

# What are the Cultural Impact on a Contract Negotiation?<sup>1</sup>

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## ABSTRACT

With the globalization, it is often needed to work in international environment, thus to negotiate with people who have different cultural backgrounds. And these differences cannot be ignored, because of their impacts. So, the aim of this paper is to show the cultural influences on the negotiation, and what can be done to improve our way to negotiate. Therefore, the different behaviors that we can adopt during a negotiation were analyzed and compared thanks to the Dominance method. At the end of this study, the suggestion is to do an important pre-work before international negotiations to understand the other culture better and adapt our dialogue. This could be the solution to a better communication and better results in terms of outcomes at the end of the negotiation.

**Key words:** Culture, backgrounds, contract, impact, negotiation, conflict, understanding, differences, communication

## INTRODUCTION

1. Cultural differences have impacts on our lives every day. It is obviously the case in international negotiation too. These differences and the backgrounds of the parties in the negotiation can be a barrier or an asset. But people often don't have enough or have bad knowledge of cultural differences, and they don't know how to manage them well. In the negotiation of a contract, we should be aware of those differences to build strong relationships and to have a productive dialogue. Moreover, being aware of these differences means being able to take advantage of the negotiation and eventually to lead it.

### 1.1 Culture and Contract negotiation:

Hoefstede shew that the culture influences "how people think, communicate and behave"<sup>2</sup>. And Salacuse defines it as "composed of the socially transmitted behavior

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<sup>2</sup> Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind*. 1st ed. McGraw-Hill Professional

patterns, attitudes, norms and values of a given community”<sup>3</sup>. So, cultural differences have an impact on how people communicate and on their attitudes when they are with people from other communities.

A common definition of a contract is “a voluntary, deliberate and legally binding agreement between two or more competent parties.”<sup>4</sup> And a negotiation consists in a “bargaining process between two or more parties (each with its own aims) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern”<sup>5</sup>. So, the negotiation of a contract is based on a good communication to be effective and mutual understanding.

**1.2** So, the aim of this paper is to ask some questions about the cultural impacts on a project contract. The J.W. Salacuse’s research will help to understand the cultural differences that we can identify in international negotiations. Then we will go further to think about the impacts that they have, to finally prove that a good understanding of these differences offers a significant improvement on contract negotiations.

## **OPPORTUNITY OF THIS PAPER**

To summarize, the objective of this paper is to answer the following questions:

- 1) What impacts have cultural differences on contract negotiations for projects?
- 2) How can we improve international contract negotiations?

## **METHODOLOGY**

### **1. Problem recognition, definition and evaluation**

We started the analysis of the subject with the reading of some Salacuse’s papers. He wrote a lot about the cultural differences and the impact of the different styles of negotiation. It gives us relevant materials to begin the thinking about an improvement of the international negotiation, and we can understand precisely the cultural differences and their impacts.

On the other hand, in the negotiation courses, we had the opportunity to do some simulations: several groups had to take roles of people with different cultures with different behaviors and

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<sup>3</sup> Salacuse, J. (1998). Ten Ways that Culture Affects Negotiating Style: Some Survey Results. *Negotiation Journal*, 14(3), pp.221-240

<sup>4</sup> BusinessDictionary.com. (2017). *Good one to know!* [online] Available at: <http://www.businessdictionary.com/definition/contract.html> [Accessed 31 Oct. 2017]

<sup>5</sup> BusinessDictionary.com. (2017). *Good one to know!* [online] Available at: <http://www.businessdictionary.com/definition/negotiation.html> [Accessed 31 Oct. 2017]

different values. It was really fascinating to see how it could impact the communication, the understanding, and so the negotiation.

So, cultural differences have an impact on all aspects of a deal-making. They will have implications on the communication but not only, also on the negotiation style and the actions of the different parties.

Therefore, we should identify the best ways to manage a good negotiation in an international context in order to improve it and get better outcomes of it.

## **2. Development of the feasible alternatives**

According to the numerous papers on this subject, we will determine the different possibilities to improve international negotiations. There are several attitudes that we can have during them, and they constitute the alternatives we are facing to manage or not an effective negotiation:

- A- We should “put ourselves in the shoes of the other party of the contract”
- B- We should use the understanding of the other culture to take an advantage on the other
- C- We should mutualize the communication styles in international negotiations, regardless the individual cultures.
- D- We should remain rooted in our culture to be competitive in negotiations.

## **3. Development of the outcomes for each alternative**

- A- We should “put ourselves in the shoes of the other party of the contract”

We should understand and learn about the other culture, and then pretend to be instead of the other party, to understand what can be the struggle in the communication style and how the negotiation is perceived.

- B- We should use the understanding of the other culture to take an advantage on the other

We can use the communication differences and understand the behavior and the values of the other party to take an advantage in the negotiation and lead it. We'll be more competitive and get a great power over the other one.

- C- We should mutualize the communication styles in international negotiations, regardless the individual cultures.

For this alternative, standards of communication and behaviors should be designed and use in all negotiations. So, the individual cultural differences should not be a barrier anymore.

D- We should remain rooted in our culture to be competitive in negotiations.

It can take a lot of time to do research about the other cultures and to try to understand them. So, in this alternative, we are conscious about our culture and make a strength of certain communication specificities to lead the negotiation.

#### 4. Selection of criteria

We will choose the alternative that offers the best improvement for contract negotiations.

A negotiation can be considered successful when almost all issues were managed, the communication was good, the underlying conflicts were resolved and all parties obtained valued outcomes at the end. So, the alternative that allows being more successful on these criteria will be the good one.

A first analysis of the alternatives gave us some interesting results. We indicated the performance of each options for each selected criteria by using a “+” when the performance is good, a “-” when the performance is average, and a double “-” when it is poor.

	A	B	C	D
Good communication	+	-	+	--
Issues are managed	+	-	+	-
Conflicts are resolved	+	-	-	--
All parties obtained valued outcomes	+	+	+	--

So, before going further in the analysis of the alternatives, we can already eliminate the alternative D which seems to be very poor in view of the selection of criteria.

Now, to compare the last alternatives, we will use the Dominance method. This method is one of the non-compensatory approach methods proposed by the Multi-attribute decision making (MADM) tool. It is using PairWise comparison to weight all alternatives equally.

## FINDINGS

### 5. Analysis and comparison of the alternatives

#### 5.1. Comparison of alternatives A and B:

We are starting with the analysis of the first alternative. This one asks to do a pre-work before the negotiation, a work of research to understand the culture of the other and how to manage the negotiation. So, a good understanding will allow us to have a good communication and adapt our mutual behavior. All the parties can well understand the other and communicate in order to gain valuable outcomes in every case.

Using the second alternative, we can be very competitive, because we understand the behavior and the communication of the other parties and we can use it against them. Indeed, you can act being comprehensive and take the role of the leader of the negotiation and take advantage of it to get what you want. We can speak about manipulation thanks to the advantage of understanding the cultural differences.

This alternative offers a great competitiveness, but relationships are not built for future projects. It is more a domination tactic. The communication will be worse than with the first alternative, the other party risks to feel frustration at the end of the negotiation.

### 5.2. Comparison of alternatives A and C:

The third alternative seems to be more utopic. It would be ideal if everybody speaks the same language, has the same communication style and the same behavior during a negotiation. Moreover, lots of books and research defined the good practices in negotiation and particularly in international negotiation. But there are global practices. We can't put our individual background away, especially when we are interacting with other people. So, the communication would be easier but some issues would remain because of the things left unsaid.

### 5.3. Comparison of alternatives B and C:

Again, the alternative C offers a very good communication and the management of conflicts and issues will be far more efficient with this method compared to a more aggressive alternative like the B.

## 6. Selection of the preferred alternative according to the Dominance method

Selection Attributes	A vs. B	A vs. C	B vs. C
Good communication	Better	Worse	Worse
Issues are managed	Better	Better	Worse
Conflicts are resolved	Better	Better	Worse
All parties obtained valued outcomes	Better	Equal	Worse
<b>DOMINANCE?</b>	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>

After this analysis, as we can see, the preferable alternative is the alternative A. We should understand clearly the other culture that we are facing in an international negotiation of a contract to be able to have a good communication and maximize the outcomes of it.

## **7. Performance monitoring**

All negotiation experts are stating that a good communication and a good relationship between the parties of a negotiation are important criteria to be successful in negotiating. So, a good understanding of the culture of the other side allows being more effective in the negotiation because we can better understand the behaviors and values. J.W. Salacuse dealt with this idea, and he recommended to “build bridges” with the other culture in order to “gain credibility and therefore influence”<sup>6</sup>, and shew how this technique is already effective.

## **CONCLUSIONS**

To summarize, the aim of this paper were to answer the following questions:

- What impacts have cultural differences on contract negotiations?
- How can we improve international contract negotiations?

Throughout our readings and research, we have seen that the cultural differences have impacts on the behaviors, the values and the communication styles of people. So, two parties in a contract with different cultural backgrounds can misunderstand each other during the negotiation.

Therefore, it seems to be really important to understand and build bridges with the other culture to have a good communication and to be able to adapt our dialogue. This good comprehension can be translated in a great negotiation with valuable outcomes for the parties.

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<sup>6</sup> Salacuse, J. (2003). *The global negotiator*. New York: Palgrave Macmillan, pp.184

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