3-D Negotiation in a Business Context
Negotiation between Japanese and Americans

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Abstract

This paper examines negotiation between Japanese and Americans in a business context from the comprehensive framework of 3-D negotiation. The three dimensions refer to tactics, deal design and setup, all of which are in play to reinforce each other's effectiveness. Interviews were conducted with 32 Americans: Americans working presently or previously at a Japanese company, and those working at an American company who had experience negotiating with Japanese business people. Further interviews were carried out with 16 Japanese who had experience negotiating with American business people. The results demonstrate that successful negotiation depends greatly on advance preparation accompanied by a high level of intercultural sensitivity.

Keywords: *business, 3-D negotiation, Japanese and Americans, advance preparation, intercultural sensitivity*

Introduction

Diverse studies on negotiation have been conducted. The main focus of almost all the studies has been only on tactics used in face-to-face interaction (for instance, Fisher, Ury & Patton, 1991; Harvard Business School Press, 2004; Kennedy, 2000; Malhotra & Bazerman, 2007; Stone, Patton, & Heen, 2010). However, Lax and Sebenius (2006) present 3-D negotiation, encouraging people to negotiate in three dimensions, going beyond the conventional framework. The three dimensions refer to tactics, deal design and setup. Tactics are the persuasive moves one makes in order to deal directly with the other side at the negotiation table. On the other hand, deal design, that is, crafting value-creating agreements, and setup, or placing oneself in the most favorable situation, are both actions taken away from the negotiation table. All three dimensions are in play in successful negotiations and each works to reinforce the effectiveness of the other two.

Then, using the comprehensive framework of 3-D negotiation, how can we assess negotiation between Japanese and Americans? In order to grasp how negotiations were carried out and what intercultural problems occurred in the process, interviews were conducted with American and Japanese business people who had engaged in intercultural business. It was assumed that each businessperson had a mixture of intercultural problems and dealt with them differently depending on the person's stage of intercultural sensitivity. Bennett (1986, 2004) created the Developmental Model of Intercultural Sensitivity (DMIS) as a framework to explain the observed and reported experiences of people in intercultural situations. The experiences are organized into six stages of increasing sensitivity to cultural difference: denial, defense, minimization, acceptance, adaptation and integration. The first three stages are classified as ethnocentric stages while the latter three are regarded as ethnorelative stages. The purpose of this paper is first to identify specific intercultural problems that each businessperson had depending on the content of a particular negotiation as well as their stage of intercultural sensitivity, and then to explore effective solutions to the problems raised in various negotiation settings.

Methodology

For the above purpose, 32 American business people were interviewed: those working presently or previously at a Japanese company and those working at an American company who had experience negotiating with Japanese business people. Two different sets of questions were prepared for the former group of Americans and their latter counterparts. Moreover, 16 Japanese people were interviewed (See Appendices) in order to confirm and check the findings from the above interviews[i]. Keeping in mind the business people's very tight schedules and the limited time available for interviews, the focus of the questions was decided on the spot depending on each businessperson's stage of intercultural sensitivity. The stage was determined by whether the person described intercultural problems from only their own viewpoint or from a bi- or multidimensional perspective. For instance, with business people assessed to be at the former ethnocentric stages of intercultural sensitivity the focus was on specific intercultural problems whereas for business people at the latter ethnorelative stages the focus was on specific strategies employed in the negotiations[ii].

All the interviewees were males, and ranged in age from their thirties to their fifties. The number of years they had working for a Japanese company / companies or doing business with Japanese people or Americans varied from 1 to 20 years. Those men who had worked over a long period of time had been promoted from entry-level positions to managerial positions.

The problems were categorized depending on the content of each negotiation. They were also classified depending on each businessperson's stage of intercultural sensitivity.

Interview Results

Negotiation over projects

Unsuccessful examples

A common cause of unsuccessful negotiation was that the business people who were at ethnocentric denial or defense stages in the Developmental Model of Intercultural Sensitivity (DMIS) created by Bennett (1986, 2004) focused only on one dimension of tactics. Representative examples were remarks made by Americans with experience working at a Japanese company who later changed jobs. They mentioned: "Japanese bosses are strong-willed, and wouldn't listen to me. I explained that because of the world recession, I couldn't increase sales, but they didn't understand me;" and "I'm outspoken, and I directly tell others what I think. I expect others to do the same. However, it didn't work." The essence of these problems was found in the statement of a Japanese businessperson with experience working at both Japanese and American companies. The Japanese stated, "In American companies everyone is equal, and they can express their opinions freely regardless of age. In Japanese companies, however, age is of great significance. When expressing my opinion to older people, I examine the content fully in advance, and pay special attention to the choice of words in communicating the message." The statement implies that the above Americans didn't consider the content of negotiation carefully enough beforehand. Simultaneously, the examples indicate that triangulation is necessary so as to ensure objectivity since we all take in information and then interpret it in our own unique ways (Jackson & McKergow, 2002; Stone & Heen, 2010). Obviously, the above Americans seemed to fail to understand that their way of communicating their messages to their Japanese bosses may not have been proper since a direct communication style is not deemed appropriate by Japanese bosses in most situations.

Successful examples

On the other hand, when business people who learned from past failures and reached the stages of ethnorelative acceptance or adaptation engaged in 3-dimentional negotiation, they achieved success. After understanding the other side's viewpoints and needs, they tried to adjust their communication style to that of their counterparts (Stone, Patton, & Heen, 2010; Ury, 1993). The compromises made on the part of Japanese interviewed were: "Many Americans do just what they are asked to do. For example, if they are asked to make copies, they just make copies. If they were Japanese, they would also sort them out and staple them. I have to spell out all the requests." Similarly, the compromises made on the part of Americans were: "American bosses tell me directly what they want me to do, but I have to figure out what Japanese bosses want me to do." Those people who understood that culture designates who is more responsible for conveying the message, the speaker or the listener (Hall, 1977, 2000), were able to make compromises.

Some people who understood cultural differences in direct as opposed to indirect communication styles made compromises. When disagreeing with the other side's suggestions, a compromise made by a Japanese businessperson was: "When the other person is American, I would try to make alternative suggestions. I wouldn't say, 'Let me think about it.'" A compromise made by an American was: "I would show Japanese only the negative data without using negative words such as 'I don't agree.'"

Another example illustrates the difference between "deal-focused and relationship-focused cultures" (Lax & Sebenius, 2006; Trompenaars,1996). An American stated: "The relationship is especially important for successful negotiation with Japanese. In order to make joint projects work, we've got to know each other on a personal level by sharing hobbies or socializing. If we get down to business too soon, as we do with Americans, it wouldn't work."

Moreover, some business people recognized the merits that are more commonly observed in the other culture. An American working at an automobile company mentioned: "Japanese people state their opinions at meetings after having engaged in *nemawashi*[iii]. New projects are often criticized by employees, and it might be more effective to use such an approach rather than have people suddenly express their opinions at meetings." Another American who recognized the collective cooperative attitude emphasized in Japanese culture stated, "When I wanted to take a long vacation, I let my Japanese boss know my plan 6 months ahead of time so that I wouldn't cause any trouble to the boss and other colleagues."

One specific observation about American culture mentioned by a Japanese engineer was: "Americans are achievement-oriented. As long as employees have good results, their bosses don't care so much about what they do during working hours. For example, they might listen to music. I understand this is their way of respecting individual freedom." Another Japanese engaging in public relations mentioned complementary relationships which were mutually beneficial: "Many Americans are slow. It takes them 10 days or two weeks to finish their work while it takes Japanese only one week. However, they are good at public relations, and I'm satisfied with the complementary relationship."

Negotiation over a promotion or raise

Unsuccessful examples

Unsuccessful examples of negotiation were characterized by the fact that business people who were at ethnocentric denial or defense stages concentrated on tactics as well as in negotiation over projects. Typical examples were: "I'm working as an engineer at a Japanese company. When I developed a new semi-conductor, I asked for a promotion, emphasizing how novel the semi-conductor was. However, I had to wait for one year. Meanwhile, I analyzed how much the semi-conductor I developed promoted the sales, and how much I contributed to the company;" and "When I was working as a civil engineer, I negotiated by saying, 'I deserve a raise' only with the focus on my efficiency. It didn't work out. After that, I acquired a qualification of accounting, and emphasized that I could estimate the cost, also. Then, my Japanese boss accepted my request."

What the above Americans recognized from past failures was that negotiation is a two-way street. You usually can't satisfy your interests unless you also satisfy the interests of the other side (Kennedy, 2000; Ury, 1993). Two key dimensions of negotiation behavior are empathy and assertiveness (Mnookin, Peppet, & Tulumello, 1996). Although many people feel that they must choose between being assertive and being empathetic, that's a false view. The examples indicate that "the more empathetically you understand your counterpart, the more effectively you can design value-creating deals" (Lax & Sebenius, 2006).

Common unsuccessful examples of Japanese bosses were related to ambiguous standards of promotions and raises. Specific examples were: "Many Americans change jobs in five years or so. They tell us a higher salary a recruiter has offered. If they are capable, we offer a better salary for them. In many cases, however, they tell the recruiter the counter-offer, and they elicit an even higher salary offer and change jobs. I became aware that the counter-offer benefits only the employee seeking a different job, not the employer. Since then, we have paid special attention to Americans we really need, and treat them with respect. However, we let other Americans go because we can easily find replacements;" and "Americans are sensitive to their own interests, so they would often ask for promotions and raises. So we decided to let American employees know in advance that they would be considered for a promotion or a raise if they achieved a specific number which is regarded as objective. Also, we clarified the point that if our company suffered a slump at a certain year, we would keep the same salary at the year without giving any raise to anyone."

The above examples indicate that devising strategies beforehand by learning from past failures makes it possible to avoid unnecessary face-to-face negotiation. An effective strategy would be to have employees hand in a performance review every year, and give them an opportunity to consider whether or not they deserve a raise in order to avoid potential problems.

Successful examples

A common characteristic of Americans who were satisfied with their workplace was that their achievements were recognized immediately with a promotion or a raise. They stated: "I started from an ordinary employee. When I increased sales, I was promoted to supervisor and then to vice manager;" and "I'm a supervisor of a factory. I supervise two hundred operators. In order to make some lazy people work, I put six people in each line and have four diligent people push two lazy people forward. Because of this idea, I've gotten a raise."

It is often pointed out that understanding your counterpart's viewpoints and needs is important for successful negotiation (Fisher, Ury & Patton, 1991; Withers & Wisinski, 2007). A representative example was given by an American who achieved large sales: "They [Japanese] didn't give me big celebrations, but they gave me promotions right away by saying 'We appreciate your efforts.' I'm happy with them." Because of his understanding of Japanese understatement and the speed of his promotions, he seemed satisfied. This coincided with a Japanese remark: "I try to compliment Americans more frequently than Japanese. Although I can't give them transparent compliments, I try to acknowledge their efforts."

Negotiation with other companies

Regarding negotiation with other companies, many business people analyzed situations from a broader perspective since they had rich intercultural experiences. For example, Americans who had experiences in working with employees from several different cultures stated: "Japanese people, in contrast to many Chinese, don't make unreasonable requests. I have never had any difficulty negotiating with Japanese ethically;" and "Unlike some Mexicans, Japanese people observe deadlines. I don't have to negotiate with Japanese about deadlines." Likewise, Japanese with many intercultural experiences mentioned: "When I call up French business people, one employee often tells me that another is on vacation, and her job has nothing to do with that employee's, which means that I have to await a response until she returns from vacation. Compared with French people, Americans have better work ethics. I find it easier to work with Americans;" and "In case of Chinese people, negotiations don't work unless we give them a bribe. Negotiations often break down. In negotiation with Americans, however, we aren't embarrassed by being required to maneuver behind the scenes."

A number of business people were aware that certain intercultural problems were a matter of degree. This position was described by Americans, for instance: "Even among Americans, there are regional differences in interpersonal relationships. I come from New York. When negotiating with someone from the South, I spend a lot of time on greetings before getting down to business because if we can relax, we can carry out negotiations more smoothly. In negotiating with foreign people who value the relationship, I need to pay even more attention to initial greetings than I do with Southerners. This is a matter of degree. If I try to respect

the other person regardless of nationality, I can figure out what the person's expectations are. I'm sure that I can respond appropriately to the other person." On the other hand, Japanese mentioned, for example: "I have experience working with American business people in New York and Los Angeles. Americans in New York as a whole pursue efficiency, and I try to get down to business sooner than usual. Americans in Los Angeles, however, tend to value relationships probably because many are Mexican-Americans, and I spend more time than usual establishing relationships before getting down to business."

Also, some intercultural problems were, in fact, universal in the respect that interests and needs should be reconciled (Fisher, Ury & Patton, 1991; Malhotra & Bazerman, 2007). A Japanese working at a pharmaceutical company stated: "They [American pharmaceutical companies] need in-house products developed by our company, so all I have to do is to insist that if they order a large volume of products, I can give them a discount." An American business consultant mentioned, "I have many qualifications. They [Japanese managers] depend on my knowledge of American regulations, and I'm very much in demand."

Moreover, some business people indicated their understanding of the other culture by trying to make effective use of the merits of the other culture. A specific example was offered by an American business consultant: "Americans seek immediate benefits and value efficiency. When negotiating with Americans, we make quick decisions. However, we don't have enough discussions as to what we should do if the project doesn't proceed as scheduled, and the negotiations often end in a deadlock. It may be better to be deliberate in making decisions like Japanese."

Other examples emphasized "joint-problem solving," which is recognized as an effective negotiation tactic (Stone, Patton & Heen, 2010; Ury, 1993). A Japanese working at a finance company stated: "Americans are willing to take risks, so I find it easier to negotiate with Americans than Japanese who are cautious. I only have to emphasize that the higher the risks, the higher the returns." An American general contractor mentioned: "Japanese people pay attention to details. I hire an interpreter and try to meet my clients' detailed requests such as adhering to their specifications regarding the interior design and interior decorations. By word of mouth, my jobs have increased."

Conclusion

As the above interview results of successful and unsuccessful examples indicate, the success of negotiation depends heavily on advance preparation in conjunction with high intercultural sensitivity as well as the ability to reshape ideas away from the negotiation table, not merely on improvised tactics at the table. "The real challenge in negotiation is to productively manage the Negotiator's Dilemma: the tension between the cooperative moves that are necessary to create value and the competitive moves needed to claim it" (Lax & Sebenius, 2006). The results demonstrate that business people who implement this strategy achieve success in negotiation.

Following the above successful examples, those Americans who failed in negotiation need to reflect on whether they satisfied their Japanese bosses' interests. It would be valuable for them to examine what their bosses' expectations were and check to see if any of their colleagues attained their goals despite, for example, the world recession. On the other hand, before negotiation Japanese managers need to analyze their employees' sales achievements and prepare data in order to convince subordinates under scrutiny that they might be able to increase their sales through more effort. In order to realize this goal, Japanese bosses first need to acknowledge the accomplishments that their subordinates have made. As pointed out by Ury (1993, 2007), acknowledging the other side's point of view is quite different from agreeing with it. After that, they should attempt to motivate their subordinates to work harder by tactfully mentioning the achievements of their colleagues and suggest possible ways in which to improve their sales.

The results also reveal that each business person interprets and copes with situations differently depending on the person's stage of intercultural sensitivity. Business people who reached ethnorelative stages tended to regard certain intercultural problems as a matter of degree or even as universal. Also, business people who reached the ethnorelative integration stage frequently made an attempt to accept and integrate the merits of the other culture into their own repertoire of negotiation tactics.

Companies also have to take into consideration suggestions put forth by their foreign employees. Japanese companies, as many Americans point out, need to examine comments such as: "Japanese people take a long-term view. They aren't willing to take risks, so they miss immediate benefits. I'm impatient with it;" and "The Japanese main office always has power. Branch offices have to report to the main office each time. It takes them much time to make decisions, and they miss good opportunities. American companies are achievement-oriented. If branch offices have gotten much profit, they're given power, though." In order to survive in a global community, Japanese companies have to be willing to take certain risks, and recognize the need for efficiency. On the other hand, American companies need to explore ways of presenting favorable conditions for taking risks to their risk-averse counterparts.

American companies, as the above American engineers point out, have to consider the ramifications of the 'stockholders first' policy, especially from the viewpoint of people from other cultures, and decide whether it is best to pursue immediate benefits as opposed to long-term interests. Given that developing new products appropriate to a particular country requires much time, American companies might consider the advantage of taking a longer-term view of research and development.

The interview results reveal additional factors to consider in negotiation. What matters most for successful negotiation is usually related to economic interests (Lax & Sebenius, 2006; Oohashi, 2007), but other factors are also important: more specifically, the corporate philosophy, complementary relations and health insurance. An American engineer stated: "The Japanese company I work for has a corporate philosophy, and I like it very much. The founder insisted, 'Don't be afraid of failures coming from trying something new. Be afraid of trying nothing new;' and 'Failures make human beings grow.' The philosophy has been handed down, and we are encouraged to try something new and repeat the process of trial and error. American companies have the same philosophy, but they tend to suffer from a 'stockholders first' policy, and as a result their philosophy is derailed;" and "I discuss how to improve cars with Japanese engineers, and better ideas occur to us. I have valuable opportunities to improve my skills."

Moreover, some Americans mentioned advantages of Japanese companies that were unlikely to be available at American companies: "I prefer a Japanese company because of special benefits such as health insurance." Health insurance is a benefit that Japanese employees take for granted, but it may be viewed as an advantage for Americans. It can also be a factor in preparing for possible future negotiation.

This survey was limited to males, and if females are surveyed in the future, gender differences may be identified. Nevertheless, this survey demonstrates that negotiation can be viewed from a multidimensional perspective by indicating how negotiation differs depending on the content of each negotiation and each businessperson's stage of intercultural sensitivity.

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[i] The order of the questions was flexible, placing priority on the flow of the conversation.

[ii] It would be ideal to administer the Intercultural Development Inventory developed by Milton Bennett, a highly regarded researcher. Given the time constraints imposed due to the interviewees' heavy schedules, however, the researchers with many years of experience in the field of intercultural communication relied on their own judgment.

[iii] Winning approval in advance from people concerned before the points under negotiation are discussed at a formal meeting

Acknowledgments

Appendices

Interview questions for Americans with experience working at a Japanese company

1. Have you found working in a Japanese company rewarding?
2. Have you negotiated with your Japanese boss about a promotion or a raise?
3. What was your initial strategy? / What opening gambit did you find to be very effective?
4. When your opinions are different from those of your Japanese colleagues or bosses in projects, what do you do?
5. Many Americans say that having common objectives is very important in the workplace. Do you have common objectives with your colleagues?

Interview questions for Americans with experience negotiating with Japanese people

1. What kinds of problems did you have in negotiating with Japanese business people?
2. How do you prepare for negotiations with Japanese business people?
3. What strategies do you employ in negotiating with the Japanese?
4. Are the strategies different from those you would use with Americans or with people from other countries?
5. What do you think is the most important factor in successful negotiation?

Interview questions for Japanese people

1. What kinds of problems did you have in negotiating with American business people?
2. How do you prepare for negotiations with American business people?
3. What strategies do you employ in negotiating with Americans?
4. Are the strategies different from those you would use with Japanese or with people from other countries?
5. What do you think is the most important factor in successful negotiation?

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