

Business Negotiations

Name:

Institution:

Date:

www.primeassignments.com

Executive Summary

Business negotiations take place between individuals who act as representative for their respective firms. With globalisation and expansion of firms to the international markets, there has been increased need to consider the socio-cultural differences in order to improve the quality of the outcomes. Every society observes distinct values and norms that guide the communication process and other forms of interactions. Negotiation is not the only aspect that is considered during the process. Negotiations may arise at times when there are conflicts or disagreements among parties where each has distinct interests. Negotiations are important communication, conflict resolution and stakeholder management. Issues such as power distance, cross border, and tactics are instrumental in ensuring that the interests of all parties are considered. The paper will examine the business negotiations in a multi-cultural setting. The essay will use the Hofstede cultural dimensions to generate critical findings for the study. In particular, the essay will examine the business negotiations between China National Tire & Rubber Company and Pirelli.

The research method is through review of literature from books and scholarly articles. Among the issues to examine include cross-cultural communication, business negotiations, and diversity. It is assumed that the diverse cultures in Europe present challenges and opportunities to business negotiations with the Chinese business people or firms. Negotiators from China and Italy are met with socio-cultural differences that indicate differences in the power distance. Of essence is the scrutiny of the hierarchy and egalitarianism levels. From this frame of reference and what is narrowly known about the problem, the research therefore seeks to gather evidence relating to both proactive and reactive strategies for addressing these prevailing challenges and problems. Diversity in the society should be taken positively as it will allow exchange of

different cultures and ideas hence improve existence. People need to learn from one another's experiences, culture and background. Harmonious practices ought to aim at the integration of people's beliefs irrespective of cultural values or nationality.

Introduction

Business operators engage in negotiations that are meant to offer benefits in terms of business of expansion, growth and market entry, among others. Negotiations seek to identify the appropriate mechanism that increase the gains while at the same time minimise the conflicts. International business relationships are largely influenced by the nature of negotiations. Negotiators from different nations are likely to encounter socio-cultural differences owing to the variations in cultural values. Diversity among the negotiators results in differences in the mechanism during the negotiation process hence affecting the outcomes. In fact, following the researched negotiation tips does not guarantee agreement or success. As such, exceptional negotiation strategies that consider the cultural variations are necessary.

In examining the business negotiation between China National Tire & Rubber Company and Pirelli, the paper will look into the cultural variations between Italian and Chinese negotiators that are likely to influence the outcomes. Ideally, the Chinese culture is known to have unique cultural values that are expressed in their modes of communication, negotiation styles and culture. The two nations have distinct cultural values that influence business negotiations. The differences will be discussed alongside the Hofstede's theory on cultural dimension. Being among the most developed regions, China and Europe attracts many business interests due to increased opportunities. In business negotiations, Hofstede agrees that objectives and communication process change depending on the negotiators nationality. He asserts that understanding the cultural dimension should help in enhancing the success of the negotiations.

Differences between the westerners and Asian negotiators have played out in many business negotiations. Identifying a common identity amongst negotiators enhances the success of business negotiations where the differences are regarded as instruments to improve the quality of the process.

Findings

With the increasing globalisation, the European market has remained attractive to foreign firms and investors. In order to succeed in business relationships with the Chinese, the European business people have to navigate several cultural variations owing to the differences in cultural beliefs and values. Failure to make deals in the European market by the Chinese is largely contributed to lack of understanding on the cultural dimensions that characterize the business operators from either region. Significant differences were identified during the negotiations between China National Tire & Rubber Company and Pirelli in the quest to form a business partnership. The differences between the two parties portrayed the need to understand the cultural values between the business negotiators.

Cultural Differences

The negotiators have distinct cultural differences that played out in the course of the discussions. Cultural norms and values by the negotiators play a crucial role in the negotiation process. Cultural collision is prevalent due to differences in cultures, ethnic and religious groups, values, lifestyles, languages and levels of prosperity. Cross-cultural differences between the parties made it significantly difficult to comprehend the values and attitudes of the negotiators. This resulted in misunderstanding between the negotiators. Challenges arise in negotiations due to the cultural differences between individuals from various nations. Italians opted for a more individualistic approach in making decisions with minimal consultation with their partners. This

is largely contributed by the fact that they come from low power distance culture that calls for respect for individual opinion and decentralization of the decisions. Collectivistic perspective was seen among the Chinese parties as they come from a high power culture distance (Graf, Koeszegi, & Pesendorfer, 2012). The cultural dimension power distance between the negotiators has great influence on the outcomes and the nature of negotiation schemes. It was identified that power distance has great influence on the business negotiations. In egalitarianism cultures, all parties are treated equally hence, it is unlikely for the parties to agree as opposed to hierarchical societies where structures are the driving factor. Etiquette and behaviors are different among various cultures. Both Italian and Chinese negotiators have great respect for either of the parties involved in the negotiations. The Chinese culture was more inclined to hierarchical perspective while the Italians preferred the egalitarian perspective. Pirelli's negotiators used an individual or organizational-centred approach while the Chinese use situational-based approach (Gammelgaard, Kumar, & Worm, 2013).

Communication Challenges

Another critical component in negotiation is communication between the parties. The findings show that the quality of negotiation was largely affected by the communication differences between the negotiators (Andrea, Sabine & Eva-Maria, 2012). On communication, challenges emerged owing to the differences in language. The negotiators had to use interpreters who at times gave the wrong impression. With interpretation, it was difficult to express another person's body language and expressions which form important segment in communication. The communication process between the two was also different in that the use of facial and verbal expressions was different.

Emotions and Behaviour

The representatives from China National Tire & Rubber Company opted for polite strategies compared to the Pirelli negotiators who were largely noisy in the discussions. The politeness strategy by the Chinese is influenced by the addressee's social attributes of rank, gender and age. Italians went for a quick strategy in discussing the partnership between the two firms while the Chinese spent significant time going through the details. The level of respect and courtesy by the Chinese was higher compared to the Italians. Appearance by the Italians was considered as an important component in their negotiations.

Discussion

Cultural differences as seen in the above findings affect the outcome of any negotiation due to the differences in the attributes of the negotiators. Grimm (2010) asserts that the cultural differences affect the negotiations between seller and buyer due to differences in interests between the two parties. Italians negotiating on behalf of Pirelli were largely concerned about a partnership that would more beneficial while the Chinese looked for a long-term relationship. The discrepancy between the Chinese customs and the rest of the cultures in Europe showed that the people practicing the culture are often faced with culture shocks when faced with other cultures. This is not healthy during negotiation and is likely to lead to biased outcomes. Understanding the cultural differences enables parties in a negotiation to look beyond the immediate circumstances and realize the impact of their actions. Thus, the potential to achieve a more holistic understanding is achievable.

The approach used during the negotiation process influences the outcomes since every approach has diverse attributes and features. Some of the main approaches include; distributive, lose-lose, compromise and integrative approaches. Depending on the approach, any party or

parties involved in the negotiation can either win, lose or both parties win or lose. Negotiation in the current global environment is multi-cultural in nature. They argue key features in cross-cultural negotiations include power, disputes, emotions, inter-group relationships and social dilemmas, among others. The diversity model reflects the globalization in the world today and changing communication trends. Diversity has both benefits and disadvantages, which should be effectively managed in order to achieve positive outcomes.

One scholar, Claude Alavoine, argues that negotiation involves the amalgamation competition and cooperation among the parties. Ideally, these key features match with diverse techniques of the relationship and orientation in strategy and schemes used by the negotiators. Alavoine further argues that trust and cooperation are controlled by uncertainty of the circumstances, goals and orientation that emerge at the relationship. Ideally, negotiators resort to coercion and threats when there emerge confrontation of power during the negotiation. This is meant to ensure the achievement of a tolerable balance of power. Power differences as is the case in different societies is key contributor to egocentrism. This has great potential to contribute to disagreements in negotiations. Differences in culture tend to antagonise some individuals, especially those who appear weak. The persuasion skills, personalities and attitudes are critical in the outcomes of a negotiation. Chinese negotiators had great respect for the individuals involved in the discussion. Their negotiation skills as identified from their culture were more concerned with identifying a long-term and workable business relationship. Their concern was reflected in the lengthy negotiation process.

Representatives from China National Tire & Rubber Company wanted a structured approach that was evidence in every stage of the discussion. The approach is founded on the distribution of the empowering features among the parties involved in a negotiation. Italian

negotiators appeared to have 'known alternatives' where they made choices that will optimize their gains. The strategic approach seeks to get the most suitable outcome that is pleasant to all parties hence sometimes regarded as symmetrically prescriptive. The strategic perspective in negotiation forms the basis for other theories such as game and critical risk theories. In their approach, the Chinese appeared to react to the concession conduct of the Italian counterparts. For the Chinese, a 'win-win tendency' was something that they dearly pushed. The approach was meant to identify ways to ensure there are mutual gains for both the China National Tire & Rubber Company and Pirelli. The move sought to promote cooperation and inclusive strategies to aid in the attainment of 'win-win outcomes'. All the parties' interests and options are 'placed on the table' to help identify harmony among the parties. All parties were required to identify and create shared principles according to the integrative approach. The scrutiny of behaviour perspective during negotiation process will help in formulation of long-term goals by adopting multi-disciplinary approaches to the work ethics and business processes. Sequentially, the negotiating team will be in a position to exploit their strengths in fulfilling the set objectives (Witte, 2012).

Cross-cultural Challenges in Negotiations

Negotiation theory is based on key elements that include decision-making, behaviour, agreement and analysis. Various approaches on negotiation influence and shape the decision made. Negotiations are evident in the daily communication in areas such as business, politics and general socialisation processes. Globalization and multi-cultural settings requires the business operators to develop the cultural capability. This has been contributed due to adherence to cultural tolerance and adoption of appropriate values. The approaches are based on efficiency and authority of the firm to handle diverse challenges. Integrated approaches need to ensure that

business processes are balanced with existing cultural initiatives in an organisation. Negotiations are driven by the art of communication among the parties. Cross-cultures tend to characterize differences in values, attitudes and mode of communication. The cross-cultural influences affect the pattern of behaviour among the negotiators. In instances where negotiators come from different cultures, there is a possibility of misunderstanding. Behaviour has a tendency to unite the parties towards a common goal and contributes to integrative agreements (Gelfand, 2010). Cross-cultural dimensions results in diverse approaches and outcomes that reflects a tendency by the negotiators in adopting a clear behaviour pattern. This is due to the exchange of different kinds of ideas from people with varying experiences. Further, the individualistic or collective approaches in negotiation affect the speed of the process and outcomes due to the differences in interests and attributes. Individual negotiation is likely to be culminated with threats and unmet interests as opposed to collective approach. Personal character shapes the members in the organization towards a general manner of perceiving, thinking and feeling. In fact, characters of an individual influence the formation of a negotiation tone that the way people and groups interact with colleagues. In the collective approach, the process is likely to take longer since every party is allowed to present their demands (Liu, 2013).

Changes arising from globalisation affect the control of the negotiation process because of trying to cope with people from different cultures and language. Some aspects of the internal dimension, for instance race, affect the mode of communication in a negotiation and the content of information relayed both negatively and positively. In a cross-cultural setting, the negotiators are likely to be non-conversant with the various cultures and mode of communication (Hofstede & Michael, 2012). It is critical to observe that social relationships do not just offer the context or a platform for transformative communication, but it is within the debate and dialogue interaction

of the relationship that transformation comes about. The perception about collective communication is related to commitments required to struggle together in a shared inquiry and dialogue in support of transformation.

Hofstede & Michael (2012) agree that the globalisation of businesses bring forth the national and regional differences. Managing an entity that has diverse parties from diverse cultures is not easy. The diverse character, language, religion and background among individuals are a major headache and challenge in communication. It is through understanding the differences that individuals meet their objectives (Hofstede & Michael, 2012). Identifying the individual differences was important for effective administration of an agenda. In negotiations, the negotiating parties within a cross-cultural setting need to develop prerequisite attributes that will help in meeting their objectives. Qualities such as interpersonal skills, organisational skills, and communication skills are required. Moreover, the negotiators need to have good human skills as it contributes to a high degree of self-awareness and capacity to understand the feelings of other negotiators. The skills highlighted enable the negotiators to cope with the various personalities involved in the negotiation.

Conclusion

Business negotiations between China National Tire & Rubber Company and Pirelli have generated significant differences owing to the cultural differences. As such, challenges highlighted above will require the negotiators to adopt strategic approaches that will minimise the negative effects. Conflicts that emerge during the cross-cultural engagements can be reduced through elaborate understanding of the cultural dimensions. This is the first step to improve the human and working relationships among various parties. The consideration of the ethical issues and problems arising from socio-cultural differences benefits the members in their engagements.

In business negotiations, all the parties have diverse interests that need to be fulfilled. Balancing the interests will require the parties to identify a common working ground. The foundation is created through appropriate understanding of the prevailing differences. Owing to their cross-cultural differences, the representatives from the two firms need to generate an elaborate mechanism that will address the prevailing challenges. Understanding the cultural differences plays a critical part in addressing challenges and opportunities that may arise during the negotiation process. Chinese social interactions are informed by the environment, which includes cultural practices and beliefs (Dong & Liu, 2010). The linkage between the societies demands that individuals uphold good and ethical values. It is possible to cause a transformation in a society in order to mitigate conflicts. The perception about cooperation is related to commitments required to struggle together in a shared inquiry in support of social transformation. With such motives, it is possible to encourage varieties of exchanges between social groups and individuals by compressing their interactions to conform to the contemporary needs and values.

Policy-makers should consider establishing policies that will enhance co-existence as well as promote exchanges with people from other cultures. This is possible in the process of collaboratively changing and naming their collective reality that people are capable of transforming their self-images and their organization in more positive directions. Further differentiation of various negotiation models when considering the environment and the objectives can make it clearer for one to understand. Since different environmental factors prompt dissimilar classes of feelings, it is possible to differentiate feelings into contradiction and confirmation feelings. Good relationship between people from cross-cultures provides crucial elements that enhance the creation of an accommodative environment (Barron, 2011).

Recommendations

Awareness about the socio-cultural differences between the two the two parties are instrumental to enhance mutual understanding. This enables the two parties to use the appropriate channels to resolve the emerging conflicts. Creation of enviable relationship will improve the quality of the negotiation and outcomes where the parties will benefit from the agreed terms. The negotiators need to agree on cultural standards for use during the negotiation process. The standards should be agreed before-hand in order to hasten the process as well as allow the parties to avoid conflicting situations.

While evidence suggests that integration and development of cultural standards is imperative to enhance communication during negotiation, there exist limitations in the essay particularly in gathering the primary information. The communication practices should aim at the integration of administrative and practices of existing values. Supportive and integrative approaches are essential to address the prevailing challenges. Participative approaches through teamwork help in creating a platform through which negotiations take place successfully. As such, the parties negotiate and discuss matters interchangeably hence learn from one another. Such participative practices increase the capacity of problem-solving and self-esteem. The approaches need to be geared towards addressing the conflicting cultural features between the two cultures.

Implementation

The strategies to overcome the challenges need t be implemented with great consideration of diverse cultural values. Both China National Tire & Rubber Company and Pirelli negotiators should engage with each other for significant to ensure that the partnership succeeds. The implementation of the highlighted recommendations starts with the individuals and organisations

engaged in the negotiation process. It is appropriate for the negotiators to have a prior understanding about the cultural diversity in the country where they intend to engage in business negotiations. China National Tire & Rubber Company and Pirelli need to understand Italian and Chinese cultures respectively. The information about other people's culture is readily available in the internet and books. The budget provision for the training will depend on the nature and scope of training. The provision of the basic training materials and resources such as internet access, books and magazines is necessary. Further, appropriate training about the tips on international business negotiations would go a long way in enhancing of the realisation of positive outcomes. Training can be done through workshops among other platforms. The executive from the two firms should be the first people to undergo the training. The government has a role to play in encouraging cross-border interactions between citizens from different nations. This will enable the citizens to have first-hand experiences about other cultures.

Reference

- Andrea G., Sabine K. & Eva-Maria P., (2012) "Cross-cultural negotiations and power distance: Strategies applied by Asian and European buyers and sellers in electronic negotiations", *Nankai Business Review International*, Vol. 3 Iss: 3, pp.242 – 256.
- Barron, A. (2011). Exploring national culture's consequences on international business lobbying. *Journal of World Business* , 46 (3), 320–327.
- Dong, K., & Liu, Y. (2010). Cross-cultural management in China. *Cross Cultural Management* , 223-243.
- Gammelgaard, J., Kumar, R., & Worm, V. (2013). Culture-Led Discrepancies and Negotiating Conflicts in Strategic Outsourcing Alliances. *Thunderbird International Business Review* , 55 (5), 563–578.
- Gelfand, L. I. & M., 2010. The culturally intelligent negotiator: the impact of cultural intelligence on negotiation sequences and outcomes. *Organizational behaviour and human decision process*, Volume 112, pp. 83-98.
- Graf, A., Koeszegi, S. T., & Pesendorfer, E.-M. (2012). Cross-cultural negotiations and power distance: Strategies applied by Asian and European buyers and sellers in electronic negotiations. *Business Review International: 3* (3), 242-256.
- Grimm, D. R. & C. M., 2014. The impact of cultural differences on buyer_supplier negotiations. *Journal of Operations Management: Vol. 32*, 114-126.
- Hofstede, G., Gert H. & Michael M., (2010). *Cultures and Organizations: Software of the Mind*, 3rd Ed. New York: McGraw-Hill.
- Liu, H. (2013). *Chinese Business: Landscapes and Strategies*. New York: Routledge

Witte, E. (2012) "Making the Case for a Postnational Cultural Analysis of Organizations,"

Journal of Management Inquiry: 21(2), 141-159.

www.primeassignments.com