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# THE CULTURAL DIMENSIONS OF INTERNATIONAL BUSINESS NEGOTIATIONS: A GUIDE FOR PAKISTANI NEGOTIATORS

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PREPARED FOR THE EXPORT PROMOTION BUREAU  
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## ***Foreword***

This booklet is one of a series produced by the International Trade Centre, UNCTAD/GATT, Geneva, in collaboration with the Export Promotion Bureau, Pakistan and funded by the United Nations Development Programme. Its aim is to assist the export activities of the Pakistani business community; to make them more profitable and better able to withstand the forces of an increasingly competitive international economy.

All the texts in the series have been prepared by experts in the relevant field in collaboration with a team of authors and consultants from Pakistan and elsewhere. Allama Iqbal Open University, Islamabad, has provided helpful support and advice without which the project could not have proceeded. The booklet is also to be used for their diploma course on Export Management.

The main contributor to this book was Robert Moran of the American Graduate School of International Management, Glendale, Arizona, USA.

## ***Overview***

This module is designed to assist you, a businessperson from Pakistan interested in international trade, in understanding the key elements in international business negotiations.

After the introduction, a framework for negotiations is discussed together with a *profile* of some of your negotiating counterparts.

The 'Passport to success' should be completed following your study of this material but prior to your next international business negotiation.

You are in business to make a fair profit and return on your investment. This material will help you accomplish these goals.

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# *The Cultural Dimensions of International Business Negotiations: A Guide for Pakistani Negotiators*

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# *1 Introduction*

## *1.1 International business negotiations*

Since the beginning of history people have been involved in negotiations. Negotiating takes place wherever there are differences to conciliate, people to persuade and purposes to accomplish. As children, we negotiated with our parents, as students we negotiated with our teachers, as adults we negotiate in business. Whenever people exchange ideas with the intention of changing relationships, whenever they confer for agreement, they are negotiating.

International versus domestic negotiation differs because international negotiation is influenced by a wide diversity of environments which require a change of perspectives and the selection of appropriate tactics. Each cultural group has its own concept of right, reasonable and appropriate negotiations - with expectations of responses and outcomes. Effective international negotiators need an understanding of social, political, cultural and economic systems.

Like international marketing or accounting, international negotiations are more complicated than domestic negotiations. Not only do both parties have to be familiar with the technologies and products, they also have to be skilled as international negotiators.

Pakistani exporters cannot go to another country and conduct negotiations in the same way as they do in Pakistan. They face new negotiating styles, contrasting cultural conditioning, and all the differing concerns and outlooks that make each country's negotiators behave and react in often unaccustomed ways.

## *1.2 Cases*

The following cases were written by Pakistani exporters. After reading the cases, in the space provided, complete the activity. If you can identify with any of these cases, you will find the material in this course extremely useful.

### **Case 1**

In 1974, Mr Kazi, Managing Director of International Merchants, a trading firm, was going to Dubai for the purpose of exploring garment markets. Because he was also in the knitting wool manufacturing business in Pakistan, being a director of Karachi Woollen Mills, he took along some samples of the product, hoping to explore the possibility of exporting knitting wool to Dubai. Little did he realise that there was absolutely no tradition of knitting by hand in that society which was now also awash with ready-made woollen apparel.

The realisation came very soon as he vainly searched for shops selling knitting wool. But he persisted because he had authentic information that knitting wool was being imported into Dubai in commercial quantities. Presently he came upon a shop which displayed knitting wool, although in a sort of sample quantity. From this shop Mr Kazi found out the name and address of the importer in Dubai. It was the firm Emirates Trading Co., owned by Mr Tajjar. Without making an appointment, Mr Kazi went straight to this importer. Mr Tajjar was out so Mr Kazi met his manager who turned out to be a Pakistani. The manager advised Mr Kazi to come back later in the evening.

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As usually happens in such situations, Mr Tajjar was cold to the idea of importing knitting wool from any source other than Japan, let alone Pakistan, whose products and businessmen he did not hold in any esteem. But Mr Kazi persisted. He showed him the samples of the wool he had brought from Pakistan and gave a detailed description of the sources of the raw wool, the manufacturing process used and the quality standards followed. He also showed Mr Tajjar the proof of exports to some European countries and the acceptance of his product in that quality-conscious and highly competitive market. To break the ice even more, Mr Kazi showed attractive catalogues of the full range of colour and qualities of knitting wools produced at his mills.

The presentation impressed Mr Tajjar but he still had doubts about the capacity of the Pakistani firm to meet his demand (although the consumption levels in Dubai did not justify such an attitude). Mr Kazi had with him the photographs of his mill in Pakistan and these helped to overcome this objection as well.

To prove his financial viability, Mr Kazi had taken along with him references from Pakistani banks.

Mr Tajjar now showed some interest and agreed to place a trial order for 500 lb of wool on a D.O. basis. He also demanded a reference from a Dubai-based bank. Knowing that BCCI was the most trusted bank in the region, Mr Kazi contacted this very bank. Luckily, he found a few old acquaintances from Pakistan working in BCCI in Dubai. These gentlemen gave every assurance that could satisfy Mr Tajjar. This created further confidence, and the importer showed his willingness to open a letter of credit. Now for the first time the matter of price came up for discussion. As the negotiations were proceeding Mr Kazi had discreetly found out the prices at which Mr Tajjar was importing wool from Japan so he was able to quote a price that was lower than the price charged by the Japanese exporter. Mr Tajjar increased the quantity to 1,000 lb. The first order was met to the entire satisfaction of Mr Tajjar although there was a barely perceptible flaw in the quality of a very small portion of the total quantity supplied. Being the descendant of a line of businessmen who built their fortune on the principle of honesty and customer satisfaction, Mr Kazi himself pointed out this flaw to Mr Tajjar and also advised him as to how to handle it with his customers.

This initial contact developed later into a more lasting relationship in the form of a sole agency to Mr Tajjar. Thus, beginning from a trial order of 1,000 lb, Mr Kazi's firm is now exporting 50,000 lb of wool per year to Dubai.

## Case 2

A. Khan and Co. are glove manufacturers who own 50 machines with a capacity of 200,000 pairs of gloves per month. They are at present supplying various stores in the United States. However, the American buyers are not satisfied with the quality of the product as compared to the quality of imports from South Korea, Hong Kong and Taiwan. After using the product, one of the American buyers sent the following complaints to Pakistan:

- (a) The colour fades during use.
- (b) Material used is not durable and not up to standard.
- (c) The design needs improvement.

The American buyers have also stated that unless improvements are made on the next shipment, there will be no further orders.

## Case 3

The Superior Pakistan Foods Company produce diverse food products. Their leading products are preserve fruits and jam. They use excellent quality fruits which are grown on their own farms. They have a strong base in Pakistan and they now want to export to the United States.

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Superior Pakistan Foods Company sent a representative to the U.S. to survey the market. They also asked a reputed business school to do the market research for them in this respect. Acting upon the market report, they contacted a number of importers in the U.S. who might be interested in their products. Gundersons Inc., a medium-size chain of grocery stores in the Mid-West, showed considerable interest in their products, especially mango jams and canned mango juice.

Gundersons Inc. placed a trial order of two consignments. However, the first consignment was found to be sub-standard and discountable on arrival. The importer, after an exchange of angry telex messages, sent its representatives to Pakistan to:

- (a) negotiate a quality claim
- (b) assess the capabilities of the exporters to ensure the quality of possible future orders.

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**ACTIVITY 1 Strengths/weaknesses/opportunities for Pakistani exporters**

In each of the cases there are strengths (reasons buyers purchase Pakistani products), weaknesses (liabilities or concerns of potential buyers), and opportunities (mutually satisfying business relationships if managed skilfully). Please complete the table below indicating the strengths, weaknesses and opportunities in each of the cases you have just read. On pages 6-8, there is a list of general strengths and weaknesses that apply in many situations.

Case	Strengths	Weaknesses	Opportunities
1			
2			
3			

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***1.3 The interdependence of nations: Pakistan and the world (or what you bring to the negotiating party)***

International trade in 1985 reached an all time high. Many businesses are expanding and more countries and companies are developing beyond border contacts. The substantial growth of international negotiation began at the end of World War II. In order to create a new international economic system, which would prevent another economic and political collapse and another military conflict, 44 nations had to negotiate with each other. The General Agreement on Tariffs and Trade (GATT) was established in 1947 to provide a procedural base and to establish guiding principles for the tariff negotiations. The Kennedy Round and the Tokyo Round involved lengthy negotiations and the latter emerged out of six and a half years of give and take. As the world becomes more interdependent, the negotiation process will continue to grow in importance. The key to international trade and development involves a process of negotiation and good communication.

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Pakistan, your country, has an economy that is growing. Pakistani industry is growing faster than agriculture and now accounts for about 26% of the GDP, although it is mostly light, farm-based industry such as cotton textiles and sugar products.

*To stimulate growth*, government and businesses must work together closely and Pakistani exporters must become more concerned with the 'quality' of their products as well as become better negotiators.

In a recent analysis (Peter M. Banting, PhD and Randolph E. Ross, PhD, 1985) of strengths, weaknesses, opportunities and threats for Pakistani exporters, the following emerged as some of the key issues. You must be aware of these issues, as many will enter your negotiating and business relationships.

#### **Strengths of the Pakistani export system**

- (a) *Desire to upgrade value*
  - Clothing moving to higher fashion with help of overseas buyers/designers.
  - Fish moving up to branding packaged and canned goods.
- (b) *Desire to improve quality and production technology*
  - Purchase of the most advanced machines from abroad.
- (c) *A pattern of family ownership*
  - Leads to a strong entrepreneurial spirit.
  - Offers some flexibility in costing/pricing in medium term.
  - Provides some sense of control and trust within an organisation.
- (d) *Positioned to take on some of the 'sunset' industries of other nations*
  - Has cheap raw material inputs of many goods and relatively cheap labour.
  - Has experienced industries which are already deemed 'sunset' by developed countries, e.g. textile, leather, handicrafts.
- (e) *Favourable international climate for development*
  - Pakistan has the support of some major countries for a variety of geo-political reasons.
  - As an LDC it can offer various export incentives without running foul of GATT rulings.
  - After the experience of Asia, the developing countries now accept a 'copying' strategy which met great resistance a decade ago.

#### **Weaknesses of Pakistani export system**

- (a) *Government policies and procedures*
  - Import/export policies often run counter to good business. For example:
    - Guaranteeing long-term supply of needed raw materials (e.g. import of 65/35 fabric to manufacture here).
    - Preventing increases in value added (e.g. cans for fish; preventing import of heavy zippers for leather wear).
    - Proliferation of documentation.
    - Pakistani trade commissioners do little marketing research.
    - Insufficiently high status of Export Promotion Bureau within government.
    - Lack of professionalism in administrators.
    - Slow response of government to industry initiatives.
- (b) *Made in Pakistan 'quality'*
  - No industry control over industry specifications.
  - Poorly educated workforce at all levels which doesn't understand importance of quality.
  - Need for too heavy supervision in firms which want to maintain quality



- Difficulty for firms to maintain quality of raw material inputs (e.g. 40% fish rot in fishing vessel holds, bolts of cloth with flaws every few metres).
- (c) *Lack of long-term costing and pricing strategy*
- Cut-throat competition by Pakistan competitors in foreign markets.
- (d) *Absence of marketing skills (indirect marketing)*
- Total dependence on foreign importer for market information - no independent end-customer market research at end-buyer level.
  - Little information on foreign competitors abroad - costs, product lines, strategies.
- (e) *Financing problems*
- Government credit limits on bank lending.
- (f) *International competitiveness*
- Lack of domestic industry cooperation in obtaining export markets.
  - Logistical problems to distant major markets still to be solved, e.g. cost of leather samples/clothing samples by air.
  - Inability to meet buyer deadlines.

#### **Threats to the Pakistani export system**

- (a) *Relatively poor business-government relationship.*
- (b) *Infrastructure weakness.*
- (c) *Heavy dependence on few commodities as base of export earnings.*
- (d) *Financial restrictions.*
- (e) *Many exporters overly dependent on one or two markets.*
- (f) *Pakistan's image.*
- (g) *Difficulties in developing 'brightest' people.*

#### **Opportunities for Pakistani export system**

- (a) *For higher quality products*
- Major overseas buying organisations will work closely with Pakistani firms to identify what the components of quality are and help Pakistani firms achieve quality.
- (b) *For greater efficiency of production*
- Through backward integration.
  - By purchasing technology and equipment at a nominal cost.
- (c) *For greater marketing effectiveness*
- By developing brands.
- (d) *For creating an industrial development strategy*
- Strong entrepreneurial core in Pakistan..
- (e) *For overcoming lack of private sector financing*
- Creation of a secondary market will allow smaller businesses access to huge pool of funds (30-50% of total money supply) now in the parallel market and only being loaned out at exorbitant rates.

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## ***1.4 Summary of introduction***

You are a Pakistani exporter and wish to increase your volume of business with Europe and North America as well as other areas. In this section, I hope I have convinced you, by case studies and by a description of some of your strengths and weaknesses, that the task is not easy. You will have liabilities that exporters from other countries do not experience, as well as some strengths. Preparation and planning for every business relationship is critical. In the following sections, I will cover some of the cultural factors in negotiating with Europeans, North Americans and Japanese. Read carefully. My goal is to present ideas, exercises and strategies that will assist you in your business negotiations.

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## 2 *The components of international business negotiations*

I will ask you to begin this section by reading other people's ideas on the subject of international business negotiations.

'The secret of negotiations is to harmonise the real interests of the parties concerned.'  
Francois de Calliere from *De la maniere de negocier avec les Souverains* (1716)

'Foreigners seldom understand what any controversy is about; they do not know what is being left unsaid because it is unnecessary to say it, or what is behind the dazzling smiles, the hearty embraces, the damp kisses on stubby cheeks, the clasped hands, the compliments, the declarations of eternal friendship.'

Luigi Barzini

'The Americans will tell you that contracts were not lived up to. What do the Americans mean? They thought they had a meeting of minds once the clauses of the contract were verbalised. They failed to realise that these declarations of intent were only the beginning - not the end - of the negotiations.'

Douglas F. Lamont

'We were psychologically wounded. We were not hurt financially. We got back all of our money with some interest. But I thought that the moment had come when chauvinism in the auto industry was a thing of the past. It is not. It taught us that, from now on, partnerships like that are out.'

Giovanni Agnelli, Chairman, Fiat

'The negotiator must be quick, resourceful, a good listener, courteous and agreeable. Above all, the good negotiator must possess enough self-control to resist the longing to speak before he has thought out what he intends to say. . .'

Francois de Calliere (op cit)

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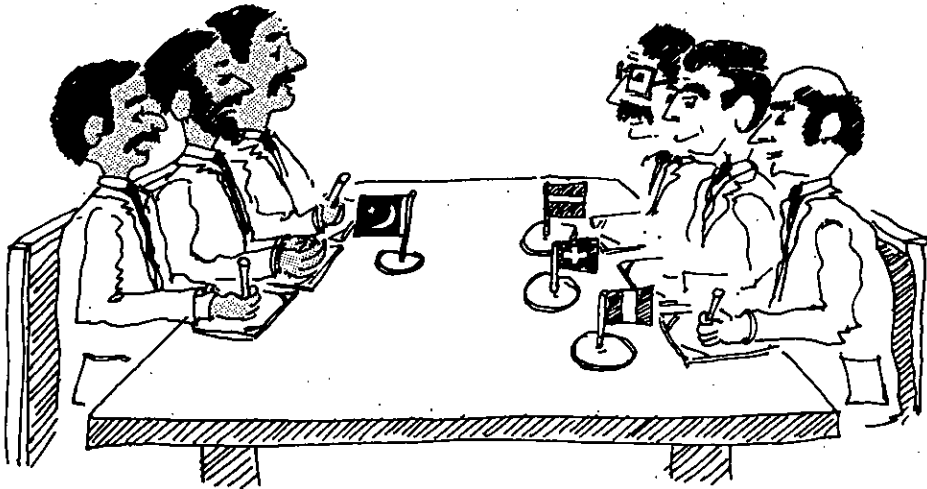
### ACTIVITY 2

Now, get a pad of paper or a notebook and respond to the following questions:

- 1 Please think for a few minutes about the negotiations in which you have been involved with people who are not Pakistani (or those you have heard about from other people in your company). What is the single most important lesson which you have learned from these experiences?
  - 2 Describe a specific situation (perhaps a costly mistake) which best demonstrates the importance of this lesson.
  - 3 Please list three personal strengths of yourself as an international negotiator.
  - 4 Please list three personal liabilities (characteristics to improve) of yourself as an international negotiator.
  - 5 Please list at least three assumptions you use when you negotiate. If you have been involved in international negotiations think particularly of your assumptions you use in these.
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Your answers to these questions is where we will start. Consider the illustration below. It shows three Pakistani negotiators meeting with three European negotiators.



The success of this negotiation will depend on many factors. The success of a dinner party of Pakistanis and Europeans will also depend on many factors. If negotiators from Europe and Pakistan do not understand each other, the negotiation would probably fail. A dinner party in Pakistan is different from a dinner party in Europe. So is negotiating.

Look back at your answers to the questions I asked. What did you learn about yourself? You probably learned that you have made some mistakes, that you have some strengths as a negotiator, but you're not perfect so you have some liabilities. Was it difficult to write down your assumptions? Most of us find this difficult, but we all use assumptions when we negotiate. By the way, if you did *not* answer the questions, I would recommend that you politely excuse yourself from the next opportunity to participate in international business negotiations. In my opinion, you will not be successful because you do not, at this time, have enough understanding of yourself to understand international negotiations.

The following are my ideas on the subject.

## ***2.1 International business negotiations: a definition***

Two elements are normally present before business negotiations can begin: they are common interests and issues of conflict. Without common interests there is nothing to negotiate for, without conflict nothing to negotiate about. Pierre Casse, a teacher of international business negotiations, defines it as follows:

'Negotiation is the process by which at least two parties with different needs and viewpoints try to reach an agreement on a matter of mutual interest.'

In order to negotiate it is necessary for a negotiator to have a knowledge of human behaviour, to be prepared for the negotiation, to make your own assumptions and anticipate the assumptions of the other side. You must know effective tactics and strategies. A 'tactic' is defined as a position to be taken or a manoeuvre to be made at a specific point in the negotiation process. A negotiation 'strategy', on the other hand, consists of a series of bargaining tactics to be used throughout the negotiation process. It implies a commitment to a long-range position to be taken with the negotiating opponent from initial contact. There are many different strategies that negotiators utilise and these will be discussed later.

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My definition of negotiation is as follows:

**A process in which two or more parties come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit.**

In the case of international business negotiations, there are cultural dimensions in every aspect of the negotiations. By 'cultural' I mean the way one entity negotiates and the way another entity negotiates may be very different, and these differences are not individual differences, but cultural differences.

In my book *Managing Cultural Synergy* with Philip Harris (see Bibliography), we gave examples of some of the variables that may be operating in the negotiation process that negotiators should be aware of. Some of these will be considered in more detail later.

(a) There may be a cultural conditioning with regard to the way negotiators view the nature of the negotiation process itself. American negotiators are often frustrated because their counterparts do not enter in *the expected give and take*, which they typically experience in domestic or labour-management negotiations in the United States. They are frustrated when they do not experience this overseas.

(b) For many cultures, such as the Japanese, *to openly disagree is not a pleasant experience*, and whenever there is conflict in a negotiation situation, very often a go-between or a third person is used to assist in the negotiation process.

(c) American negotiators, for example, usually begin a negotiating session *by trusting the persons until proven otherwise*. However, for the French, they would be more inclined to mistrust until faith and trust is proven by their counterparts.

(d) American negotiators also view the process as a *problem-solving exercise whereby a number of fallback positions* are carefully discussed prior to a session. However, other cultures do not view it as a problem-solving exercise and their first position is the only position they have discussed and the one they wish to present and have accepted.

(e) Selection of the *negotiation team* may also differ by culture. In the United States, persons are selected primarily on the basis of technical competence. However, in other societies you may be negotiating with people who do not have a high degree of technical competence, because the members of a negotiation team are selected on the basis of personal power or authority.

(f) The way the respective teams view *the decision-making process* has inter-cultural implications. In the United States, negotiators approach the negotiation session and the decisions that result from it by essentially saying 'anything is O.K. unless it has been restricted.' However, to their Soviet counterparts, they would approach the same situation with 'nothing is permitted unless it is initiated by the state.'

(g) *Decision-making in negotiations differs by culture*. In Mexico, decisions are typically from a top-down position in an organisation and these reflect the personalities of the individuals. And when Mexican negotiators work overseas, they prefer to work with high-level people and typically link issues with trade-offs (for example, conceding a point on narcotics control in exchange for freer vegetable importation into the United States).

## **2.2 Skills for Pakistani negotiators**

Most literature on business negotiations contains statements of advice, admonition and reflections such as in the preceding paragraphs. Books or seminars on negotiations can be categorised in two general areas:

- 
- 'Stories of what I did or heard.' These stories are interesting and often entertaining, but are difficult to learn from or use as a guide for future negotiators.
  - Highly theoretical models of negotiating that may be of use to academics but are of little help to people who negotiate.

There is little information about what actually happens during a negotiation and what the differences are, if any, between effective or successful negotiators and negotiators who are not effective. The material that follows discusses some of the skills and behavioural characteristics that are necessary for Pakistani negotiators when they do business with foreigners.

### **The business relationship**

The importance of establishing the appropriate emotional basis for conducting negotiations is vital to doing business successfully outside Pakistan. Socialising is also a vital component of doing business. Giving gifts is another well known factor in maintaining or establishing an important business rapport. Gifts are sometimes very expensive, although most gifts are not. All should be carefully selected and presented.

Once a proposed negotiation is of interest to a foreign company, meetings will be arranged. If you can provide visual aids (i.e. graphs, diagrams, sketches, slides) during a presentation, this is useful supplementary material for your verbal messages. The first meeting is a time to carefully analyse each other.

### **Communication skills**

Communication involves the exchange of a message from a sender to a receiver. The process is complicated, but basically a message is encoded with meaning, communicated by the sender through voice, gestures, postures, facial expressions, or eye movements and decoded by the receiver. The decoding depends on external factors, such as the environment or social setting, and a myriad of internal factors pertaining to the receiver, such as background, experiences, emotions, education, expectations, etc. With all these internal 'voices' working on the receiver, some messages get lost in misunderstandings. When 'culture' is added to the mix of influences, the people communicating are even further separated in terms of experiences and expectations, and must 'shout' over a wider chasm to understand each other. Americans belong to a very 'low context' culture in which a great proportion of information is 'spelled out.' Americans attach great importance to what is 'said' and often literally believe what they 'hear' and take people at their 'word'. Many is the time in a business or social misunderstanding, a confused party will protest 'but he said...' defending their interpretation of the situation.

The Pakistani, on the other hand, belongs to a relatively 'high context' culture. You consider the spoken word to be only one part of the total picture and the message to convey several levels of meaning. One level, the true meaning, may be quite contradictory to the literal meaning of the words. A great deal in Pakistani culture is 'understood' without the use of words, partly because of the cultural homogeneity.

Pierre Casse in *Training for the Cross-Cultural Mind* defines what he terms as the 'Five International Negotiating Skills':

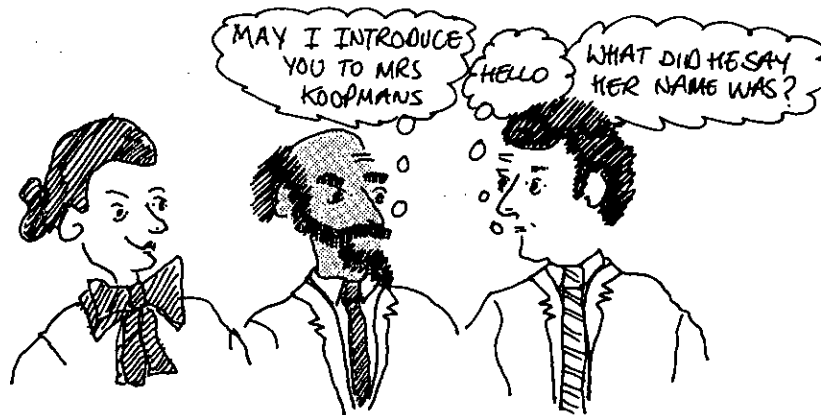
- To be able to practice empathy and to see the world as other people see it. To understand others' behaviour from their perspective.
  - To be able to demonstrate the advantage of one's proposals so that the counterparts in the negotiation will be willing to change.
  - To be able to manage stress and cope with ambiguous situations as well as unpredictable demands.
-

- To be able to express one's own ideas in such a way that the people one negotiates with will objectively and fully understand what one has in mind.
- To be sensitive to the cultural background of others and adjust the suggestions one wants to make to the existing constraints and limitations.

The skills are general but can serve as a guideline to determine your preparedness to negotiate with foreigners.

### Listening skills

Listening is indeed an overlooked, underrated skill. Many negotiators have only a general idea about what is happening during a meeting and will only partially listen to opinions and comments, often finishing others' sentences with their own choice words. Some negotiators interrupt and this is considered rude in some cultures.



As an exercise in listening skills, it might be a good idea to feed back ideas to a speaker in your own words, such as 'What I hear you saying is...', and test your own perceptions of what was said. Change roles and repeat the process. During the session carefully consider what is said and write down any points of misunderstanding that might especially be due to cultural differences, mistranslations, or misinterpretations of key concepts. Do not hesitate to clarify these points later, explaining that you understand the possibility that the cultural context influences ways of doing business and you want to ensure that this does not interfere with a harmonious business relationship.

### Asking questions

In some cultures people are rewarded from an early age for being inquisitive and asking direct and pointed questions. In business meetings, those who ask questions are perceived as bright and knowledgeable. Other cultures are generally more reserved in public and are uncomfortable with a confrontative, debative style of questioning. They use questions to guide rather than confront in business meetings.

### Speaking styles

A public speaking ability is a highly rewarded skill in some cultures such as the United States. To 'speak up' is to be assertive and courageous. Eloquence in persuasion is taught in seminars. In contrast, other cultures place much more importance on the written language. The most effective method of speaking is a step-by-step explanation of every point, especially when introducing new products or ideas. Negotiators should keep their 'cool' even in the most frustrating of circumstances.

### Directness and indirectness

Americans value 'laying cards on the table', being direct and to the 'point'. On the other hand, Americans tend to see Pakistanis as slow and imprecise.

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## Non-verbal communication

People are often unaware of how they are constantly communicating through their 'body language' including gestures, posture, facial expressions and eye movements. There are many non-verbal signals unique to certain cultures and many signals that are interpreted differently in different cultural settings.

## 2.3 A framework

A *successful* negotiation is a 'win-win situation' in which both parties gain. Many factors affect its outcome, such as how consistent the negotiator's acts are with the other party's values, the approach he uses, his attitude, the negotiating methods he employs, and the concern he exhibits for the other side's feelings and needs. Negotiation comprises all of these factors. The manner in which a negotiator goes about trying to achieve his objectives may, by itself, meet some of the other party's needs and lead the way to agreement on the issues which brought the negotiators together.

Success in negotiating with foreign negotiators can be defined by three criteria: (a) obtaining a favourable goal, (b) reaching the solution within a reasonable time period, and (c) establishing and maintaining a positive interpersonal relationship between the negotiators. I shall go on to look at these criteria in more detail in the rest of this section. Overall, a successful negotiation requires skill and flexibility of behaviour.

### Determine the issues

The first step in effective preparation, therefore, is to identify the issues or goals one wishes to settle. Delivery schedules or price are examples of issues. In discussing the issues with your colleagues, it is also important to develop an understanding of your counterpart's issues and psychological needs: *issues* refer to goals and aspirations of the negotiation settlement; *psychological needs* are important because your counterpart does not necessarily perceive the negotiation as you do, nor are the same feelings aroused during the process. It is necessary to recognise that your counterpart may be concerned with needs you are not aware of.

The relevance of aspiration levels in this stage of pre-negotiation preparation is that you can never be sure of your counterpart's aspiration level. The aspiration level is the highest goal either side attempts to achieve, and the minimum acceptable level is the least either side will accept before withdrawing from the negotiation. Therefore, you must recognise that your U.S. or European negotiator's aspiration level is not necessarily the same as yours.

The final step in the analysis of issues is to determine interpersonal communication expectations after the negotiation. The following are potential post-negotiation relationships:

- No interdependence.
- Continued interaction with weak interdependence.
- Strong interdependence.

In the first case, your concern is to achieve the material goal, and there is little concern about offending the other party. This is almost never the case with long-term business relationships. The second case is usually found in situations where you expect to have continued post-negotiation contact with the other party. An example of this relationship is when trust and goodwill is needed after the negotiation settlement. The third possibility, interdependence, is extremely important if the negotiating parties are closely related businesses and one depends upon the other. In other words, when closely related businesses negotiate, great care is taken to maintain a mutually productive post-negotiation relationship.



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## Awareness of objectives

All negotiators agree that it is important to know what one wants to accomplish before beginning the negotiation process. Goals should be determined for each component of the major issues and these goals should be outlined in order of importance.

In this regard, Pakistani and foreign negotiators should prepare a mutually acceptable agenda early in the meetings to help determine which issues will be discussed and in what order they will be considered. An agenda acceptable to both should be developed in the meeting.

The location of the negotiation meeting should also be considered. Home country location is a factor in determining the number of negotiators on each side, entertainment, the agenda, and accommodation.

## Planning

In planning for negotiations, objectives will be set, strategies will be formulated, and fall-back positions will be determined. However, international business negotiations involve more than the interaction between negotiators in the formal negotiating sessions. Each negotiator is faced with factors that constrain or compel certain behaviours, techniques, and concessions. The skilful negotiator must be aware of these factors in order to anticipate both what is possible and what is impossible for the other party. Ashok Kapoor's model of negotiation (see Bibliography) classifies these factors and their effect on the negotiation process into what he calls: (a) the four Cs, (b) the environmental context, and (c) the broad perspective.

- **The four Cs.** The negotiation takes place between two parties that are both drawn together and separated from each other. The negotiation takes place within this context. Kapoor identifies these forces as common interests, conflicting interests, compromise, and criteria (that is, objectives for successful completion). These factors are usually set, at least in part, by the organisation and are, therefore, out of the total control of the negotiator. In this sense, the negotiation takes place within boundaries set by the firm establishing primarily the issues to be negotiated.
- **Environmental context.** Just as the two negotiating teams operate within the context established by the firm, both the negotiating teams and the firms operate within larger contexts. The firms function under both individual and national economic pressures. There are certain cultural and social attitudes that the negotiators feel they must fulfil. Political pressure may be brought to bear upon either the negotiator or the firm. These factors will determine some of the issues to be negotiated, but primarily they will determine the techniques and strategies employed in the negotiation.
- **The broad perspective.** There are factors beyond the scope of organisations from both countries/cultures. These occur because of the interactions of organisations and countries on a world-wide basis. You need to try to answer the question 'What other factors may affect the outcome of this negotiation?'

Having analysed the negotiation within its three-level context, the negotiator is now aware of the boundaries within which the negotiation has a reasonable chance for success. Strategies and techniques to be employed should be considered in relation to the total context of the negotiation to ensure success. The lesson is that strategies and techniques developed in the light of a perceived negotiation context must be flexible so that they may be altered as needed when the situation changes.

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### ACTIVITY 3

Think about the context in which you have undertaken negotiations. Try to break the context down into the different levels just described.

**The four Cs.** In a particular negotiation you have undertaken, what were the common interests between you and your opposite number?

The conflicting interests?

The compromises?

What criteria (implicit or explicit) were being used?

What was the environmental context?

What broad perspective were you working within?

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## 2.4 Negotiation phases

So we now have the *context* of the negotiation. Once negotiations are underway they go through the same basic phases. According to John Graham (see Bibliography), these phases are:

- Non-task sounding (or getting started)
- Task-related exchange of information (or discussion)
- Persuasion
- Concessions (or bargaining)

### Non-task sounding (or getting started)

Negotiations begin with an attempt to get to know one's counterparts. There is an attempt to develop a rapport between the two teams, to feel out the others' personalities. The purpose is to develop a picture of the counterparts in order to be better able to anticipate the strategies and reactions of the others during the negotiations.

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In the United States, this is typically very short and informal. It may be as short as the introductions and exchange of pleasantries at the beginning of the first session. In the U.S. and Europe non-task sounding tends to be less formal than in Pakistan.

#### **Task-related exchange of information (or discussion)**

In this stage of negotiations, the parties set the boundaries of the negotiations. They express their needs that must be fulfilled through the negotiation, various alternatives open to the parties, and their preferences among the proposed solutions. This is usually done through presentations, questions about the presentations, and proposals.

This stage comprises the primary part of the negotiation. At this time, negotiators begin to experience the differences in the negotiation process and the purpose of the negotiation. Some cultures try to satisfactorily resolve the *issue*; some cultures try to establish a satisfactory *relationship* with the other party, assuming that once the relationship is established, the issue will basically resolve itself.

#### **Persuasion**

To negotiators, the key to successful negotiating is the ability to persuade their counterparts to change. Most books and articles centre on various techniques to strengthen one's ability to persuade or to resist the persuasions of the other party.

An *influence style* is the technique an individual uses to convince another person to act in a desired way. Each person uses different influence styles depending on who the other person is and a series of factors surrounding the desired action. However, negotiators find it easy to influence others in a certain way and, therefore, use these styles.

Four styles of persuasion have been identified:

- **Factual.** A person operating in the factual influence style believes that a presentation of facts will convince someone. Hence, there is an emphasis on documentation and details.
- **Intuitive.** A person operating in the intuitive influence style tries to influence by emphasising the benefits of a solution. The emphasis is on an imaginative approach to new possibilities.
- **Normative.** The normative style is to influence by appeal to a common system of beliefs. The emphasis is on reaching a 'fair' solution. Behaviour tends to be based on emotions, using such tactics as threats, authority, rewards, and incentives to reach a compromise.
- **Analytical.** This style can be used to influence another by showing causal relationships. The emphasis is on establishing the relationship between parts and then synthesising them into a whole.

In attempting to convince someone, influence styles should be integrated and used simultaneously. An intuitive person will have a difficult time convincing a factual person. The intuitive person will eventually use some of the characteristics of the factual influence style in order to succeed.

Successful persuasion involves two factors: (a) the influence style profile of the persuader and (b) successful evaluation of the influence style of person to be persuaded.

#### **Concessions (or bargaining)**

At this point in the negotiation, the parties are usually separated by different perceived solutions. Neither party is satisfied and the job becomes one of convincing the other side to modify its position.

At some point in all successful negotiations, the positions of the parties are modified and an agreement is reached. The concessions made by the parties may be made at the end of negotiations or at various points within the negotiations.

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Americans make concessions over the entire course of the negotiation. Concessions tend to be made sequentially, that is, with subsequent agreements dependent on previous ones. The final agreement becomes a summary of all the previous agreements.

To some negotiators, concessions and agreements usually come at the end of negotiations. They come from agreeing to individual items that result in a total agreement.

Aside from extreme differences in the perception of how to conduct the negotiation, the understanding of status orientation and the significance of situational constraints are also dissimilar and lead to the termination of cross-cultural negotiations.

Now, answer the questions in the self-assessment exercise which follows. Then complete your Negotiation Style Profile on page 23.

Section 2.6 will then help you to interpret your profile.

## ***2.5 Negotiation skills: a self-assessment exercise***

Please respond to this list of questions in terms of what you believe you do *when interacting with others*. Base your answers on your typical day-to-day activities. Be as frank as you can.

For each statement, please enter on the score sheet the number corresponding to your choice of the five possible responses given below:

- 1 Enter 1 on the score sheet if you have **never** (or very rarely) observed yourself doing what is described in the statement.
- 2 Enter 2 if you have observed yourself doing what is described in the statement **occasionally but infrequently**; that is, less often than most other people who are involved in similar situations.
- 3 Enter 3 if you have observed yourself doing what is described in the statement about **an average amount**; that is, about as often as most other people who are involved in similar situations.
- 4 Enter 4 if you have observed yourself doing what is described in the statement **fairly frequently**; that is, somewhat more often than most other people who are involved in similar situations.
- 5 Enter 5 if you have observed yourself doing what is described in the statement **very frequently**; that is, considerably more than most other people who are involved in similar situations.

PLEASE ANSWER EACH QUESTION and enter the scores as you go along. The score sheet is on page 22.

1. I focus on the entire situation or problem.
  2. I evaluate the facts according to a set of personal values.
  3. I am relatively unemotional.
  4. I think that the facts speak for themselves in most situations.
  5. I enjoy working on new problems.
  6. I focus on what is going on between people when interacting.
  7. I tend to analyse things very carefully.
  8. I am neutral when arguing.
-

- 
9. I work in bursts of energy with slack periods in between.
  10. I am sensitive to other people's needs and feelings.
  11. I hurt people's feelings without knowing it.
  12. I am good at keeping track of what has been said in a discussion.
  13. I put two and two together quickly.
  14. I look for common ground and compromise.
  15. I use logic to solve problems.
  16. I know most of the details when discussing an issue.
  17. I follow my inspirations of the moment.
  18. I take strong stands on matters of principle.
  19. I am good at using a step-by-step approach.
  20. I clarify information for others.
  21. I get my facts a bit wrong.
  22. I try to please people.
  23. I am very systematic when making a point.
  24. I relate facts to experience.
  25. I am good at pinpointing essentials.
  26. I enjoy harmony.
  27. I weigh the pros and cons.
  28. I am patient.
  29. I project myself into the future.
  30. I let my decision be influenced by my personal likes and wishes.
  31. I look for cause and effect.
  32. I focus on what needs attention now.
  33. When others become uncertain or discouraged, my enthusiasm carries them along.
  34. I am sensitive to praise.
  35. I make logical statements.
  36. I rely on well tested ways to solve problems.
  37. I keep switching from one idea to another.
  38. I offer bargains.
  39. I have my ideas very well thought out.
  40. I am precise in my arguments.
  41. I bring others to see the exciting possibilities in a situation.
  42. I appeal to emotions and feelings to reach a 'fair' deal.
  43. I present well articulated arguments for the proposals I favour.
  44. I do not trust inspiration.
  45. I speak in a way which conveys a sense of excitement to others.
  46. I communicate what I am willing to give in return for what I get.
  47. I put forward proposals or suggestions which make sense even if they are unpopular.
  48. I am pragmatic.
  49. I am imaginative and creative in analysing a situation.
  50. I put together very well-reasoned arguments.
  51. I actively solicit others' opinions and suggestions.
  52. I document my statements.
  53. My enthusiasm is contagious.
  54. I build upon others' ideas.
  55. My proposals command the attention of others.
  56. I like to use the inductive method (from facts to theories).
  57. I can be emotional at times.
  58. I use veiled or open threats to get others to comply.
  59. When I disagree with someone, I skilfully point out the flaws in the other's arguments.
  60. I am low-key in my reactions.
  61. In trying to persuade others, I appeal to their need for sensations and novelty.
  62. I make other people feel that they have something of value to contribute.
  63. I put forward ideas which are incisive.
  64. I face difficulties with realism.
  65. I point out the positive potential in discouraging or difficult situations.
-

66. I show tolerance and understanding of others' feelings.
67. I use arguments relevant to the problem at hand.
68. I am perceived as a down-to-earth person.
69. I go beyond the facts.
70. I give people credit for their ideas and contributions.
71. I like to organise and plan.
72. I am skilful at bringing up pertinent facts.
73. I have a charismatic tone.
74. When disputes arise, I search for the areas of agreement.
75. I am consistent in my reactions.
76. I quickly notice what needs attention.
77. I withdraw when the excitement is over.
78. I appeal for harmony and cooperation.
79. I am cool when negotiating.
80. I work all the way through to reach a conclusion.

Adapted by Pierre Casse from Interactive Style Questionnaire (Situation Management Systems Inc.) in *Training for the Cross-Cultural Mind*, SIETAR, Washington, D.C., 1979. Used with permission.

### Score sheet

Enter the score (1, 2, 3, 4 or 5) you assign to each question in the space provided. Please note: the item numbers progress across the page from left to right. When you have entered all your scores, add them up *vertically* to attain four totals. Insert a '3' in any space left blank.

1. -----	2. -----	3. -----	4. -----
5. -----	6. -----	7. -----	8. -----
9. -----	10. -----	11. -----	12. -----
13. -----	14. -----	15. -----	16. -----
17. -----	18. -----	19. -----	20. -----
21. -----	22. -----	23. -----	24. -----
25. -----	26. -----	27. -----	28. -----
29. -----	30. -----	31. -----	32. -----
33. -----	34. -----	35. -----	36. -----
37. -----	38. -----	39. -----	40. -----
41. -----	42. -----	43. -----	44. -----
45. -----	46. -----	47. -----	48. -----
49. -----	50. -----	51. -----	52. -----
53. -----	54. -----	55. -----	56. -----
57. -----	58. -----	59. -----	60. -----
61. -----	62. -----	63. -----	64. -----
65. -----	66. -----	67. -----	68. -----
69. -----	70. -----	71. -----	72. -----
73. -----	74. -----	75. -----	76. -----
77. -----	78. -----	79. -----	80. -----

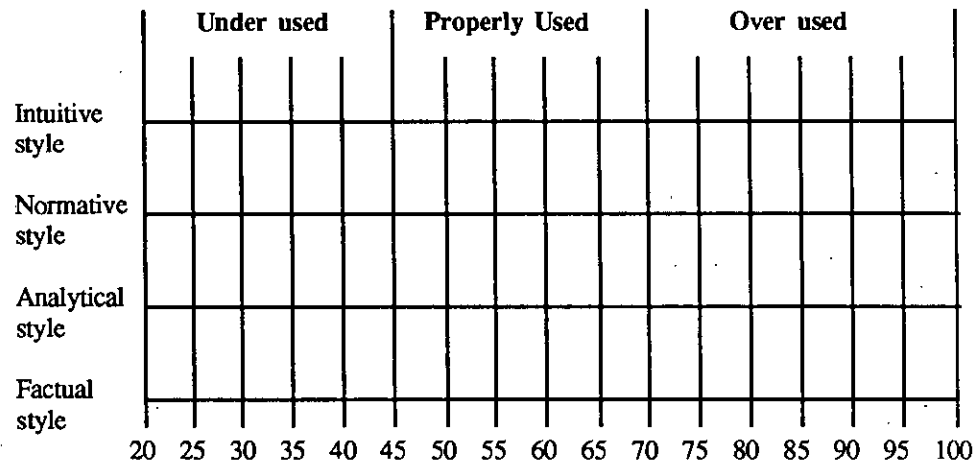
TOTALS:

-----	-----	-----	-----
Intuitive	Normative	Analytical	Factual

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## Negotiation style profile

Enter now your four scores on the bar chart below. Construct your profile by connecting the four data points:



### Description of styles

#### Factual

*Basic assumption:* The facts speak for themselves.

*Behaviour:* Pointing out facts in neutral way, keeping track of what has been said, reminding people of their statements, knowing most of the details of the discussed issues and sharing them with others, clarifying, relating facts to experience, being low-key in your reactions, looking for proof, documenting your statements.

*Key words:* Meaning, define, explain, clarify, facts.

#### Intuitive

*Basic assumption:* Imagination can solve any problem.

*Behaviour:* Making warm and enthusiastic statements, focusing on the entire situation or problem, pinpointing essentials, making projections into the future, being imaginative and creative in analysing the situation, repeatedly switching from one subject to another, going beyond the facts, coming up with new ideas all the time, pushing and withdrawing from time to time, putting two and two together quickly, getting facts a bit wrong sometimes, being deductive.

*Key words:* Principles, essential, tomorrow, creative, idea.

#### Normative

*Basic assumption:* Negotiating is bargaining.

*Behaviour:* Judging, assessing and evaluating the facts according to a set of personal values, approving and disapproving, agreeing and disagreeing, using loaded words, offering bargains, proposing rewards, incentives, appealing to feelings and emotions to reach a 'fair deal', demanding, requiring, threatening, involving power, using status, authority,

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correlating, looking for compromise, making effective statements, focusing on people, their reactions, judging, attention to communication and group processes.

*Key words:* Wrong, right, good, bad, like.

### **Analytical**

*Basic assumption:* Logic leads to the right conclusions.

*Behaviour:* Forming reasons, drawing conclusions and applying them to the case in negotiation, arguing in favour or against your own or others' position, directing, breaking down, dividing, analysing each situation for cause and effect, identifying relationships of the parts, putting things into logical order, organising, weighing the pros and cons thoroughly, making identical statements, using linear reckoning.

*Key words:* Because, then, consequently, therefore, in order to.

### **Guidelines for negotiating with people who have different styles**

Negotiating with someone having a **factual** style:

- Be *precise* in presenting your facts.
- Refer to the past (what has already been tried out, what has worked, what has been shown from past experiences...).
- Be *indicative* (go from the facts to the principles).
- Know your dossier (including the details).
- Document what you say.

Negotiating with someone having an **intuitive** style:

- Focus on the situation as a whole.
- Project yourself into the future (look for opportunities).
- Tap the imagination and creativity of your partner.
- Be quick in reacting (jump from one idea to another).
- Build upon the reaction of the other person.

Negotiating with someone having an **analytical** style:

- Use logic when arguing.
- Look for causes and effects.
- Analyse the relationships between the various elements of the situation or problem at stake.
- Be patient.
- Analyse various options with their respective pros and cons.

Negotiating with someone having a **normative** style:

- Establish a sound relationship right at the outset of the negotiation.
- Show your interest in what the other person is saying.
- Identify his or her values and adjust to them accordingly.
- Be ready to compromise.
- Appeal to your partner's feelings.

## **2.6 Interpreting your profile**

Now that you have completed the exercise you will want to know what it means. First, *your* profile shows whether your use of the various styles is under used, properly used or over used. The idea is to properly use all styles and to use them at the right time.



Second, the highest score you receive is your dominant style with the next highest being your back-up style.

Third, on page 24 are listed some guidelines for negotiating with people having different styles. *Your* goal is to get in *harmony* with your negotiating counterpart. That is, if he is negotiating using a *factual* style, you want to respond using a factual style if you want to be in harmony with him.



#### ACTIVITY 4

Now in a notebook write a brief case study about yourself telling:

- What you learned about yourself after completing this exercise.
- What the consequences are for you as a negotiator.

Think about these things now. They will be invaluable when you are engaged in negotiations for real.

## 2.7 International business negotiations framework

Pakistani negotiators (as well as negotiators from other countries) need a framework within which they can function and understand all the variables which change from culture to culture. A good 'framework' I recommend was developed by Stephen Weiss and William Stripp (see Bibliography). Weiss and Stripp maintain there are 12 variables in every negotiation with people from other countries which can have an impact on the negotiation (and therefore can significantly influence the outcome either positively or negatively). I will explain each. They are the things which differ between countries and cultures so we are now attempting to provide a way of understanding negotiators from different countries. Bear in mind the factors listed here when planning any meeting with someone from a different culture. Think about the way in which each of the items below could impinge upon your negotiations.

### 1 Basic conception of negotiation process

For many people, negotiation has traditionally been, and in many places continues to be, construed as a competitive process of offers and counter-offers in which one party's gains are the other's losses. An alternative general model is joint problem-solving. Another possibility is a contingency view which admits the use of either problem-solving or bargaining, depending on the issue at hand. And one could see negotiation as primarily a debate. All four treat problems or issues explicitly.

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## **2 Negotiator selection criteria**

These criteria include negotiating experience, status (seniority, political affiliation, sex, ethnic ties or kinship), knowledge of the subject, and personal attributes (e.g. affability, loyalty, and trustworthiness in the eyes of the principal).

## **3 Significance of types of issues**

At least four types of issues or concerns may call for negotiation or arise during it: substantive, relationship-based, procedural, and personal/internal. The first covers such matters as price and number of units to be sold; the second, compatibility of styles and mutual trust; the third, although related to the second, the type of structure - format - of discussions concerning substantive and relationship-based issues (e.g. pre-conditions, agenda-setting); and the fourth, respect, reputation, and dissent within one's own negotiating team.

## **4 Concern with protocol**

Concern with protocol has to do with the importance placed on the existence of and adherence to rules for acceptable self-presentation and social behaviour.

## **5 Complexity of communicative context**

Complexity refers to the degree of reliance on non-verbal cues to convey and to interpret intentions and information in dialogue. These cues include distance (space), gaze, gestures, and silence, to name just a few.

## **6 Nature of persuasive arguments**

One way or another, negotiation involves attempts to influence the other party, to be persuasive both in presenting one's own goals and in responding to those of others.

## **7 Role of individual's aspirations**

The emphasis negotiators place on their individual goals and needs for recognition may also vary. Some take the attitude 'to thine own self be true', while others 'know their station in life' and closely align their own needs with the community good.

## **8 Basis of trust**

Negotiators can go with a past record of trustworthiness (documented evidence, direct experience, professional reputation), intuitive (status/visibility, knowledge/expertise), or the existence of external sanctions by which to regulate conduct (e.g. 'bargaining in good faith') or enforce an agreement.

## **9 Risk-taking propensity**

In negotiations, differences in avoidance of uncertainty show up in willingness to divulge critical information when a counterpart's trustworthiness is questionable; openness to novel approaches to outstanding issues; willingness to go beyond superiors' directives and authorisations; responses to proposals with unknowns or contingencies; and the desired form of a final agreement.

## **10 Value of time**

For many, 'time is money'. This attitude toward time is evinced in the importance attached to setting specific appointments in advance, the punctuality expected and observed in keeping appointments, and the urgency imputed to meeting deadlines.

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## **11 Decision-making style**

This variable refers to the system by which negotiators reach decisions within their teams, and between their teams and the organisation they represent.

## **12 Form of satisfactory agreement**

The desired form of a negotiated agreement is based on many concerns and practices: trust communication, credibility, salience of certain types of issues, commitment, enforceability and more.

With these 12 variables in mind, you, as a Pakistani negotiator, will be able to develop a profile of yourself as a negotiator and a profile of your negotiating counterparts. Understanding this profile and the relationship between the variables will significantly increase your effectiveness overseas.

In Section 3 we move on to see how these 12 variables can help us to develop profiles of typical U.S., British, German and Japanese negotiators. I shall also ask *you* to prepare a profile of the typical Pakistani negotiator and then to compare your suggested profile with that suggested by 30 Pakistani exporters during a seminar in Pakistan in 1985. You should find this of great value in your next negotiations.

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## **3 Profiles for negotiations**

### **3.1 Introduction**

The material in this section will help you, a Pakistani negotiator/exporter/businessman to understand the negotiating profile of your counterparts from the United States, the United Kingdom, Germany and Japan. After you have read this section you should be able to develop similar profiles for each country you want to do business in. I will cover some specific strategies and tactics in the last section.

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#### **ACTIVITY 5**

I want to begin with an exercise. In your notebook I want you to complete the following sentence: 'I would describe American negotiators in the following way.....' Take about 10 minutes and write down everything you can think about American negotiators.

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### **3.2 American negotiating profile**

#### **1 Basic conception of negotiation process - direct, confrontational, competitive**

One of the basic concepts of the American negotiation process is their desire for seeking fast reactions and decisions. Because of this, many foreign negotiators perceive American negotiators as being overly aggressive and pushy.

Competition is also a basic American characteristic and is an integral part of the American negotiation process.

Although the American negotiators are expected to be competitive, there is also an expectancy of them to be cooperative. American negotiators feel that if concessions are made by them, they should be reciprocated by the other negotiating teams.

Another very important variable in the Americans' basic concept of the negotiation process comes from the 'Protestant Work Ethic'. This work ethic is based on the premise that we should work hard to accomplish our goals. Part of this work ethic has formed a philosophy of individualism, independence, and in a wider sense has become the 'American Dream'.

Often the process of negotiation is like a 'game' to many American negotiators. They always have the concept of win-lose not win-win. The process also involves persistence and the American will strive to close a deal at all costs.

In summary, the American negotiation process has traditionally been, and in many places continues to be, construed as a competitive process of offers and counter-offers in which one party gains and the other loses. This form of negotiations is classified as 'distributive bargaining'. Americans also tend to be very direct and confrontational in seeking an end to negotiations.

#### **2 Negotiation team selection and composition - knowledge and experience**

In America, the person with the most expertise is usually chosen to be a member of the negotiation team. This expertise could be technical, legal, marketing, distribution, quality, or of some other nature. It is felt that this expertise will carry over into their product knowledge, which is also an important factor in the negotiation selection criteria.

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Previous international experience is also important and skill in language, culture and customs are seen as playing an increasing role in the successful negotiations. This factor can be seen by the type of college graduates that companies seek for their international departments. Besides actual work or relevant personal experience, another important factor is the amount of time the employee has been working in the international department. Americans feel that if a person is successful in negotiation with one culture, say, for example, the English, that skill is transferable and can be used to negotiate with a company from a different culture, like Pakistan.

After these two main selection criteria, another criterion is that of domestic success. It is thought if a person is successful domestically in negotiations, he will also be successful internationally.

Status of the person within the organisation is also an important factor in the selection criteria for Americans. The company will also often choose the person it feels will be most likely to get the most profitable deal for the company. They base their judgement on the knowledge, persuasiveness, and honesty of the individual.

In summary, your American negotiating counterparts will be selected on the basis of knowledge, skill and experience. In general, the team composition seems to consist of one member of the senior executive ranks who has the power from the corporate headquarters to make decisions. Other team members will consist of legal counsel, technical experts, financial experts and marketing personnel. Interpreters are also on many teams.

### **3 Significance of types of issues - substantive**

Americans like to emphasise specialisation and professionalism. Because of this, an American negotiator will often become preoccupied within the narrow confines of the issues while ignoring the broader issues. For example, an engineer may become so involved in the technical superiority of his product that he ignores the need the target market has for a simpler and scaled-down product.

Question asking is a very important part of the American negotiation process. Asking questions is a way of finding out interests, lifestyles, occupations, family background, and the like. Costs and benefits of negotiations are also important aspects to the Americans. Americans are trained in business schools that cost benefit analysis is important in any business deal or venture. They are also known to be very preoccupied with such issues as price, profit, quantity, deadlines, market share, and potential.

Although the main issue seems to revolve around substantive issues, other issues such as procedural issues of the negotiation are very important.

### **4 Concern with protocol - informality**

When compared to other countries, American negotiators' protocol is much less formal than others. This can be seen by the American use of first names. They feel that the use of first names will put everyone at ease.

American negotiators also like to personalise their bargaining relationships. They are often surprised that an opponent may seem quite affable in a social context, but may exhibit quite pugnacious behaviour at the bargaining table.

American negotiators are somewhat formal about their manner of dress. For all business occasions they wear suits and ties. Generally, they try to portray a very conservative image by wearing dark suits and long-sleeved white shirts. For very formal get-togethers, they generally wear a different suit. There is a feeling in America that you can dress for success. Many feel that dress is a very important and vital part of successful business negotiations.

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Personal space is also a very important concept. American negotiators behave as if they have an invisible 'bubble' around them which they do not like to be invaded. If one does invade this 'bubble', the American will begin to feel very uncomfortable.

The man with the most status and power usually sits at the end of the table. This seating position is often referred to as the 'power position'.

In America, it is also not necessary to do all business negotiations person to person. They are often done by telephone or post.

## **5 Complexity of communicative context - low context**

The United States can be classified as a 'low context' culture and during the negotiation process, Americans generally use a low context communication style of negotiation as opposed to the use of a high context communicative style. In a low context communicative style, most of the emphasis or search for understanding is placed in the spoken word. The result of this low context communicative style for the Americans is a perceived lack of ambiguity and seeing things in a clear black or white approach.

Because most Americans are brought up in this low context setting they are often at a disadvantage when they have to negotiate with high context cultures. Americans generally want clear cut answers to specific questions which high context cultures do not generally provide. So the American is often left not accurately understanding or being able to interpret his opponent's response.

Americans are known for 'laying their cards on the table', and like to say 'let's cut the crap' at the beginning of the negotiation session, and they also expect the same from the other party. They tend also to rely on the use of the English language, they feel this gives them 'the upper hand' and they often try to push the other party to be more 'verbal or more direct'.

## **6 Nature of persuasive arguments - empirical reasoning and experience**

American strategies emphasise facts and the exchange of information. Their position is very reliant on the exchange of such information. Honesty also plays a very important role and Americans will very often rely on the fact that the other side is being honest too.

U.S. negotiators tend to make rational presentations with detailed information. Americans generally consider this as a desirable and effective means of sharing information.

## **7 Role of individual's aspirations - individualism**

Americans tend to encourage individual aspirations and praise individual achievements. The force of this position is usually tempered, of course, when a negotiator is representing his company. So when compared with individuals from other cultures the Americans are relatively more individualistic.

Since American businessmen are often evaluated on their achievements, the American negotiator will often press for achieving short-term objectives and goals. Due to this fact the American negotiator will often avoid any concessions so as to prove that he is a good negotiator and thus further his career goals.

The Americans often seem to think of their own advancement before they think of how their accomplishments can benefit the company. It has been brought out recently that this competitiveness might be somewhat destructive. Many young executives will try to advance their own careers at a very high cost to others.

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## **8 Basis of trust - past record, external sanctions, and legal enforcement**

Past experience seems very important. Experiences of past organisational negotiations is valued very highly by American negotiators. Due to the American concept of time-efficiency, developing personal friendships is not an important part of trust. Where it is absent, however, it seems accurate to say that Americans probably feel much better about the availability of legal enforcement and recourse to the law in their culture than they would about extensive use of intuition and 'social' or moral sanctions.

Americans tend to rely greatly on external sanctions. They feel at ease with this because they feel they will always have some types of recourse through these channels. Even if they have a personal relationship with someone, they still rely on external sanctions.

## **9 Risk-taking propensity - calculated risk takers**

Americans are not risk takers but they do take *calculated* risks. This can be illustrated by the importance the large U.S. multinationals put on risk management, transfer of risk, loss control, loss prevention, use of insurance, and other measures such as training, safety and investigation.

Americans are willing to take risks only after careful studies have been made and all possible sources of financing or transferring of risks have been used. However, there is a part of America that is very likely to take a lot of risk. Entrepreneurs fall into this category. They seem to have the spirit that to succeed you have to take some risks.

## **10 Value of time - time is money**

One of the basic concepts that Americans consistently make others aware of is that 'time is money'. So, frequently, American negotiators stop bargaining and settle for available terms because they are impatient. This has its roots in the fast pace of life in the U.S. and the notion that time is a commodity that is quickly slipping by.

Americans see time as a sequence or straight line in which the relation of an action to a given moment of time is very important. This time efficiency can also be seen in many of the management seminars and books that are targeted and marketed to executives. However, this sense of time efficiency has its drawbacks. It often conflicts with social relationships which are very important in many cultures, especially in doing business in that culture.

The American value of time is evident in the importance attached to setting specific appointments in advance, the punctuality expected and observed in keeping appointments, and the urgency imputed to meeting deadlines.

## **11 Decision-making style - authoritative towards participative**

The decision is generally made by the negotiators chosen by their company. They are given the authority to work and close the deal. American negotiators usually have the ability to change the deal a certain amount; they are given flexibility in their proposals.

Americans also tend to wait and make a decision after all the facts and positions are known. However, after the facts and positions are known, they want to make swift and fast agreements.

## **12 Form of satisfactory agreement - contractual (legal)**

Americans generally like to settle their final agreement contractually. This reliance on contracts is due to American law which is written based on precedent. Contracts are used to specify certain obligations and rights of each party such as price, profit margin, delivery schedules, quantity, quality, length of contract, settlement of disputes, control of the venture, etc.

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Before a satisfactory agreement can be made, the American wants to make sure everything is clarified and that there are no loose ends that need to be tied up. They feel any loose ends or loopholes could be the cause of problems in the future. In the American way there is no room for vagueness or open-ended statements which could be subject to different interpretations in the future.

So the final steps involve the negotiator from America signing the contract in the name of his company. He expects that the agreement will be honoured to 'the letter of the law' by all parties. In other words, they become very inflexible after the contract has been signed and want the contract to be followed as initially agreed upon.

Americans tend to desire negotiated agreements based on explicit forms and commonly favour and expect written, legally-binding contracts to form a satisfactory agreement. These contracts cover most contingencies and bind parties legally.

Another common motto in American business is the saying that 'you had better cover your ass', and what better way for Americans to do this than through contracts.

After reading this profile of the American negotiator, I want you to mark the place of the American negotiator in the activity below. Each of the 12 characteristics I have just discussed are listed and the activity can form a very useful summary. Remember this next time you negotiate with Americans.

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#### **ACTIVITY 6 Summary profile of American negotiators**

Mark where you feel Americans appear on this profile. For example, if you consider them very informal put a mark close to the left-hand side of line 4.

##### **1 Basic conception of negotiation process**

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

##### **2 Negotiation team selection**

knowledge / negotiating experience / personal attributes / status

##### **3 Types of issues**

substantive / relationship-based / procedural / personal-internal

##### **4 Protocol**

informality ----- formality

##### **5 Complexity of communicative context**

low ----- high

##### **6 Nature of argument**

empirical reasoning / experience / dogma / emotion / intuition

##### **7 Role of individual's aspirations**

individual ----- community

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**8 Basis of trust**

external sanctions / past record / intuition

**9 Risk-taking propensity**

high ----- low

**10 Time**

high value ----- low value

**11 Decision-making style**

authoritative ----- consensus

**12 Form of agreement**

contractual ----- implicit

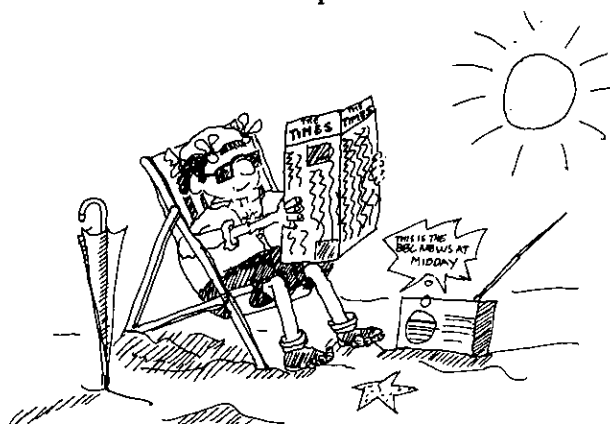
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**3.3 British negotiating profile**

**1 Basic conception of negotiation process**

The British business environment has been going through a transitional period since the 19th century. Their loss of global dominance as economic and political world leaders has been a slow and reluctant adjustment. Presently, emphasis is being placed on internal, socio-political dynamics with an anticipated change in structure. Therefore, an individual or corporation negotiating in Great Britain must maintain a flexible outlook to such frequent, short-term adjustments made within the country.

During Great Britain's dominance, goods were sold solely under the nationalistic assumption that 'made in the United Kingdom' meant quality products. As world power shifted, the United Kingdom held strongly to the belief that nationalism would prevail and that Britons would purchase home products rather than those imported into the country. Unfortunately, Britons chose products and services which offered superior quality, as well as attractive price levels. Difficulties in the British economy resulted, thus forcing Britons to analyse the competitive environment in which they market. A competitive spirit and allegiance to commitment have been lost somewhere within the traditional, functional structure of British companies.



The British exercise great pride in past accomplishments of the country, as well as in traditional value systems. Thus they are willing to live in a less than perfect environment rather than take an uncertain risk which could upset established beliefs and practices.

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## 2 Negotiation team selection criteria

The concept of the business manager, like that of the advertising agent, has been directly imported from the American society. Therefore, Britain has made an adaptation to managerial styles rather than initiated its own procedural development. Great Britain is moving away from its traditional concepts based on patrimonial attitudes. Unlike the United States and many other countries, management is not a profession, science or skill, but an occupation. This occupation reflects one's experience or character. This is a result of the British educational system which lacks emphasis on business and industry. The best schools geared their efforts toward producing an extraordinarily high quality of generalised administrators. Their involvement in non-profit organisations reflects the status given to government service rather than to business. The great American industrialist is much admired, whereas in Britain the industrialist lacks this prestigious acknowledgement.

These cultural undertones are instilled in the British negotiator. In order to survive these overt pressures, British businessmen have collaborated with the government, with trade unions and with each other. Although friction may arise from these activities, the Briton has expertly learned and implemented a stature of giving the appearance of being able to deal with any situation. These constant interactions have aided in the development of the manager's negotiating skills.

A manager's ability and expertise are a direct reflection of his educational background and experience derived from the work situation.

## 3 Significance of types of issues

Throughout negotiations with the British, you must recognise the need to create a feeling of trust between the parties. The hard sell approach that Pakistanis often use is inappropriate in the U.K. Self-righteous and braggart attitudes, as well as exaggerated claims, negatively affect one's credibility in the eyes of the British negotiator. Modern Britons accuse their peers of often being 'tinkerers' in negotiations. Therefore, one must be precise in reference to details and should constantly highlight the practical application for the Briton. Furthermore, stressing the positive aspects of British influence in world affairs, both past and present, aids a negotiator in establishing a good and beneficial rapport. The British are very appreciative of visitors who are well-informed and interested in British history and culture and are able to carry on an intelligent conversation.

The British negotiate by a process of give and take. But the foreigner must take special notice that the British tend not to reveal all issues during negotiations.

Negotiations may appear to progress haphazardly to the foreigner because, in Britain, there are many intervening factors. The British businessman's dedication to concepts of full employment, social security and the experiment of collaboration with government in the management of the economy affect business activities. Thus, the predominance of national interest over economic optimisation are frequent sources of sudden changes in direction.

## 4 Concern with protocol

The Briton's concern with protocol is easily identified in what is termed the English gentleman. This distinguished stature is inherent in a child's upbringing which subsequently is reflected in the Briton's daily actions.

A Pakistani initiating negotiations for the first time must either send a telex or a letter requesting an appointment. Prior to keeping an appointment, you should telephone the specific individual you desire to see as communication in the organisation may mismatch contacts. Upon arrival in the United Kingdom, a visitor is expected to be punctual at the first meeting. After a short waiting period, the host will receive the visitor. Often the secretary is responsible for introductions. The addressing of a potential colleague by his

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first name is regarded as impolite unless on intimate terms. The foreigner should introduce himself using his family name only, if he has a non-Anglo Saxon name. A business card is preferred when a foreign name has a difficult pronunciation and/or spelling.

A firm handshake, not aggressive, is a proper greeting for the Briton. One should greet even those who serve you as a sign of respect. British executives are addressed by names alone, not operating titles (e.g. Sir James Jones is referred to as Sir James).

Common opening conversation tends to develop around the issue of the weather. An interesting conversation start should be initiated by the foreigner linking a potential common experience. Once the introductory talk is completed, all references should revolve around the business issue at hand. The British are not interested in the personal value attached to the foreigner's proposal but the actual proposal itself. Furthermore, the Briton enjoys an individual who is equally willing to listen as he is to speak. One must be careful not to candy-coat nor flatter the Briton because the compliments will be misconstrued as deceitful negotiating techniques.

### **5 Complexity of communicative context**

During negotiations, moving close to a Briton is an invasion of his personal space. Closeness is uncommon even in familiar relationships. A minimum of gestures should be used and touching should be avoided even when attempting to emphasise an important point. In addition, demonstrative hand gestures should not be utilised. Furthermore, back slapping is inappropriate, no matter what the situation may be. The Briton's precise command of the English language is sufficient form of expression and trust.

### **6 Nature of persuasive arguments**

Much of Britain's negotiating and business activities are based on the premise of their once-held global dominance. The strict adherence to this past dogma is reflected in the British approach to business matters.

Also, negotiations progress through the use of empirically-based reason. The British command of the English language elicits factual and accurate styles of communication, prohibiting emotional techniques. As indicated earlier, British management practice is not recognised as a precise science but as an occupation. Therefore, managers have attained their positions based on factors of intuition, assumptions and status recognition.

### **7 Role of individual's aspirations**

Feelings of collectivity are obtained from ties to the family, community, region and nation. British managers place greater emphasis on intrinsic job factors such as personal autonomy and responsibility. Based on the influence of the Protestant work ethic, Britons place high value on work for its own sake. Furthermore, British family and school training tends to be liberal in orientation, and to encourage development of personal initiative and achievement. British managers look for a maximum amount of autonomy because they think that the job gets done through their personal qualities and not through their prescribed role in the organisation. This greater emphasis on autonomy and achievement is reflected in the lower level of importance attached to job security. But Britons remain in jobs because of negative implications attached to switching for reasons of financial gain or advancement. Individual and entrepreneurial aspirations, it is sometimes claimed, are often stifled by the government's implementation of high taxes on risk-taking activities.

### **8 Basis of trust**

As a means of establishing trust, the Briton will familiarise himself with your company and its background. A foreigner's personal qualities are of little importance unless a prestigious position is held within the company. It is advisable that a foreigner have

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references of past business transactions readily available for the British negotiator. Because Britons look to past accomplishments as a cornerstone, successfully completed business deals are demonstrative of a company's capabilities.

The British economy has often evolved around the structure of the 'old boy network'. Old boy refers to membership in and alliance to school days, clubs and prestigious social circles. Network implies a group cohesion and identity. This old boy network is of particular importance when considering one's career because positions of power, the best jobs, and the highest pay are often tied to social prominence and a background in certain schools.

The use of an intermediary facilitates contact with key individuals in a British organisation. The intermediary solely performs the duty of introduction and that function alone. No further assistance should be requested from this individual. Equally improper would be the suggestion of payment for services rendered. The use of an intermediary creates a good basis for a business relationship since the network in Britain upholds a respectable image.

## 9 Risk-taking propensity

Novelty is not necessarily exciting to Britons. Because the British tend to avoid uncertainty, risks resulting in a substantial change of environment are not well received.

The changing role of the field of management and the manager itself creates a contrast with traditional values. The average manager has a tendency to implement strategies that are cautious and not risky.

## 10 Value of time

The Briton's value of time is shown in a quotation from an English writer, 'His countrymen progress into the future with their eyes firmly fixed on the rearview mirror'. One can gather from this statement that the British business emphasis focuses on prior not potential activities.

Punctuality is one of the most important characteristics of British business etiquette. Conformity to this unspoken rule is necessary when meeting scheduled appointments or meeting the terms of a contract. A foreign businessman in the United Kingdom should emphasise immediate rather than long-term benefits of a plan. This philosophy is sensitive to the Briton's ties to past not future performance.

## 11 Decision-making style

Decision-making is primarily the function of upper management. Within a British company, orders will generally flow downwards while information flows upwards. Top management's main concern revolves around policy, coordination and motivation with little involvement in operational technology. Middle management has less attachment to policy but exercises more planning and control techniques at a supervisory level. The lower level of management often performs daily decision-making duties because of the close contact to the continual operational activities.

The foreign negotiator in Britain must reach the potential decision-maker(s) during the early stages of negotiations. By identifying key individuals, the information may flow more smoothly and feedback may be generated more quickly. The foreigner should exercise caution in pressuring the Briton for an answer. Such pushy tactics are interpreted as rude, and are thus rejected.

One must be very patient through deliberations and recognise that negotiations could be lengthy for several reasons. First of all, it appears that the British are unwilling to take responsibility. This often is a result of the Briton's fear of failure and the stigma attached to the loss of a job. Secondly, corporations owned by the state create time-consuming

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meetings because of the various parties involved in the decision process. Lastly, and as stated previously, the organisational set-up is not conducive for the free flow of information. These factors combined create a difficult environment for the foreigner. Recognition of the British style of negotiation eases this process.

## 12 Form of satisfactory agreement

Reaching an agreement based on British concepts commonly occurs in two stages. First, a binding contract is created through implicit actions. Often, a Briton will understate the terms of acceptance to the extent that the foreigner is unaware that an agreement has been reached. The Briton's extension of his hand is a tell-tale sign of this accord. The handshake indicates a morally binding agreement and, if necessary, is recognised legally. Written contracts usually follow the implicit agreement, serving as a confirmation. The explicit legal obligations are quite complex in the United Kingdom, especially with major agreements. Under British common law, extensive documentation is necessary. The foreigner must realise that the individual who signs the contract also makes the agreement legal. In Great Britain, only the specified manager, who is delegated the authority, is allowed to sign the agreement. The foreigner must take notice that the Briton's title is not indicative of authority to endorse documents. In order to correctly adhere to contractual and legal agreements, it is recommended that the foreigner obtain local legal assistance to ensure proper and adequate representation.

After reading this profile of the U.K. negotiator, I want you to put a mark on the 12 variables in the activity below. Remember this, next time you negotiate with people from the United Kingdom.

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### ACTIVITY 7 Summary profile of British negotiators

Mark where you feel the British appear on this profile. For example, if you consider them very informal put a mark close to the left hand side of line 4.

#### 1 Basic conception of negotiation process

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

#### 2 Negotiation team selection

knowledge / negotiating experience / personal attributes / status

#### 3 Types of issues

substantive / relationship-based / procedural / personal-internal

#### 4 Protocol

informality ----- formality

#### 5 Complexity of communicative context

low ----- high

#### 6 Nature of argument

empirical reasoning / experience / dogma / emotion / intuition

#### 7 Role of individual's aspirations

individual ----- community

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**8 Basis of trust**

external sanctions / past record / intuition

**9 Risk-taking propensity**

high ----- low

**10 Time**

high value ----- low value

**11 Decision-making style**

authoritative ----- consensus

**12 Form of agreement**

contractual ----- implicit

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### ***3.4 German negotiating profile***

In my opinion, there are several distinct currents of history responsible for the development of the German national character which, in turn, directly affect the German's conduct in all areas of life, including business. On the one hand, Germany's position at the forefront of the Industrial Revolution and her subsequent achievements in science and technology have installed in Germans a strong sense of national pride. At the time of the Industrial Revolution most businesses, and also the government, were run in a highly bureaucratic fashion by aristocratic families. Paternalism was a guiding principle in business and government (especially under Bismark) as well as in German families. Due to the role of the aristocracy in Germany's history, the importance of status has been great. Christianity, which has long flourished in Germany, has also strongly affected the importance of the family ethics of hard work and discipline.



There have also been destabilising forces in Germany's past. For hundreds of years Germany consisted of autonomous principalities averse to any centralisation of power. Unification came late to Germany (1871), and only through the expenditure of 'blood and iron'. Germany's first experience with democracy (the Weimar Republic 1919-1933) was short-lived and ended in disaster, and after the Second World War the country's boundaries were once again established by force.

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## **1 Basic conception of the negotiation process**

Germans place a premium on order and stability. For this reason they avoid conflict. This does not mean, however, that Germans are uncompetitive bargainers. On the contrary, they are extremely well prepared and well qualified negotiators. Negotiations are conducted for the purpose of joint benefit.

## **2 Negotiation team selection criteria**

Many interrelated criteria provide the bases for selection of German negotiators. Here, a cursory description of the organisation of German businesses is helpful. Most large German firms are hierarchically organised, highly centralised autocratic units. Power is exercised in an authoritarian way, but also paternalistically. Vertical movement up the corporate organisational pyramid is strictly controlled.

German negotiators typically come from the middle to upper-middle management levels of this hierarchy. These managers tend to be very well educated technical experts. They earn their high status positions by working hard and demonstrating their loyalty to the company at every opportunity. Since Germans consider a man in his mid-50s to be in his prime, age is also an important factor. Individual negotiators will almost always be extremely well-prepared technical experts, but they will often lack final decision-making authority.

## **3 Significance of types of issues**

Substantive and relationship-based issues dominate German negotiations. Substantive issues (product quality, delivery, serviceability, and price specifics) and mutual trust are equally vital concerns. First, any product with which Germans deal must meet exacting standards of quality and serviceability. When interested in a foreigner's product, German firms will often conduct their own research on the foreign company and its competitors, and even visit foreign factories and dealerships themselves. They are very concerned with technical details. This preparedness makes them great bargainers.

## **4 Concern with protocol**

Order and status are very important to Germans as are the strict codes of ceremony and etiquette upon which they rely to support and maintain these values. Rules for self-presentation and social behaviour abound. Handshaking rituals are closely observed. Handshakes start with the senior man present and proceed in order of descending status. Everyone's hand must be shaken, and handshakes should be firm. Introductions proceed similarly. At negotiating as well as dining tables, junior members usually sit to the left of their seniors. Titles, which are many, should be used whenever possible. First names are never used. Even Germans who have worked together for years still use the formal (Sie) form of address. Personal gifts at initial meetings are generally inappropriate, as is most humour and personal topics during small talk.

German businessmen also dress according to protocol. The more serious the business, the more somber the attire. The emphasis is on seriousness. Presentations should accordingly be orderly and serious. Business entertaining is also a solemn affair. Social invitations are usually extended only after several meetings have taken place. Wives may be included in invitations, and they can expect to be treated with dignity. Germans take their business very seriously and their adherence to protocol seems to enhance their business conduct. However, as previously mentioned, issues of substance and trust are slightly more important.

## **5 Complexity of communicative context**

Germans rank low on the non-verbal communication scale. To many Germans, formality enhances communication. Germans touch infrequently, desire personal space when talking and respect each other's privacy. Intrusions into one's space often evoke suspicion

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or mistrust. A German's office, for example, is inviolable, and one gains entry only by first knocking and then being acknowledged by its inhabitants. Periods of silence while talking allow time for thinking and should not be mistaken for anything else. Eye-to-eye contact is desirable.

Tone of voice, firmness of handshake (Germans prefer a firm grip), dress, manners, and physical appearance comprise the yardstick by which Germans measure up their foreign counterparts. However, these factors are secondary to what one has to say and how well one presents it.

## **6 Nature of persuasive arguments**

Thinking, not intuition, dominates deliberations. The analysis in German deliberations is expected to yield principles and clear-cut choices. Presentations should be very professional, organised and detailed, and they should concentrate on tangible facts. As often as not, German companies research foreigners' products and companies themselves, so the foreign negotiator must be prepared to answer the most detailed and technical questions concerning his product or his company. Quality visual aids such as hand-outs, flipcharts and videos enhance any presentation.

Presentations should also be low-key and conservative. Germans are suspicious of hard-sell tactics. The foreigners' self-presentation must also be conservative. Only by first demonstrating his integrity and trustworthiness can a foreign negotiator overcome the initial scepticism of his counterparts. Empirically-based arguments are the key to successful negotiations in Germany.

## **7 Role of individual's aspirations**

Not printing the name beneath an inevitably illegible signature on German business correspondence has traditionally been a common practice. This has been done to demonstrate that employees represent their companies first and foremost; the personalisation implied by printing out the names would be improper. This practice is fortunately changing but the principles behind it are not.

It is certainly no accident that loyalty is one of the most important individual advancement and negotiator selection criteria. Several forces operate concurrently to ensure that German negotiators act in the interest of their organisations. First, many German men have at work the same paternalistic-type relationship that they have with their family. In either case, authority is exercised benevolently. Many Germans also derive a great deal of self-esteem from their jobs and for that reason, are loyal to their companies. But perhaps most important is the German's commitment to the ideals of duty, obedience and loyalty. The workplace demands his loyalty and in most cases, the German worker gives it freely as well. Negotiating for one's own benefit runs counter to what most Germans believe.

## **8 Basis of trust**

Germany is a country where space is relatively scarce and privacy is sacred. Germans sometimes create psychological distance between themselves and strangers via their cold attitudes. Germans tend to view their past with suspicion and their future with uncertainty, hence their preoccupation with the present and with stability. Strangers can represent threats to their space and to the stability of their present order and may thus be regarded with suspicion. The same applies to German business organisations.

Withholding disclosure of relevant material from foreign negotiators is viewed as a source of power to the Germans. Only as the foreigner earns the German's trust will all pertinent information be divulged. This can be frustrating and time consuming for the foreigner, but once trust has been established, negotiations will proceed much faster.



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What do Germans base their trust on? Germans are performance and competence oriented. A company with a good past reputation goes a long way in instilling trust in German businessmen. The personal attributes of the foreign negotiator are also important. He should dress and behave in a conservative manner and be infinitely knowledgeable about the subject matter. Knowledge of the language and culture are also valuable. Equally evident is the German's reliance upon external legal sanctions to ensure trust. This is shown by their insistence on very detailed, legally-binding contracts. Intuition and social or moral sanctions play very little part here.

#### **9 Risk-taking propensity**

Germans are against taking risks, and display a rigid approach to change. The German automobile industry provides an example of this where quality and consistency prevail over novelty and change.

#### **10 Value of time**

A sense of urgency and immediacy pervades German society. Germans' uncertainty about the future and suspicion of the past cause them to live in the present. Time is precious. Businesses always open and close on time and buses and trains always run on schedule.

Business appointments must be made well ahead of time. Germans typically leave the office early on Fridays and take month-long vacations in the summer so setting appointments during these times is unwise. Arrival times should be made known in advance, and should also be reconfirmed before departing. Punctuality at meetings is a must, and presentations should be to the point.

Germans are also very specific on delivery dates. Once contracts have been made, strict penalty and warranty clauses apply. German requests for further information after the conclusion of negotiations should be dealt with promptly.

#### **11 Decision-making style**

Most large German firms are highly centralised and bureaucratic yet paternalistic units. The boss acts as the father, and his subordinates comprise his family. The subordinates bestow authority upon the boss, and they expect him to exercise it fairly.

#### **12 Form of satisfactory agreement**

Agreements are trusted if they are in a contract.

After reading this profile of the German negotiator, I want you to indicate where the German negotiator should be placed on the 12 variables in the activity below. Remember this next time you negotiate with Germans.

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### **ACTIVITY 8 Summary profile of German negotiators**

#### **1 Basic conception of negotiation process**

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

#### **2 Negotiation team selection**

knowledge / negotiating experience / personal attributes / status

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### 3 Types of issues

substantive / relationship-based / procedural / personal-internal

### 4 Protocol

informality ----- formality

### 5 Complexity of communicative context

low ----- high

### 6 Nature of argument

empirical reasoning / experience / dogma / emotion / intuition

### 7 Role of individual's aspirations

individual ----- community

### 8 Basis of trust

external sanctions / past record / intuition

### 9 Risk-taking propensity

high ----- low

### 10 Time

high value ----- low value

### 11 Decision-making style

authoritative ----- consensus

### 12 Form of agreement

contractual ----- implicit

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## ***3.5 Japanese negotiating profile***

### **1 Basic conception of the negotiation process**

Harmony is important to the Japanese, which immediately makes conflict difficult. The Japanese are also very pragmatic. They tend to make decisions after looking at the circumstances and possibilities rather than just relying on the application of general rules.

### **2 Negotiation team selection criteria**

In Japan status is an important element in relationships and interaction. Older men are usually in the positions of seniority and they usually achieve those positions only after serving in the company for many loyal years. One of the determining factors in entering a path to the top is the university one attended, even more than personal attributes. Once in the working world the company name may be more prestigious than the title of one's job.

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Qualities admired in a Japanese negotiator are commitment, persistence, ability to gain respect, credibility, listening skill, pragmatism and a broad perspective.

### **3 Significance of types of issues**

The Japanese concentrate on developing a relationship before showing 'good faith' towards the other party and doing any business with them. To them a business relationship is not viewed as being temporary, but as a lifetime relationship involving obligations and responsibilities on both sides, even under adverse conditions.

In setting up these relationships, go-betweens are often used in the beginning to feel out the situation and warm the other party up. Once the initial contact has been made, much time is spent in such settings as the golf course, restaurants, cabarets, and geisha houses. This is to help build a rapport and strengthen personal ties in the business relationship. Much of the actual business may be done in these social settings and is deemed appropriate once the relationship has been established. Gift giving is also a common practice.

When dealing with the substantive issues, the Japanese do not enter into negotiations with the intention of bartering and haggling but will offer, in the beginning, what they deem appropriate in the deal.

### **4 Concern with protocol**

In Japan negotiations are very formal. Care for proper attire and protocol are important. Handshakes or bows upon arrival and departure, exchanges of business cards which help the other party to determine status, and the use of titles and family names are all routine in the business setting.

Dress will normally be a conservative dark suit with a white shirt and a conservative tie.

### **5 Complexity of communicative context**

The Japanese are said by many to be the highest context culture in the world. They have traditionally relied on being indirect and reading between the lines. The ability to interpret meaning through vagueness and ambiguity are important negotiation skills in Japan.

The idea that one can never take yes for an answer in Japan is because yes may have many meanings. Therefore, it is important never to assume anything on verbal cues alone in Japan.

As well as the spoken context, there is also the unspoken. The Japanese as individuals rarely display their emotions openly. They have a preference for space between them, and there is limited touching. Eye contact is not common in greeting or in conversation. Also, the Japanese have a tolerance for silence that should be recognised and not assumed to be bad.

### **6 The nature of persuasive arguments**

Information is a better form of persuasion to a Japanese than logic.

Persuasive tactics appropriate for negotiations with the Japanese are questions, self-disclosures and positive influence tactics.

### **7 Role of individual's aspirations**

Traditionally, individual aspirations have been the second or third priority after nation, company, or family. Those values are gradually changing but still have great influence. The Japanese have found that their goals are more easily met as a group than as individuals and so collectivism is a major force. Loyalty is to the group and sacrifice is made for the group rather than the individual.

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The group ethic is evident in company procedures such as group training of employees who are selected when they are young, and group advancement. Many times you will find the entire group from the most senior to the most inferior people working together in a large office rather than in separate offices. Also competition is usually between groups rather than individuals.

Lifetime employment is another example of a group loyalty. In return for his work and commitment to the company the Japanese is rewarded with the promise of lifetime employment.

#### **8 Basis of trust**

The development of a good relationship over a long term is the best way of gaining trust from a Japanese counterpart. Along with the trust will come loyalty and respect.

Once loyalty and respect are established business in Japan will be much easier and one will be considered as a business associate above others even if it is at a high cost in money or time.

#### **9 Risk-taking propensity**

The Japanese rate highly in risk avoidance when compared to other cultures, and so risk-taking has never been part of Japanese business make-up. You should have patience and a long-range perspective when investing and doing business in Japan.

#### **10 Value of time**

Public schedules and events are prompt and appointments are expected to be met.

Business goals in Japan, however, are usually long-term oriented. Long-term rather than short-term relationships, growth and profit are considered.

#### **11 Decision-making style**

Decision making in Japan is done through a consensus reached by 'bottom-up' decision making. Lower and middle managers pass upward new ideas, even for decisions that are often inspired by vague pronouncements from on high.

#### **12 Form of satisfactory agreement**

Explicit forms of agreement are made in Japan with implicit inferences behind them. A contract is secondary in business transactions, and should be premised on continuing harmonious relations between the two parties who are committed to the pursuit of similar objectives. Consequently, relationships, not contracts, are negotiated.

The Japanese have an inherent distaste for lawyers and it would be unwise to seek legal council during negotiations. Details of a document are seldom haggled over and legal documents are usually kept brief and as flexible as possible to accommodate the evolving relationship between parties.

In Japan elaborate contract signing ceremonies are arranged with photographers, speeches, gift-giving, and a reception.

Now, please indicate where the Japanese negotiator should be placed on the profile below. Remember this next time you negotiate with the Japanese.

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**ACTIVITY 9 Summary profile of Japanese negotiators**

**1 Basic conception of negotiation process**

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

**2 Negotiation team selection**

knowledge / negotiating experience / personal attributes / status

**3 Types of issues**

substantive / relationship-based / procedural / personal-internal

**4 Protocol**

informality ----- formality

**5 Complexity of communicative context**

low ----- high

**6 Nature of argument**

empirical reasoning / experience / dogma / emotion / intuition

**7 Role of individual's aspirations**

individual ----- community

**8 Basis of trust**

external sanctions / past record / intuition

**9 Risk-taking propensity**

high ----- low

**10 Time**

high value ----- low value

**11 Decision-making style**

authoritative ----- consensus

**12 Form of agreement**

contractual ----- implicit

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### 3.6 Profile of Pakistani negotiators

You are now going to complete your own profile. The description of the 12 variables is in Section 2.7. Review the descriptions again. Then complete the profile (Activity 10 below). Following this is the Pakistani profile as completed by 30 Pakistani exporters. Do the profiles agree?

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#### ACTIVITY 10 Profile of Pakistani negotiators (your opinion)

##### 1 Basic conception of negotiation process

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

##### 2 Negotiation team selection

knowledge / negotiating experience / personal attributes / status

##### 3 Types of issues

substantive / relationship-based / procedural / personal-internal

##### 4 Protocol

informality ----- formality

##### 5 Complexity of communicative context

low ----- high

##### 6 Nature of argument

empirical reasoning / experience / dogma / emotion / intuition

##### 7 Role of individual's aspirations

individual ----- community

##### 8 Basis of trust

external sanctions / past record / intuition

##### 9 Risk-taking propensity

high ----- low

##### 10 Time

high value ----- low value

##### 11 Decision-making style

authoritative ----- consensus

##### 12 Form of agreement

contractual ----- implicit

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**Profile of Pakistani negotiators (bold type or X on scale)**

**1 Basic conception of negotiation process**

**distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion**

**2 Negotiation team selection**

**knowledge / negotiating experience / personal attributes / status**

**3 Types of issues**

**substantive / relationship-based / procedural / personal-internal**

**4 Protocol**

**informality -----X----- formality**

**5 Complexity of communicative context**

**low -----X----- high**

**6 Nature of argument**

**empirical reasoning / experience / dogma / emotion / intuition**

**7 Role of individual's aspirations**

**individual -----X----- community**

**8 Basis of trust**

**external sanctions / past record / intuition**

**9 Risk-taking propensity**

**high -----X----- low**

**10 Time**

**high value -----X----- low value**

**11 Decision-making style**

**authoritative ---X----- consensus**

**12 Form of agreement**

**contractual -----X----- implicit**

**Comparison of Pakistani negotiators\* (bold type or X on scale) with American negotiators\* (underlined or O on scale)**

**1 Basic conception of negotiation process**

distributive bargaining / joint problem-solving / debate / contingency bargaining / non-directive discussion

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2 Negotiation team selection

knowledge / negotiating experience / personal attributes / status

3 Types of issues

substantive / relationship-based / procedural / personal-internal

4 Protocol

informality ---------- formality

5 Complexity of communicative context

low ---------- high

6 Nature of argument

empirical reasoning / experience / dogma /emotion / intuition

7 Role of individual's aspirations

individual ---------- community

8 Basis of trust

external sanctions / past record / intuition

9 Risk-taking propensity

high ---------- low

10 Time

high value ---------- low value

11 Decision-making style

authoritative ---------- consensus

12 Form of agreement

contractual ---------- implicit

\* Completed by 30 Pakistani exporters and 20 American international negotiators

Notice the contrasts here and bear in mind your need to recognise others' profiles in negotiations. Your negotiation counterparts should also recognise *your* profile but probably will not do so. They are almost certainly unaware of many of these issues. If you wish to negotiate successfully - whatever your cultural background - the lesson is clear. Be sensitive to the negotiation styles and criteria of your counterparts.

Now we are ready to consider the subject of a negotiator's strategy and tactics. You have studied a profile of your negotiating counterparts and are almost ready to begin using your new skills.



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## 4 Managing negotiations

### 4.1 Introduction

**Strategy:** A well thought out plan; a planned effort to achieve a set of goals or objectives.

**Tactics:** A set of acts performed for gaining an advantage in terms of positions envisaged in a plan.

**Manoeuvres:** Unanticipated movements aimed at securing tactical gains.

John Ilich, in his book *The Art and Skill of Successful Negotiation*, says the negotiator should attempt to take the offensive as early in the negotiation process as possible:

He should take the offensive whenever he feels he can do so without his opponent being consciously aware of the change. . . Once you have the offensive, it is seldom wise to pause or to play a defensive or conservative hand. The defensive player recovers a fumble and runs for a touchdown; he has turned his thoughts to offensive tactics the moment he grabbed the ball and glanced down the field toward his opponent's goal . . .

I disagree with this approach and I hope you do too. It seems to me this is a 'football' approach to negotiation and does not really work. It does not take into account negotiators who seek mutual interests in a negotiation, who dislike vying for power, are reluctant to enter into arguments, and perhaps have little understanding of the concepts of 'offensive' and 'defensive'. One would expect to find this adversarial outlook more in an unhealthy 'win-lose approach' to negotiation as opposed to a 'win-win' situation where both parties gain. Unfortunately, this game approach to negotiations is frequently used by negotiators.

Strategy is an overall approach that considers the important objectives of the negotiations. Tactics, on the other hand, are the actions that implement a strategy and permit the accomplishment of an objective. Negotiation tactics may be planned in advance, or they may be chosen as a given situation arises.

### 4.2 General rules/guidelines

A violation of the following rules almost invariably results in damage to a friendly business relationship:

- Avoid disputes about status
- Adhere to agreed agenda
- Honour partial agreements
- Maintain flexibility
- Reciprocate concessions
- Return favours
- Be honest
- Negotiate in good faith
- Avoid displays of negativeness

By adhering to these rules of conduct, negotiation is facilitated by making the negotiating process more efficient.

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### 4.3 Learning to be successful in Pakistan and abroad

Recently, while conducting a series of international business seminars for managers and executives from a number of countries, I asked participants: 'Is it possible to learn to shift one's style to fit different international situations?' In effect, I was asking participants to do what Myamoto Musaski, a famous 17th century Japanese Samuri, was able to do - handle two swords at the same time. He developed the Nitoryu style of swordsmanship or the act of handling two swords at the same time.

To be skilful, effective and successful in one's own culture by acting one way and to be skilful, effective and successful in another culture by acting *another* way is to be able to handle two swords at the same time internationally. Ahmed K., president of a Pakistani company, says he modifies his behaviour to target his audience: 'When I'm in Pakistan, I am Pakistani; when I'm in Europe, I try to be Westernised.'

But each of us carries our basic personality characteristics - the sword that made us successful, our aggressiveness and competitiveness, for example. But in another culture the second sword we are expected to carry might be characterised by qualities such as gentleness, cooperativeness, the ability to follow others, indirectness, and commitment to relationships. We might be expected to carry these qualities while working in the new cultural environment.

I believe that all managers have the potential to be gentle, cooperative and committed to relationships but tend not to display these qualities because they have learned to display other qualities.



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#### ACTIVITY 11 An exercise in handling two swords

The words listed below are some of the adjectives that could be used to describe you as an international manager. Read the list and circle the ones that you believe apply to yourself:

assertive, energetic, decisive, ambitious, confident, aggressive, quick, competitive, impatient, impulsive, quick-tempered, intelligent, excitable, informal, versatile, persuasive, imaginative, original, witty, colourful, calm, easy-going, good-natured, tactful, unemotional, good listener, inhibited, shy, absent-minded, cautious, methodical, timid, lazy, inclined to procrastinate, like responsibility, resourceful, individualist, have broad interests, have limited interests, good team-worker, like to work alone, sociable, cooperative, quiet, easily distracted, serious, idealist, ethnocentric, cynical, conscientious, flexible, mature, dependable, honest, sincere, reliable, loyal, adaptable.

Using these qualities skilfully is handling one sword - the sword that made you successful in Pakistan.

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The next step in the exercise is to think of the next international trip you will be taking and consider the people you will be meeting at that time. Let's assume you will be going to the United States. Now, go back to the list of words and place a mark beside those qualities that you believe these people will look for in you. My hunch is there are a number of differences.

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A Pakistani exporter in a recent international skills training program received positive feedback from participants after a role-play situation in which he worked hard to demonstrate a certain behaviour to his negotiating counterpart. The exporter made a style shift at least during the role-play. It also felt alright to him. He was learning that some of his strengths, if carried to an extreme, might become liabilities. He also learned to handle two swords or, in other words, to make a style shift.

#### **4.4 Tactics**

**Agenda** are used to establish a certain control in the negotiation. They should cover, in general terms, the areas you seek to discuss.

**Questions** can be used in a number of ways to seek information, to avoid answering a question, to stall for time, or create controversy. The side that asks the questions controls the process of negotiation and generally accomplishes more in bargaining situations. There are four kinds of questions:

- **Direct questions** - addressed to a specific person, they force the other party to make some kind of response.
- **Leading questions** - devices that force the other side to take a position on a specific area.
- **Provocative questions** - tend to evoke an emotional and often hostile response in the other party.
- **Yes or No questions** - attempt to force the other side into a decision posture.

**Concessions** are used to determine what a seller really wants, the extent of his desire, and what he is willing to give up to achieve that desire. The idea behind the concession is for the buyer to give up as little as possible in order to gain a concession of greater value.

The following tactics are used by negotiators:

- **Trial balloons** - the tactics of introducing a subject, making a proposal or starting a demand with the words 'What if . . .' While the proposal usually has little chance of being accepted, the idea is to test the reactions of the other side and their strength of conviction. Trial balloons help a negotiator to avoid the need to take a stand that could commit him to a point of view too early in the negotiation.
  - **Nibbling** - a commonly used technique of constantly scrambling for small concessions on a given subject. If it becomes clear early in the negotiations that it will be difficult to get the whole package, this tactic makes sense. The theory behind it is that it may be possible to negotiate small items one at a time and so end up with the bulk of the whole. It is a technique that builds a climate of confidence and a track record on a gradual basis.
  - **Good guy - bad guy** - a technique that requires at least two team members. One person behaves aggressively while his team member keeps a quieter profile.
-

- **Greater rewards (sell cheap, get famous)** - the 'carrot principle', a very common tactic for getting a compromise. Usually it is most effective toward the end of a negotiation, because it is based on the hope that the possibility of greater rewards (i.e. future orders, etc. . . .) will motivate the negotiator to make concessions.
- **Noah's Ark** - when a buyer says 'You will have to do much better than the price you suggested. I have proposals from your competitors that offer me much better terms', it is almost always a bluff. If he has better terms, he has no need to negotiate with you.

This list of tactics could go on: deadlocks, walk-outs, undermining, changing the subject, going for a quick close, etc. A detailed examination of all tactics lead me to conclude that *the frequent use of any of these is a bad idea when negotiating. Before using tactics, you should carefully consider the other team's potential reaction.*

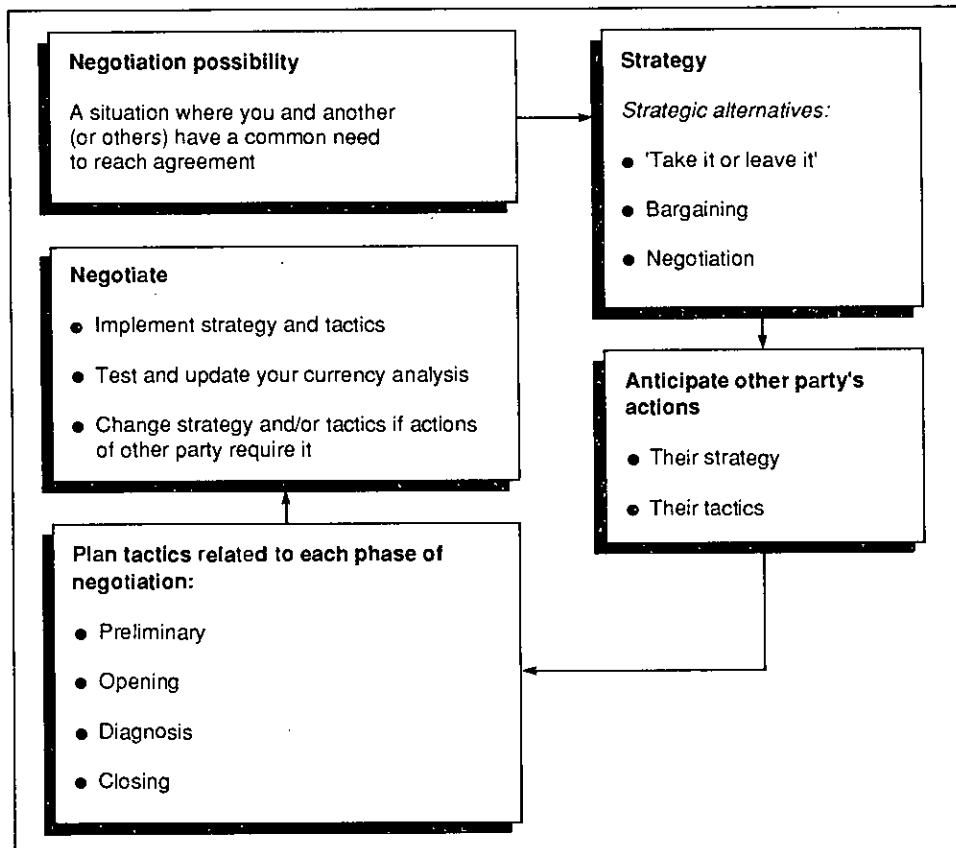


FIGURE 1 The process of negotiation - a review

## 4.5 Strategy review

Three basic strategic alternatives are listed below along with suggestions of when each is an appropriate choice.

### 1 'Take it or leave it'

This strategy can be appropriate and effective if:

- You are the only or most convenient source for something the other party needs.
- Building a relationship with the other party is unimportant, or you want to avoid close contact.
- The low value of items or services to be exchanged does not justify the time and expense of bargaining or negotiation.
- You have no flexibility to bargain or negotiate.

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## 2 Bargaining

Bargaining can be an appropriate and effective strategy if:

- Time is limited.
- You are not in a low power position.
- Building a relationship with the other party is unimportant, or you want to avoid close contact.

## 3 Negotiation

Negotiation can be an appropriate and effective strategy if:

- There is enough time to explore multiple needs, and the value of the exchange warrants the time investment.
- Building or maintaining a relationship is important.
- The commitment (versus compliance) of the other party is important to ensure that the agreement is carried out.

### *4.6 Approaches to negotiation*

Roger Fisher and William Ury of the Harvard Negotiating Project present an alternative to the usual 'soft' or 'hard' negotiations in the form of 'principled' negotiation, which is based on two assumptions:

- Participants are problem solvers.
- The goal is an outcome reached efficiently and amicably.

The method consists of four key elements:

- (a) Separate the **PEOPLE** from the problem.
- (b) Focus on **INTERESTS** from the problem.
- (c) Invent **OPTIONS** for mutual gain.
- (d) Insist on objective **CRITERIA**.

A comparative assessment of three approaches (soft, hard, and principled) is seen in the following table:

<b>PROBLEM</b>		<b>SOLUTION</b>
Positional bargaining: which game should you play?		Change the game - negotiate on the merits
<b>Soft</b> Participants are friends.	<b>Hard</b> Participants are adversaries.	<b>Principled</b> Participants are problem solvers.
The goal is agreement.	The goal is victory.	The goal is a wise outcome reached efficiently and amicably.
Make concessions to cultivate the relationship.	Demand concessions as a condition of the relationship.	Separate the people from the problem.
Be soft on the people and the problem.	Be hard on the problem and the people.	Be soft on the people, hard on the problem.
Trust others.	Distrust others.	Proceed independent of others.
Change your position easily.	Dig in your position.	Focus on interests, not positions.
Make offers.	Make threats.	Explore interests.
Disclose your bottom line.	Mislead as to your bottom line.	Avoid having a bottom line.
Accept one-sided losses to reach agreement.	Demand one-sided gains as the price of the agreement.	Invent options for mutual gain.
Search for the single answer: the one <i>they</i> will accept.	Search for the single answer: the one <i>you</i> will accept.	Develop multiple options to choose from; decide later.
Insist on agreement.	Insist on your position.	Insist on objective criteria.
Try to avoid a contest of will.	Try to win a contest of will.	Try to reach a result based on standards independent of will.
Yield to pressure.	Apply pressure.	Reason and be open to reasons; yield to principle, not pressure.

From Pierre Casse, 1985 (see Bibliography)

Perhaps you should try principled negotiation in your own activities. As always, however, you must take into account your counterpart's reaction and build this in to the way you set up the negotiations initially.

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## ***4.7 Conclusion***

It is impossible for you to stop being a Pakistani at the negotiating table. It is impossible and undesirable to try to become a person from another culture. But, when preparing strategies, avoid presentations that rely heavily on Pakistani persuasion techniques, and if negotiations falter, consider how persuasion techniques might be altered to be more effective with your negotiating counterparts.

Learn to manage the negotiations. Successful negotiations with foreigners emphasise the importance of pre-negotiation planning, appropriate interpersonal behaviour, understanding how to present the proposal, and a skilful approach.

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