

INTERNATIONAL NEGOTIATIONS

By David Mitrovica

Etruscan Seismic completed its first international project outside of North America over the past year. Under a contract with an Illyrian oil company, Etruscan acquired approximately 200 miles of 2D seismic in the region of that country. The project was performed using telemetry technology and was conducted over a five month period. This was an important experience for Etruscan as it allowed the Company to test its equipment in difficult terrain and under extreme weather conditions.

While the equipment performed extremely well during the survey, difficulties with the local bureaucracy and subcontractors caused costly delays which ultimately had a negative impact on the Company financially. As a result, Etruscan has redirected its focus to North America, and future efforts to initiate foreign operations will strive to establish term arrangements through which it can limit its risk.

The name of the above company, and exploration region, has been changed. In fact, this is an actual example of a Canadian firm whose recent international exploration venture cost it over US\$1 million before taxes¹. Could it have been avoided? I believe so. The means lie in understanding cultural differences and their impact on negotiating styles.

Joint ventures, mergers and acquisitions, licensing and distribution agreements, and sales of products and services - crucial aspects of all such interorganisational relationships are face-to-face negotiations. As the proportion of foreign to domestic trade increases, so does the frequency of business negotiations between people from different countries and cultures. To successfully manage these negotiations, business people need to know how to influence and communicate with members of cultures other than their own. Furthermore, recruitment practices of Canadian firms active abroad need to change in significant and immediate ways (see first article in this series, January 2001 RECORDER).

Negotiation is a process in which one individual tries to persuade another individual to change his or her ideas or behaviour. It is the process in which at least two partners with different needs and viewpoints try to reach an agreement on matters of mutual interest. A negotiation becomes cross-cultural when the parties involved belong to different cultures and therefore do not share the same ways of thinking, feeling, and behaving.

According to Professor Perlmutter of the Wharton School of Business, international managers spend more than 50 percent of their time negotiating. Styles of negotiation vary markedly across cultures. Countries vary on such key aspects as the amount, and type, of preparation for a negotiation, the relative time on task versus interpersonal relationships, the use of general principles versus specific details, and the number of people present and the extent of their influence. Although cultural stereotypes are simplistic, many of them contain elements of truth. For example, Asians generally prefer to use a consensus-

based team style in negotiations, Americans are likely to give one negotiator complete control, Mediterranean cultures can become "confrontational", and negotiations with Middle Eastern cultures can be drawn out and contain many subtleties.

Negotiation is generally the preferred strategy for creating win-win solutions in international situations. Businesspeople should, for example, consider selecting negotiation when any of the following conditions are apparent: their power position is low relative to their partner's; the trust level is high; available time is sufficient to explore both parties' multiple needs, resources and options; or when commitment - not merely compliance - is important to ensure that the agreement is carried out.

Effective negotiators base their strategy and tactics on the characteristics of the situation and the people involved. Although it would be easier for international managers if there were one best way to negotiate, no guaranteed formula for success exists.

The most important individual characteristics for international negotiators are good listening skills, an orientation toward people, a willingness to use team assistance, high self-esteem, high aspirations, and an attractive personality, along with credibility and influence with the home organisation (see second article in series, February 2001 RECORDER). In the same way, effective negotiators recognise and manage the impact of each different situation on the bargaining process from both their own and their opponent's cultural perspective.

However, these individual and situational characteristics, although significant, are not the most important factors determining negotiated outcomes. Indeed, *process* is the single most important factor in predicting the success or failure of a negotiation. An effective process includes managing the negotiation's overall strategy or approach, its stages, and the specific tactics used. As with other aspects of negotiating, process varies markedly across cultures.

In preparing for an international negotiation, team members should learn as much as possible about the foreign culture, its negotiating patterns, and especially its style of negotiation with outsiders, and then approach the actual bargaining sessions with as wide a range of options and alternatives - in behaviour and substance - as possible. In initial meetings, negotiators should emphasise developing a relationship with their bargaining partners. During the discussions, negotiators should assume difference in negotiating style until similarity is proven.

Finally, effective negotiators have high expectations and make high initial offers (or requests), proceed by asking a lot of questions and refrain from making very many commitments until the

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final stage of the negotiation. The most effective negotiators approach sessions searching for synergistic solutions - solutions in which both sides win.

According to one researcher, Frank Acuff¹ (fig. 1), an American himself, Americans are poor international negotiators. Why should this be so? In order to be a good negotiator, one must understand how one differs from others in terms of cultural traits, values and assumptions. In other words, Americans - or Canadians - must identify and understand what is American about America, or Canadian about Canada. Perhaps, neither Americans nor Canadians have a deep level of self-awareness. When one examines the degree of knowledge Canadians have of their own history, and influences, this conclusion doesn't seem too unreasonable. What do you think?

The U.S. Negotiator's Global Report Card

<u>Competency</u>	<u>Grade</u>
Preparation	B-
Synergistic approach (win-win)	D
Cultural I.Q.	D
Adapting the negotiating process to the host country environment	D
Patience	D
Listening	D
Linguistic abilities	F
Using language that is simple and accessible	C
High aspirations	B+
Personal integrity	A-
Building solid relationships	D

Adapted from Acuff, F.L. *How to Negotiate with Anyone, Anywhere Around the World*, New York: AMACOM, 1993.



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On the positive side, Canadians do possess certain cultural characteristics which can be an advantage in cross-cultural negotiations. These include a tradition of multi-culturalism rather than the American "melting pot", a well-developed sense of humour, especially of the self-deprecating type, and a generally humble self-image (which helps listening skills).

In order to succeed, Canadian managers and firms need to be sensitive to the cross-cultural dimensions of doing business overseas. Traditionally, these issues have been largely ignored, or not understood at all. Negotiations, a critical business skill, require strong cross-cultural skills. The time to build these skills is now. **R**

¹ One third of all Canadian businesses which initiate international ventures fail.

² Since most management literature is written by American researchers, the author is severely limited in his choice of national examples. He would have preferred to highlight the performance of Canadians. Given the research results described in the previous two articles, it is reasonable to suggest that English Canadians would score only marginally better than Americans, both of whom would score significantly less than Europeans. Here again, the sample population is highly skewed in that more men than women are offered expatriate positions. Many women, and men, who might be successful negotiators are often screened out by continued poor recruitment practices. This is an area in which shareholders should perhaps demand improvement.



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