

Conceptual paper

The art and economics of international negotiations: Hagglng meets hurrying and hanging on in buyer–seller negotiations



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ABSTRACT

This paper offers a theoretical model which focuses on cultural bargaining behavior. It is based on an intercultural negotiation framework of activity-based cultural types (Ott, 2011). The complexities of international negotiations are analyzed from a multi-active bargaining perspective which considers negotiation-is-an-art model. The results show the multi-active bargaining types from a seller and a buyer perspective. The differences in international negotiation behavior show the problems of cultural collisions. The possibility to circumvent these clashes is at the core of this article. The analysis proves useful as the different time perceptions, cultural activity levels and the resulting strategic behavior are clearly related to the deadlocks, stalemates, break-ups and agreements experienced in real-life scenarios. The application of the model to UK-Malaysian negotiation experiments is an example of the robustness of the theoretical results. This paper offers solutions to negotiations in an intercultural context and opens the black box of the uncertainty about cultural incompatibilities.

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El arte y la economía de las negociaciones internacionales

RESUMEN

Este estudio ofrece un modelo teórico que se centra en el comportamiento negociador cultural basado en una negociación intercultural sobre actividades culturales (Ott, 2011). Las complejidades de las negociaciones internacionales se analizan desde una perspectiva de negociación múltiple que considera un modelo de “la negociación es un arte.” Los resultados muestran los tipos de negociación multi-activa desde el punto de vista de un comprador y un vendedor. Las diferencias de comportamiento en la negociación intercultural demuestran los problemas de los choques culturales. Este artículo se centra en la posibilidad de evitar

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esos choques. La validez del análisis se ve reflejada en cómo las diferencias de percepción temporal, niveles de actividad cultural y el comportamiento estratégico resultante están claramente relacionados con los puntos muertos, acuerdos y rotura de las negociaciones que se dan en situaciones reales. La aplicación del modelo a experimentos de negociación entre el Reino Unido y Malasia pone de manifiesto la solidez de los resultados teóricos. Este artículo ofrece soluciones a las negociaciones interculturales y revela el problema de la incertidumbre en cuanto a incompatibilidades culturales.

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Introduction

'Consider first a Bazaar: a buyer would arrive at a shop, bargain with the seller and might after a while indicate that he is about to leave and look for another shop. It is commonplace for the seller to shout after the leaving customer and make a last price offer. Indeed, no self-respecting seller would allow a customer to leave without making a last offer (Shaked, 1994, p. 421/422)'.

Modeling a bazaar is one way of showing interactions at the marketplace which reaches from such immediate levels of co-operation and conflict to more sophisticated negotiations of virtual high-tech bargaining scenarios. Contrary to Shaked (1994) who moved away from bazaar to model high-tech market bargaining, Rapoport, Erev, and Zwick (1995) used a model of a 'Tunisian Bazaar' mechanism. As these papers show a similarity in the bargaining procedures of haggling bargainers, we use this as a starting point to show differences in the first offer, acceptance and rejection between different groups of cultures. In a bazaar the incompatibilities of different cultural bargaining types are most obvious between cultures with a haggling approach, on the one hand, and those with a short-term or those with a more patient approach, on the other hand.

One thing which is common to all modes of negotiating is a cultural cognitive program, which accompanies interaction and procedures in a globalized business world. The outcome of international and intercultural negotiations for managerial purposes is strongly determined by an inherent set of different values, beliefs, attitudes and norms which is often difficult to detect and about which it is difficult to be certain. The necessary evidence for strengthening the cultural negotiation types came from empirical investigations (Adair & Brett, 2004, 2005; Chaney & Martin, 2004; Graham, 1985; Graham & Mintu-Wimsat, 1997; Graham, Mintu, & Rodgers, 1994; Salacuse, 1999). These studies pointed to different bargaining strategies of US, Japanese and Brazilian cultures.

In a recent publication Ott (2011) introduced an intercultural negotiation framework which considers the clash between linear-active, multi-active and reactive bargaining strategies. This paper develops the concept presented in the cultural activity framework (Ott, 2011) further and assumes a one-sided incomplete information scenario for sellers and buyers with a multi-active approach. The characteristics of a haggling approach can generally be seen in a high offer, frequent rejection of offers and a longer bargaining horizon

(Ott, 2011). Ott (2011) provides a basis for further research. The cooperation/conflict scenarios are not considered in an incomplete information setting, which can be very likely in import/export negotiations or any other foreign direct investment cases when a host culture is unsure about the expat managers or MNE HQ relationship with their subsidiary.

This paper contributes to the literature of international negotiations in several ways. First, we try to emphasize the multi-active bargaining behavior in buyer-seller negotiations. Second, we integrate these cultural activity types with bargaining games of one-sided incomplete information. Third, we apply our theoretical analysis to a UK-Malaysian experiment. Though the paper uses a formal analysis, the propositions are followed by the intuition to show the practical relevance.

International negotiations

In this article, we continue in the tradition of Raiffa (1982, with Raiffa, Richardson, & Metcalfe, 2002) and Sebenius (1992, 2009) who called for negotiation analysis which integrates theoretical bargaining models with real-life negotiation scenarios. Co-operation and conflict are the essence of negotiations and are also the point of tension in game theoretical reasoning. We need to consider a dynamic perspective with the respective solution concept to combine the descriptive and prescriptive negotiation perspectives.

The literature review deals with the theoretical underpinning of international negotiation styles and bargaining models of one-sided incomplete information. It therefore combines both streams of literature with an empirical negotiation background and a theoretical bargaining approach.

International negotiation styles

The literature of international negotiations is replete with examples of negotiation styles (Graham, 1985; Gelfand & Brett, 2004; Ghauri & Usunier, 2003; Thompson, Neale, & Sinaceur, 2004, inter alia) of different distinct cultural patterns such as US, Japanese and Brazilians. The scope of literature considers the art and science of negotiations, the psychology of negotiations and the international business and international relations perspectives on negotiations. A variety of negotiation models and frameworks deal with negotiation behavior which can be found in the international business literature (Fayerweather & Kapoor, 1976; Graham, 1987; Ghauri & Usunier, 2003; Ott, 2011; Tung, 1982; Weiss, 1993), game theory

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