

Culture Matters

NEGOTIATING GLOBALLY: HOW TO NEGOTIATE DEALS, RESOLVE DISPUTES, AND MAKE DECISIONS ACROSS CULTURAL BOUNDARIES

(Jeanne M. Brett). San Francisco, CA: Jossey-Bass, 2001.

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The main premise of *Negotiating Globally* by Jeanne Brett, a professor at the Kellogg Graduate School of Management at Northwestern University, is that national culture matters when parties negotiate in modern international business and may affect business outcomes in both positive and negative ways.¹ Professor Brett attempts to achieve two goals in her book: demonstrate how culture affects negotiations and provide some guidance on how to become a better business negotiator in a cross-cultural context. While Professor Brett achieves her first goal, it is less clear that she achieves her second goal. A reader of her book may have a better understanding of how culture affects some types of cross-cultural negotiations, but acquiring the skills that Professor Brett argues are necessary to become an effective negotiator in the modern global business environment is another matter. Developing such skills involves an investment of a significant amount of time and resources that may not be realistic for most business managers in the modern multi-national enterprise, which may not be structured to reward or encourage the development of such skills. *Negotiating Globally* also contains a number of examples on how to negotiate with the Chinese, which, in my view, are inaccurate.

I. CULTURE MATTERS

Professor Brett defines culture as the “unique character of a social group” consisting of the values and norms shared by the group as well as the group’s economic, social, political, and religious institutions.² Culture affects negotiations because culture affects negotiators’ interests, priorities, and

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¹ JEANNE M. BRETT, *NEGOTIATING GLOBALLY: HOW TO NEGOTIATE DEALS, RESOLVE DISPUTES, AND MAKE DECISIONS ACROSS CULTURAL BOUNDARIES* 203 (2001).

² *Id.* at 6–7, & 234 (citing Anne L. Lytle et al., *A Paradigm for Conformity Cross-Cultural Research in Organizational Behavior*, 17 *RESEARCH IN ORGANIZATIONAL BEHAVIOR* 169–74 (1995)).

strategies.³ As an example of how culture affects interests and priorities, Professor Brett notes that a negotiator's cultural emphasis on tradition or change may affect their willingness to accept economic development that threatens established ways of life. For example, when Disney bought a tract of land near Paris to construct EuroDisney, Disney's American management assumed that the promise of jobs and economic development would mean widespread local support for the new theme park. Instead the local people valued their traditional agricultural lifestyle over economic development and offered spirited resistance to the Disney project, much to the surprise of Disney's management.⁴

Professor Brett notes that three widely studied features of culture seem to be reflected in negotiation strategies and styles: individualism versus collectivism, egalitarianism versus hierarchy, and low-context versus high-context communications.⁵ Individualist cultures place the interests of the individual above the collective.⁶ Hierarchical cultures, unlike egalitarian cultures, emphasize differentiated social status, deference to social superiors, and associate social power with social status.⁷ Negotiators from low-context communication cultures emphasize direct, explicit communications whereas those from high-context communication cultures emphasize indirect communications that must be understood against a complex and often unstated background of social norms and historical traditions.⁸ Negotiators from individualist egalitarian and low-context communication cultures, such as the United States, use direct, sometimes confrontational styles whereas negotiators from collectivist, hierarchical, and high-context communication cultures prefer to use indirect negotiation styles that avoid confrontation.⁹ An example of how an American manager from an individualist, egalitarian, and direct culture can successfully deal with a Chinese manager from a collectivist, hierarchical, and indirect culture from Professor Brett's book is contained in Section III of this essay. The reader should be forewarned that I disagree with Professor Brett's example.

Chapter Two, the core of the book, examines the negotiating strategies and results reached over several years by groups of Americans, Israelis, Germans, and Hong Kong Chinese enrolled in Northwestern's week long Executive Master's program on cross-cultural negotiations. Chapter Two also

³ *Id.* at 6–10.

⁴ *Id.* at 8.

⁵ *Id.* at 15–21.

⁶ *Id.* at 15.

⁷ *Id.* at 17.

⁸ *Id.* at 20.

⁹ *Id.* at 15–21.

integrates the results of the study of an additional group of Japanese managers participating in other executive programs in Japan or the United States. The programs involved a negotiating exercise between a hypothetical film company (seller) and an imaginary TV station (buyer) over the rights to broadcast one hundred episodes of a half-hour animated cartoon.¹⁰ The negotiators are given financial information as part of the simulation relating to the differing preferences and costs structures of the seller and buyer. For example, the buyer gains significant advertising revenue when the episodes air at least seven times.¹¹ However, if the episodes are overplayed, the market will become saturated resulting in decreased future revenue for the seller.¹² Other variables in the exercise are also designed to create differing preferences and incentives for buyer and seller. For example, the simulation posits that the cost of capital is different for the buyer and seller. The buyer wants to defer paying for the cartoons for as long as possible whereas the seller needs to be paid at the time of the sale.¹³ The exercise also posits different price limits and aspirations for the buyer and seller for each of the episodes.¹⁴ With this information, the negotiators from different countries are to negotiate deals representing the buyer or seller. Given all of these variables, there was one optimal combination or deal that would maximize the value for both the seller and the buyer. Professor Brett called successful deals “integrative deals” because they created the highest value for the participants.¹⁵

Because Professor Brett could track the results of the negotiators over several years, she was able to evaluate the results of certain negotiating styles and draw some observations about the capabilities of negotiators from each of the different countries involved. She was also able to draw some conclusions about which negotiators were most likely to create maximum value for themselves and their counterparts. The study in Chapter Two offers some useful observations on cross-cultural negotiations as the negotiations occurred in a controlled environment over several years and provided reliable data that could be studied and analyzed by Professor Brett and her colleagues to demonstrate the effect of cultural styles on achieving good or bad deals in negotiations. The methods used in Chapter Two are a marked improvement over many accounts offering guidance to international negotiators on the effects of culture on international business, most of which recite anecdotal

¹⁰ *Id.* at 29.

¹¹ *Id.* at 30.

¹² *Id.* at 30.

¹³ *Id.* at 30.

¹⁴ *Id.* at 31.

¹⁵ *Id.* at 37–38.

information, much of it apocryphal.¹⁶ Overall, the Israelis were able to achieve the highest integrative deals throughout the course of the exercise while the Germans and the Japanese were also successful.¹⁷

The Israelis and Germans used a more direct, confrontational and pragmatic negotiating style while the Japanese used a more indirect approach that avoided confrontation.¹⁸ Brett found that although the Israelis, Germans and Japanese all had different negotiating styles, all three groups, exhibited clarity of purpose, an intense desire for information, a successful strategy for obtaining it, and an understanding of how to manage the use of influence.¹⁹

II. GLOBAL NEGOTIATION SKILLS

While *Negotiating Globally* succeeds in demonstrating the effect of culture on negotiations, it is less successful in achieving its goal of showing the reader how to become a successful cross-cultural negotiator. Professor Brett argues that national culture can have a distorting effect on business negotiations and that the negotiator who fails to understand the role of culture and the obstacles created by culture may be disadvantaged and faced with a business failure or an unfavorable business deal. Overcoming the obstacles of culture can lead to more successful business deals and the more effective conduct of business operations overall. This assertion is consistent with the experience of many who have worked in international business, including my own experiences.²⁰ For example, in the late 1990s when I worked in China as legal counsel for a multi-national enterprise, I was initially surprised by what appeared to be the lack of knowledge about China's business environment by the company's most senior executives. Not only did most of the company's top management have little prior experience with China, but also most managers lacked even the most rudimentary knowledge about China's history, political and legal systems, and the current business environment. Many of these managers had spent years in China and yet seemed to act as if they had never left Cincinnati or Indianapolis. Yet, these managers were charged with negotiating business contracts and deals

¹⁶ See, e.g., *Recognizing and Heeding Cultural Differences Can Be Key to International Business Success*, BUS. AM., Oct. 1994, at 8, quoted in RALPH H. FOLSOM ET AL., INTERNATIONAL BUSINESS TRANSACTIONS: A PROBLEM ORIENTED COURSEBOOK 26-29 (5th ed. 2002).

¹⁷ BRETT, *supra* note 1, at 74.

¹⁸ *Id.* at 74-75.

¹⁹ *Id.* at 76.

²⁰ See, e.g., Danian Zhang & Kenji Kuroda, *Beware of Japanese Negotiation Style: How to Negotiate with Japanese Companies*, 10 NW. J. INT'L L. & BUS. 195 (1989).

for the company involving considerable sums, sometimes in the millions of dollars.

In addition, these managers were charged with engaging in frequent contact with China's various government authorities that regulated many different aspects of the company. Government relations in China are often a form of negotiation as differential or preferential treatment of companies by government entities is a common and lawful part of doing business. As a result, most of these foreign managers were charged with the heavy responsibility of negotiating with private parties and government entities in a foreign culture of which they had little knowledge. What these foreign managers did, of course, was to rely on junior level local employees who would act as translators and advisors on negotiations with local business partners and government officials.

As an observer of these negotiations, I could see that ambitious junior level employees would often give distorted or inaccurate information to their senior foreign managers and otherwise manipulate these managers for the purpose of personal gain and advancement within the company. The result of this common corporate culture of relying heavily on local employees was that the company often achieved less than optimal or efficient results in its dealings with Chinese business partners and government officials. As Professor Brett notes in her book, value was "left on the table"²¹ on a frequent basis by these foreign managers as a result of obstacles created by China's alien political and business culture and the company suffered overall as a result.

I would *like* to report that my observations about the many inefficiencies at the workplace caused by the inability of the company's senior foreign managers to navigate China's cultural labyrinthine caused senior management to immediately reorganize the company and install a new set of managers who were skillful cross-cultural negotiators. To the contrary, however, I found that most senior managers were already aware of the situation although a few of the less insightful senior executives were surprised at the extent of the inefficiencies that existed. Identifying the problem was not the difficulty. The real issue was devising a workable solution and here culture of a different type became an obstacle: the corporate culture or the organizational structure of the company that did not create incentives on the part of senior managers to become skillful cross-cultural negotiators. This multi-national enterprise in question, like many others, sent its managers on overseas assignments that lasted on the average three to five years. Once this period ended the manager was either sent to another assignment in a different overseas location or returned to the

²¹ BRETT, *supra* note 1, at xxiii.

manager's home location with a promotion. Few managers had any incentive to invest the time or resources in acquiring facility in the national culture of the location of any assignment, especially in a country such as China where there were serious obstacles of language, tradition, and politics. The company did not create incentives or opportunities for its business managers to acquire cross-cultural negotiating skills. As a result, the company continued on with its inefficient system of relying on senior foreign managers who were largely unfamiliar with China's business environment and who had few negotiating skills in dealing with the Chinese.

In many ways I am reminded of my own experiences in China after reading Professor Brett's book. Most business people know about the distorting effects of culture on business negotiations; the real issue is how to overcome these culture matters. Although Professor Brett is able to demonstrate the effects of culture on business negotiations, she does not offer the reader a practicable guide on how to overcome cultural obstacles and to become a more skillful cross-cultural negotiator. Here is one example of the advice she offers to global negotiators:

Be prepared for interests and priorities to have a cultural basis. If you are proposing to bring economic development to a region, find out how people in the region feel about economic development before you get to the negotiation table. Prepare for the negotiation by understanding the culture. See how the culture is classified according to the cultural values of individualism versus collectivism and egalitarianism versus hierarchy. Do some background research so you have a good understanding of the other negotiator's political, economic, social environment. Make sure you have your own interpreter. Use your interpreter to help you understand the cultural factors influencing the other party's interests and priorities.²²

It is difficult to imagine that a senior manager such as a vice president for business development of a U.S. based multi-national enterprise about to travel to China for a series of negotiations will be able to follow Professor Brett's prescription above. The busy senior executive who is about to enter into negotiations with a Chinese enterprise and Chinese government officials on establishing a joint venture is unlikely to invest the time and resources to do the background research necessary to obtain the degree of familiarity with Chinese culture that will allow the manager to independently negotiate with the various Chinese parties involved. It is even more difficult to imagine the same senior executive making the same investment in learning about the culture of a South American country as the executive makes a similar trip to

²² *Id.* at 204–05 (endnote omitted).

South America later the same month to negotiate foreign investments in that region. Rather, the senior executive might be better served by engaging an international business lawyer who is a professional negotiator of business deals in that particular country. Relying upon a bilingual lawyer who is a professional negotiator of business deals in the foreign country is more realistic than attempting to develop cross-cultural skills and more sensible than relying upon the translator whose only qualification is language ability and may have no background in business or law. There are now many U.S. based multi-national or global law firms with branch offices around the world that have American lawyers who are fluent in the language of the nation in which they practice and who are immersed in the culture, politics, and business environment of the foreign nation. The American lawyer will understand the business needs and legal background of the U.S. based multi-national enterprise as well as the foreign culture and should be able to negotiate on behalf of the multi-national client without succumbing to the most obvious and avoidable pitfalls of culture. Such an approach would be more realistic and practicable.

III. NEGOTIATING WITH THE CHINESE

Negotiating Globally contains a number of examples and anecdotes on doing business with the Chinese, many of which I believe are inaccurate. For example, Professor Brett gives the following as an example of a successful negotiation with the Chinese:

A U.S. company had a contract from a German buyer to sell bicycles produced in China. When the first shipment was ready, there was a problem. The bikes rattled. The U.S. buyer did not want to accept the shipment, knowing that with the rattle, they would not be acceptable to the German customer, whose high-end market niche was dominated by bikes that were whisper-quiet. What to do? In the U.S. culture, the normal approach would be to tell the manufacturer that the rattling bikes were unacceptable and that the problem had to be fixed. In China, such a direct *confrontation* would be extremely rude and cause much loss of *face*. Knowing this, the U.S. manager went to the Chinese plant, inspected the bicycles, rode a few, and asked about the rattle. "Is this rattle normal? Do all the bikes rattle? Do you think the German buyer will think there is something wrong with the bike if it rattles?" Then he left. The next shipment of bikes had no rattles.²³

²³ *Id.* at 10.

In my view, the U.S. manager would be better off in dealing directly with the Chinese manager and stating that there was a problem with the rattle in the bikes and that the bikes would not be acceptable to the German customer. If the U.S. manager does not want to make the trip to the factory in China, the U.S. manager can send a fax or an e-mail to China stating this concern in a direct way. So long as the U.S. manager states the case in a reasonable way and is not rude, condescending, or bullying, the Chinese manager should not suffer the ignominy of "losing face," whatever that means. Concepts such as the loss of face are outdated, at least in my own experience. Indeed, although I have worked and lived in China, I have never understood what "losing face" means other than the Chinese do not appreciate others being rude or insulting to them. At least in my own experience, whatever may have been the case in the past, I have found that most modern Chinese business managers do not have such fragile egos or are so thin-skinned that they have to be handled with kid gloves and the utmost care. Most modern Chinese managers are aggressive entrepreneurs interested in business success and are forgiving of foreign business negotiators who may make some cultural mistakes so long as the foreign negotiators are sincere, polite, and not intentionally rude or offensive. Dealing with the Chinese directly on this business issue in a polite but explicit way will save the U.S. manager the trip to the factory in China, the ceremony of riding bikes and asking mysterious questions (which will amuse the modern Chinese manager), and the suspense of waiting for the next shipment of bicycles to find out whether the Chinese manager divined the message of the U.S. manager's playacting and eliminated the rattle. *Negotiating Globally* contains a number of other anecdotes or examples in dealing with the Chinese that in my view contain outdated stereotypes that are no longer accurate, if they ever were.²⁴

IV. CONCLUSION

Negotiating Globally is a welcome addition to the growing literature regarding the impact of culture on international business deals. The book is distinguished by its use of a disciplined and controlled environment in which the tactics and styles of negotiations from various cultures were studied and analyzed over several years. Many of Professor Brett's observations provide useful information for business managers and academics alike that are interested in international business transactions, although the book is less useful in providing pragmatic guidance on how to develop the negotiating

²⁴ For a further discussion of how not to deal with the Chinese, see generally DANIEL C.K. CHOW, A PRIMER ON FOREIGN INVESTMENT AND PROTECTION OF INTELLECTUAL PROPERTY IN CHINA 47-49 (2001).

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skills necessary to become successful in cross-cultural negotiations. No doubt interest in this subject matter will only continue to grow as international business continues to expand and effective global negotiating skills will become more valuable. A suitable follow-up volume that Professor Brett might consider is one that focuses specifically on how to develop these skills.

