differences, Unique Opportunities* (Yarmouth, Maine: Intercultural Press, 1985), pp. 51–54.

Concept check

1. Understand the strategies in bargaining.
2. Understand the role that cultural differences have in the negotiation process.

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