A study of negotiation styles between family managed business owners from Canadian and Indian cultural backgrounds

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ABSTRACT

Due to advancements in transportation and communication, the world is shrinking. People from different nations, cultures, languages, and backgrounds are now communicating, meeting, and doing business with one another more than ever before, thanks to technological advancements and the development of a global economy. Few businesses can avoid dealing with foreign colleagues, clients, or customers at some point. Business is global, and if a company wants to develop and grow, it must capitalize on the opportunities that the global stage provides.

Negotiations are an everyday occurrence in international business. The parties involved in a negotiation face various challenges in reaching a successful conclusion. When the parties involved come from different cultural backgrounds, the problems they face become more complex. Many experts have drawn comparisons between the West (Canada) and the East (India) because distinct differences exist in the two types of cultures and are the underlying reasons why negotiation styles differ between Canadian and Indian family managed business people.

1. Introduction:

Cross-cultural business talks involve a lot of cultural considerations. Thus, it is crucial to be aware of how culture affects negotiation tactics. This study's goal is to better understand cultural management.

Today’s globalization has had great impact on the world economy and has increased the importance of cross-cultural business negotiations. Many companies tend to look abroad to expand their businesses as the world becomes more and more interconnected (Zhang et al, 2009, p.103). When going international not only does it require in-depth technical competence, but also competence to interact with people from different backgrounds and cultures. According to the different culture, the styles of the negotiation are greatly different (Usunier, 2003, p.30). International negotiation is a negotiation among different countries and regions. Because of the difference system in politics and economy of the world, they have different history and cultural tradition. Sebenius (2002) points out that cultural difference can influence business negotiations in significant and unexpected ways. Negotiation is an important part of developing business in any market. (Xiaohua et al,
Furthermore, the causes of many of the conflicts going on all over the world can be attributed to intolerance brought about by cross-cultural ignorance. People are so used to think and do things in a certain way, it is difficult for people to understand each other, and this is a problem for companies doing business abroad (Hofstede et al, 2005, p.4). An ignorance of the culture you are visiting or interacting with can lead to development of stereotypes and occasionally, causing offence. Hollensen (2001) suggests that in the business world lacking awareness of cultural difference can have a negative impact on the success of businesses. Everyone operates differently due to cultural values and beliefs; therefore it is vital to be aware and understand different cultural approaches. This will help to communicate with others effectively, avoiding any form of conflict. According to Johansson (2000) the global economy has formed business environment that require companies to look past the traditional thinking of the home market and start instead looking at business from an international global perspective. We know every business, at one point or another, will be involved in negotiating, whether it will be a simple business deal, a supplier’s contract or collective bargaining (Imai, 2010).

Today, Japan, China, and India have some of the greatest economies on the planet. Thus, there has been a dramatic change from the "let's try and understand your way" mentality to the "western method of doing things." According to McNamara (2003), Western organisations are starting to notice the effects that a lack of cultural understanding can and does have on the success of international commerce. Many businesses are spending a lot of money right now on cultural awareness training and language classes for their employees, so they can succeed in international markets and learn different negotiation techniques (Tan, 2004).

Failure in cross-cultural commercial talks has received much study and is not a recent occurrence. The necessity and significance of experimentally studying culture in the context of negotiation have been emphasised time and time again, according to Fraser et al. (2002).

2. Review of Literature

Culture, according to Salacuse (2004), varies from culture to culture in terms of negotiating techniques. Brett (2001) contends that culture has a significant role in determining the procedures and results of negotiations.

First, it's important to develop a precise definition of the term "negotiating." The Latin word negotiari, which meant to conduct commerce, is where the word "negotiation" first appeared. Brett (2007)

International negotiators by nature come from many national cultural backgrounds. The term "cultural" is used to refer to "collective mental training that separates members of one group of people from another" (Hofstede et al 2003)

According to Reynolds et al. (2003), the success of commercial negotiations is becoming a more important factor for the survival and expansion of multinational corporations. According to Schneider et al. (2003), a common negotiation pitfall results from misunderstanding the cultures of other nations, particularly with regard to the negotiating procedures they use.
According to Martin et al. (2006), certain nations may place a premium on courtesy and honesty, while others may view deceit and coercion as the norm in negotiations while remaining cordial and courteous in other contexts. Czinkota (2003) goes on to say that it is simple to insult members of various cultures without realising it. Body language, especially gestures, can convey a variety of meanings, and what might appear to be a kind gesture to one person may be highly impolite to another.

According to Gersten et al. (2010), managers are increasingly engaging in international business negotiations as they pursue opportunities in the global marketplace. International negotiations are one of the most challenging tasks in businesses and managers may spend more than 50 per cent of their time negotiating. (Fraser et al, 2002)

2.1. Cultural theories related to culture and negotiation

2.1.1. Trompenaars seven dimensions of culture

Trompenaars who is a Dutch author in the field of cross-cultural communication developed the “Seven Dimensions of Culture Model” for the analysis of cultural differences. The seven dimensions were defined as:

i. Universalism vs Particularism (what is important – rules or relationships?)
ii. Collectivism vs individualism (Do we function in a group or as individuals?)
iii. Neutral vs emotional (Do we display our emotions, or do we hide them?)
iv. Specific vs diffuse (Do We handle our relationships in specific and predetermined ways, or do we see our relationships as changing and related to contextual settings?)
v. Achievement vs Ascription (Do we have to prove ourselves to receive status, or is status given to us?)
vi. Sequential vs synchronic (Do we do things one at a time or several things at once?)
vii. Internal versus external control (Do we believe that we can control our environment, or do we believe that the environment controls us?)

Culture, according to (Trompenaars 1996), is the means by which these dilemmas are resolved, because each nation seeks a different and winding path to its own ideals of integrity. Trompenaar believes that not only will this reconciliation reduce conflict, but it will also increase business success to the extent that it occurs.

According to Gudykust et al. (2003), three of the six dimensions, universalism-particularism, difficulty-specificity, and ascription-achievement, were originally labelled as pattern variables by Parson.

2.1.2 Hofstede’s five cultural dimensions

Hofstede (1996) proposed five cultural dimensions to assess the values that characterise specific patterns in order to analyse cultural diversity. Power distance, collectivism versus individualism, masculinity and femininity, uncertainty avoidance, and long term orientation are the five dimensions examined by Hofstede. (Chang, 2003)
Power distance refers to a society in which individuals are given varying levels of importance and status. Power distance also measures how subordinates respond to power and authority from higher ups within an organization. Collectivism versus individualism refers to the priority given to group rights and freedoms over individualism. In collectivist cultures, individuals are bound by strong personal and protective ties based on group loyalty and family ties. In an individualistic culture, people are expected to take care of themselves, everyone contributes towards a common goal, and there is little pressure on each other. Masculinity and femininity refer to and define the roles and behaviors of men and women in society, and Hofstede (1996) notes that men's goals are very different from women's goals, and that these goals are therefore it suggests that it is composed of masculine and feminine perspectives. Uncertainty avoidance refers to the fact that cultures tend to see unfamiliar situations as threatening when uncertainty avoidance is high. In cultures where uncertainty avoidance is weak, people feel less threatened by unknown situations.

2.1.3. Salacuse's model of 10 factors affecting the negotiation style

Salacuse, (2005, p.1-6) identified ten factors which seemed to be most problematic in cross-cultural negotiations. These ten factors, each of which consisted of two poles is illustrated in the following table:

![The Impact of Culture on Negotiation](source: Salacuse(1999))

In a survey of 310 persons from 12 countries and 8 occupations, Salacuse asked participants to rate their negotiating style covering ten negotiation process factors. All respondents were asked to rate their own attitudes towards each of the traits on a five-point scale. The tables below summarizes the results of this study. The numbers in the table denote the percentage of respondents from each country who submitted the highest or the second highest evaluations of indicated polar extremes of each trait. The differences in national negotiating styles among the analyzed countries are quite evident. (Salcuse 1999)
The purpose of the ten factors, according to Salcuse (1999), is to identify specific negotiating traits that are influenced by culture and to demonstrate the possible variations that each trait or factor may take. With this knowledge, an international business negotiator may be able to better understand the negotiating style of their counterparts from other cultures. The negotiator can also use it to compare their styles to those of their counterparts on the other side of the bargaining table.

Trompenaars and Hofstede's culture theories will ideally be used in this dissertation to assist in identifying the cultural differences between Canada and India.

2.2 Research Objective:

The study aims to develop understanding of Business Negotiating styles on two cultures, Canada, and India. In this study the Canadian and Indian differences in negotiating styles will be identified and presented using applicable culture theories.

Research question: what are the cultural differences in business negotiating styles between Canadian and Indian business managers? The research intends to answer the above question and meet the following objectives during this study:

- Understand relevant cultural theories to identify the various negotiating styles used by family-owned businesses from Canada and India.
- Provide guidance to family-owned businesses from Canada and India on cross-cultural negotiation effectiveness.

2.3 Research Methodology:

Qualitative research will be used in this study. Qualitative strategy has been chosen because it as an approach concerned with subjectivity understanding (Bryman, 2004).

2.4 Research Population:
This study will draw on both primary and secondary data in order to explore insights in the research question. In-depth interview is the chosen data collection method for this study. Kinnear and Taylor (1979) suggests that In-depth interviews may be defined as an unstructured personal interview which uses extensive probing to get a single respondent to talk freely and to express detailed beliefs and feelings on a topic with little directional influence from the researcher.

Salacuse (1999) identified ten factors which seemed to be the most problematical when conducting cross-cultural negotiations. Three out of the ten factors have been selected to help identify the different negotiation styles between business people from Canadian and Indian cultural backgrounds. The three out of the ten factors, each consist of two poles:

1. Goal (contract or relationship?),
2. Personal styles (informal or formal),
3. Time sensitivity (High or Low).

These three factors will be translated into a questionnaire guide and administered to four experienced business people from both British and Indian ethnic background.

The questionnaire guide will be used in the in-depth interview to get below the respondents surface reactions and to discover the more fundamental reasons underlying the respondent’s attitudes and behaviour. The in-depth interview will take place at the respondent’s work place in this way respondents will feel relaxed and more comfortable to openly express their thoughts, feelings and experiences. Each participant will be asked a series of eight questions and probed to offer examples to support their answers. Each question will be explained and discussed in order to ensure understanding from the respondents. The In-depth interview will last approximately 30 minutes.

Data that has been collected from first-hand-experience is known as primary data. Primary research is often undertaken after the researcher has gained some insight into the issue by collecting secondary data. This can be through numerous forms, including questionnaires, direct observation and telephone interviews amongst others. Secondary data is published data collected by others. Secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality data that may be expensive for any individual researcher to collect on their own. A clear benefit of using secondary data is that much of the background work needed has been already been carried out, for example: literature reviews, case studies might have been carried out, published texts and statistic could have been already used elsewhere, media promotion and personal contacts have also been utilized. However there are disadvantages to the fact that the researcher cannot personally check the data so its reliability may be questioned.

For my secondary research I will analyse several different texts such as journals, books and video clips that are relevant to my research topic to support my findings on cultures impact on negotiation styles.

3. Data Analysis:

The Canadian and Indian managers from SME business’s need to be experienced in cross-cultural business negotiations in order for this research to proceed. Therefore, Prior to
selecting participants they were asked if they had experience in business negotiations. The following respondents were selected as they had several years of experience in business negotiations.

Each of the in-depth interview questions were clearly explained with examples provided to help obtain key information that would agree or disagree with Salacuse cultural theory on business negotiation styles between Eastern (India) and Western (Canadian) countries.

For each question asked data is shown in the table. It will then be analysed in two ways:

1. The data between the respondents from the same culture will be compared
2. The data from the two different cultures will then be compared

This is done in order to arrive at a deeper and balance understanding to the responses of that question and how they relate to Salacuse theory.

3.1: Understanding negotiating goal

The purpose of question one is to identify what is most important to the respondent. For some cultures, the primary goal of negotiations is to reach a deal and sign a contract, while other cultures view it as the establishment of a long term relationship between the parties which will eventually lead to a contract. (Salacuse, 2003)

There is a great similarity between the responses from the Indian culture. They all share the same negotiating goal which is to form a relationship before talking business. Also, they believe business success stems primarily from the relationships they form with their business partners. Whereas the responses between the Canadian cultures tend to share the same negotiating goal of getting straight down to business and forming relationships to be the least important thing to do. Salacuse (2005) explains that Indians (east), whose negotiating goal is often a relationship tend to give more time and effort to negotiation preliminaries, while Canadian (West) culture often want to rush through the first phase of deal making.

3.2 Understanding personal styles

The purpose of question two seeks to identify the Personal style of the Canadian and Indian culture when involved in a business negotiation. Personal styles concerns the way a negotiator talks to others, uses titles, dresses, speaks and interacts with other persons.

As a sign of respect, all Indian cultures prefer to address those with whom they do business with using titles. Also, Indians prefer to dress formally, usually in a shirt and tie, and shake the hands of those with whom they do business. Whereas responses from Canadian cultures show that addressing someone by their title is dependent on their age, relationship, and how they introduce themselves.

Dressing smart casual for a business meeting is also their preferred personal style, though this depends on the importance of the business meeting. A verbal "hello" is their preferred greeting style, but a handshake is more appropriate if the person they are dealing with is very important. Both Indian and Canadian respondents prefer to dress formally for business meetings, but it all depends on the importance of the meeting. The manner in
which they address another person is primarily determined by the level of their relationship.

If they are dealing with someone on a regular basis, they may address them using their first names rather than titles, unless the circumstances are different and they are meeting for the first time, such as for business. Furthermore, Indians like to shake hands regardless of who they are dealing with, whereas Canadian respondents only shake hands when the situation is serious.

According to Salacuse (2003), Indians prefer to dress formally in all business dealings, whereas Canadians prefer an informal look and prefer to wear casual attire. Personal style refers to how a negotiator addresses others, uses titles, dresses, speaks, and interacts with others. The purpose of this question is to determine the personal styles of Indian and Canadian respondents.

3.3. Understanding sensitivity to time

The goal of question three is to help identify the differences in attitudes toward time between India and Canada. Sensitivity to time refers to how important it is to Indian and Canadian respondents to arrive on time for a meeting and whether or not it is important to stick to the scheduled meeting time. The Indians don't mind if a meeting lasts longer than expected because they need more time to get to know the person with whom they are doing business. The responses from western cultures show that they value the importance of arriving on time or slightly early for meetings. However, unless it is for business reasons, west respondents prefer to stick to the scheduled meeting time.

However running over the scheduled meeting time is not favoured by the Canadian respondents as it is with the Indian that consider forming a relationship is more important than hurrying to make and seal a deal. Canadian respondents like to get straight down to business and then be on their way and running over time is only acceptable if the conversation is business related.

Salacuse (1999) explains that Indians, whose goal is to create a relationship rather than simply signing a contract, need to invest time in the negotiating process so that parties can get to know one another well and determine whether they wish to embark on a long term relationship. Whereas the Canadian tend to want to get straight down to business as “time is money”.

According to Katz (2008), the length of your negotiation in the United Kingdom can be difficult to predict because traditional British companies may still be very slow, spending significant time gathering information, bargaining, and making decisions. Younger or revitalised businesses, on the other hand, may be interested in completing the negotiation in a short period of time, moving at sometimes-surprising speeds. Salacuse's theory about the UK and Indians' sensitivity to time has been proven incorrect in this case.

3.4. Understanding the importance of cultural factors on cross cultural business negotiations

The purpose of question four is to enable respondents to openly express their opinion on whether they think culture is an important factor to consider when conducting cross-
cultural business negotiations. The responses between the Indians indicate that they consider culture as an important factor to consider when doing cross-cultural business negotiations. They also believe that business success stems from cultural awareness as understanding the customers cultural backgrounds enables you to form a better relationship and deliver the best service to meet their needs. The responses between the Canada also agree with culture being a key factor to take into consideration when doing cross-cultural business negotiations.

To summarise, Salacuse (2005) explains that the great diversity of the world's culture makes it impossible for any negotiator, no matter how skilled or experienced, to fully comprehend all the cultures that he or she may encounter. More importantly, Salacuse (1999, p.221) states that one approach is to identify important factors that may influence negotiation styles of people from various cultural backgrounds. Understanding those factors may aid an international business negotiator in understanding a counterpart and anticipating potential misunderstandings. What works in one country may not work in another and may even be perceived as an insult.

According to Zhang (2009), culture is a key factor influencing negotiation processes and outcomes, and cultural values can influence international business negotiations in significant and unexpected ways from the beginning to the end.

4. Limitations of research

Due to time constraints the researcher will focus on a small sample consisting of four people from each of Canadian and Indian ethnic background. The respondents will be from a business background and experienced in business negotiations such as negotiating prices, signing contracts, selling and buying. Due time constraints the researcher was unable to focus on one specific business field and therefore will focus on the respondents who are willing to participate in the research. Also, only a maximum of 8 questions will be used for the in-depth interview which means all 10 factors identified by Salacuse will not be tested on respondents.

The respondents are from small to medium enterprises such as retail clothes store, local pub, corner shop, furniture store and café. A business with a headcount of fewer than 250 is classified as medium-sized; a business with a headcount of fewer than 50 is classified as small, and a business with a headcount of fewer than 10 is considered a micro business. (Stokes et al, 2010)

For the primary research; in-depth interviews require the respondents time and commitment, therefore the researcher will need to give respondents plenty notice when scheduling time and date to conduct the interview. Due to the lack of time, cancellations may interrupt the research process.

5. Ethic Issues

The nature of ethical problems in qualitative research studies is subtle and different compared to problems in quantitative research. For example, potential ethical conflicts exist in regard to how a researcher gains access to a community group and in the effects
the researcher may have on participants. Qualitative researchers focus their research on exploring, examining, and describing people and their natural environments.

Respondents will be made aware of the purpose of the research. The researcher agrees with Bell (1999) that names, identities, personal information of respondents will not be disclosed for ethical reasons.

Respondents will be re-assured that what they say will be kept in confidence. This is important for earning their trust and thus for eliciting good data. A time frame of how long the interview is expected to take will be stressed to the respondent, and will not be exceeded unless the respondent needs more time discussing their answers.

6. Conclusion

To conclude, this chapter presented the methodology used in this dissertation to answer the research question: what are the cultural differences in business negotiating styles between Canadian and Indian family managed business owners? Qualitative research strategy is argued for using in-depth interviews as key method. Primary data will be collected and analysed in the following chapter. Primary research involves interviewing respondents using a questionnaire guide covering a series of 8 questions within 30mins.

7. Future research

According to Punch (2006), any study has limitations that the researcher must address. If this study were to be repeated, a few changes would be made to obtain more detailed data. To begin with, a larger sample size would be used, with a minimum of forty respondents instead of eight. Second, a broader range of cultures, such as Chinese and Africans, as well as Canadians and Indians, would be studied. Third, the respondents would have much more extensive experience in business negotiations, such as involvement in international negotiations. Finally, all ten Salacuse model factors will be translated into a questionnaire and administered to the chosen respondent.

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