



The negotiator's power as enabler and cultural distance as inhibitor in the international alliance formation



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ABSTRACT

We examined how the negotiator's power, the explorative–exploitative purpose and cultural distance interact in the negotiation for an international business alliance formation. Our participant observation in some several events of negotiation suggests that the executive's power plays an enabling role in the negotiation for alliance formation. However, cultural distance between the negotiating parties in the international business context hampers the success of the negotiation. In particular, person power supports the explorative alliance purpose. The explorative alliance embodies technical and behavioural uncertainty. On the other hand, position power supports the exploitative alliance purpose. The exploitative alliance purpose more aptly embodies behavioural uncertainty than technical uncertainty does.

Cultural distance has a high negative influence on person power and the explorative alliance, and person power and the explorative alliance indicate high uncertainty. In comparison, cultural distance has a negative influence on position power and exploitative alliance, and position power and exploitative alliances indicate low uncertainty. In other words, cultural distance matters more in the person–explorative combination than it does in the position–exploitative combination. The main assumption is that cultural distance has adverse effects on both power and tasks in the negotiation. However, the notions of power and purpose do not influence the effect of national cultural differences.

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1. Introduction

With rapid institutional and technological changes in the business environment, inter-organizational alliance formation for international businesses has become a ubiquitous phenomenon in recent decades. In this context, senior managers of international business enterprises engage in a variety of negotiations to secure international alliances (Ghauri & Usunier, 1996; Usunier, 1998). Some negotiations lead to the successful formation of the intended strategic alliance, whereas others fail (Beamish & Lupton, 2009; George, Jones, & Ganzalez, 1998). As the negotiation for international alliance formation becomes strategically important for enterprises, the understanding of the concept and its practical implications attract increasing attention in the literature. The extant literature has improved our understanding of the motives (Contractor & Lorange, 2004), performance (Geringer & Hebert, 1991; Oik, 2002) and stability of the negotiated alliance (Parkhe, 1991). However, the role of executive power in the negotiation and

cultural intervention remain under-researched in the literature on international business.

Some researchers have attempted to tackle this issue of power and national culture. One stream investigates the link between the purpose of the alliance and cultural distance, which refers to a perceptual gap between negotiators set apart by differences in national cultures. This stream argues that cultural distance hampers the negotiation process for the formation of an international alliance when the motivations are unclear and outcomes are uncertain (Bülow & Kumar, 2011; Gelfand & Brett, 2004). The uncertain outcome of an explorative alliance falls under this category. In explorative alliances, both parties search for new technologies, the outcome of which occurs far into the future. Exploitative alliances, on the other hand, present various outcome possibilities, which establishes a competition between both parties for a defined win-set. The addition of cultural distance exacerbates the level of uncertainty in the negotiation. According to this stream, the key determinant in international negotiations is cultural distance (Graham & Lam, 2003; Yan, 2004). In other words, cultural distance impedes the progress of the negotiation, as illustrated in the US–Japanese context (Menger, 1999), leading to a higher risk of failure of the negotiation.

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This stream has, however, failed to take into account the position and person power of the negotiator in the negotiation process, and it has not fully embraced whether and how “culture moderates the outcome effects associated with different strategies in different cultures” (Adair et al., 2004: 111). The literature acknowledges the role of *affect* in the international negotiation process (Brett et al., 1998; George et al., 1998), and the notion of affect rests on cultural values. In some cases, position power will play a strong functional role. In other cases, person power will play a strong functional role in the negotiation because of positive or negative *affect*. In the extant literature, these direct and indirect links to culture and purpose have not taken centre stage.

We introduce the notion of power as a positive predictor of negotiation and cultural distance as a barrier to the successful completion of a negotiation for the negotiator. One of the purposes of this argument is to develop a simplified framework that will help us understand the multiple associations between (a) the executive’s power, (b) types of international business alliances and (c) cultural intermediation. These links broaden the scope of negotiation by including purpose, power and culture and does not consider each in isolation (Risberg, 1997). Thus, we integrate the two streams of literature to show how executive power, as a multifaceted source, can influence the outcomes of negotiations.

The executive’s power, directly or indirectly, contributes to organizational effectiveness (Blau, 1964; Child, 1972; Dahl, 1957; Emerson, 1962; Kanter, 1992; Salancik & Pfeffer, 1974). To trace the roots of executive power in the management literature, French and Raven’s (1959) framework of power emerges as the starting point. The empirical studies inspired by this framework find that executive power increases organizational performance (Finkelstein, 1992; Galinsky, Gruenfeld, & Magee, 2003; Rahim, 1988; Stahelski, Frost, & Patchen, 1989). The functional power of the executive can mobilize resources for the success of the negotiation within and between organizations in the international context. In particular, person power induces positive affect (Baron, 2008) through reflective communication and style (George et al., 1998). The introduction of the international context introduces the issue of culture into the negotiation.

The cultural stream of the literature posits that national cultural distance has a greater influence in the negotiation process. National culture shapes the executive’s attitude, values and behaviour (England, 1975; Galinsky et al., 2003; House, Gupta, Dorfman, Javidan, & Hanges, 2004; Jacoby, Nason, & Saguchi, 2005; Krull et al., 1999; Lammers & Galinsky, 2009; Sarros & Santora, 2001; Schwartz, 1992; Zhong, Magee, Maddux, & Galinsky, 2006). This plethora of literature provides a strong link between national cultural values and the negotiator’s attitude and behaviour. Cultural values and behaviours engender support for the link between affect and cognition (Baron, 2008), leading to the contextual distance between the negotiating partners. This distance is responsible for the uncertainty of the contents, context and behaviour in the negotiation. The existence of uncertainties at various levels inevitably leads to misunderstandings between parties. The process of negotiation comes to a halt or results in failure because of this inter-cultural distance and contextual ambiguity. However, this stream does not fully interact with the stream of power.

These disconnected streams of the literature indicate two types of gaps. First, antecedents of inter-organizational alliance negotiation are not well integrated into the broader framework (Markham, 2010). In particular, the relationship between international culture and the purpose of negotiation in the alliance remains rather ambiguous (Bülow & Kumar, 2011). Second, there is hardly any link between the executive’s power in the negotiation and its interaction with cultural distance in international negotiations. An understanding of these interactions between power and

uncertainty is important for the development of the organizational literature (Pfeffer & Salancik, 1978). Managers make decisions under a high level of uncertainty (Mintzberg, 1973), and international negotiation is an inherently uncertain event. Therefore, the possible interactions between power and cultural distance merit extrapolation.

We find that the literature on international business negotiation for the formation of the explorative versus exploitative alliance has ignored the role of executive power. Although there exists a link between communication and charisma of the leader (Bryman, 1992), and some discourse of charismatic leaders has been reported in the international business context (Den Hartog & Verborg, 1997), there is no direct link between the executive’s power and negotiation. On the other hand, we find that the literature on executive power has ignored international business alliances (Voyer & McIntosh, 2013). Integrating the executive’s power into the international negotiation offers unique insight into theory and practice by juxtaposing the enabling role of power and inhibiting the effect of cultural distance on each other (Tushman, 1977).

The next section defines inter-organizational negotiation, the executive’s power and the explorative–exploitative duality. The third section provides a brief preview of the events upon which we draw our anecdotal support for the argument. The fourth section develops propositions by introducing the intermediating role of cultural distance into an integrated model. Fig. 1 shows the map of the developed propositions.

1.1. Inter-organisational negotiation

Inter-organizational negotiation for alliances rests on three fundamental assumptions. First, the partners have different types and degrees of resource endowments. Second, the partners enter into the negotiation with different positions regarding their goals and means. Third, despite having conflicting (competitive) positions, the partners voluntarily engage in the negotiation for the exchange of values (Brett, 2000; George et al., 1998; Salacuse, 1999). That is, the negotiation has the potential to move between cooperation and competition for the jointly decided activity (Lax & Sebenius, 1986: 11). It is also true that the cooperative–competitive duality has the potential to lead to a positive or negative outcome in the negotiation for either or both partners. The cooperative–competitive nature of the negotiation applies to an alliance formation as well.

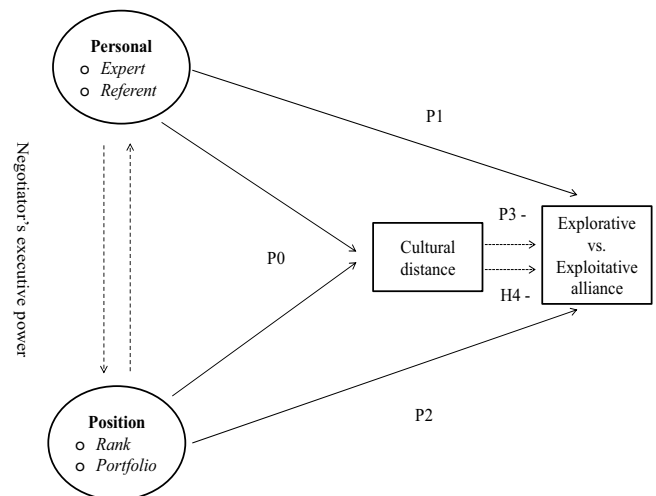


Fig. 1. Conceptual model: Executive power, negotiation and alliance formation.

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