



Q

I'm leading a team that will soon be negotiating for the first time in several foreign countries. We've researched likely cultural factors, such as differences in etiquette or risk taking, while also being cautious about over-emphasizing national culture relative to individual and economic factors. Are we ready?

A

Congratulations! You're already aware of common cross-border mistakes. Like many negotiators, though, you may have overlooked a key factor that varies across cultures: different traditions in governance and decision making. I've seen these four issues blindsided numerous teams:

1. Look beyond your negotiating counterpart.

While you're trying to get a "yes" from the person across the table, keep in mind that he is part of a decision-making process that may differ greatly from your own experience. Through negotiating moves at and away from the table, your goal is not just to influence your counterpart, but to influence this process to generate your preferred decision.

For example, in many Japanese negotiations, what happens in the conference room is essentially a formality, ratifying understandings that have been worked out in side meetings and sessions in restaurants and teahouses, and over karaoke. Arguments, persuasive appeals, and even brainstorming at the "formal table" are unlikely to work.

2. Map the decision process. In some autocratic societies, such as Argentina, a "Big Boss" at a family-owned firm may decide everything, and other aspects of the negotiation process involving subordinates can be meaningless diversions. Asian firms often operate by various forms of consensus. In China, multistage consensus processes are often required depending on the size of the deal: one consensus at the company level, another at the municipal level, and, for major negotiations, yet another at the national level.

Most negotiation processes fall in between "Big Boss" and consensus styles. For example, when Pirelli, the Italian tire maker, sought to

negotiate a takeover of its German rival Continental, it was able to acquire 51% of Continental's shares. In a U.S. context, this would normally be adequate to control the target. Unfortunately for Pirelli, German corporate governance provides a structure in which even a majority of shareholders can be effectively blocked without the support of other stakeholders. Negotiators must deal with a "supervisory board," which has roughly equal shareholder and union representation, and a largely autonomous "management board" appointed for a lengthy term by the supervisory board. By failing to negotiate agreement with Continental's management board—not just its shareholder representatives—Pirelli suffered a humiliating defeat, losing nearly half a billion dollars.

3. Don't forget the informal process. When Chicago-based Stone Container tried to negotiate a major forestry deal in Honduras in the early 1990s, it focused mainly on the country's president and forestry ministry, since they had the formal power to make the deal. But in the fragile Honduran democracy, suspicions among excluded stakeholders—local competitors, environmentalists, legislators, unions, etc.—led to a backlash that blew up the deal.

4. Adapt your approach. Once you have opened your eyes to various formal and informal decision processes, adapt your negotiating approach. For example, if you know the other side must come to consensus, expect a much longer negotiation and plan to deal extensively away from the table. If a "Big Boss" makes all the decisions, ensure that your moves aim to influence the right person. And if a management board or some other interested party holds a critical key, try to win it over along with the other major players.

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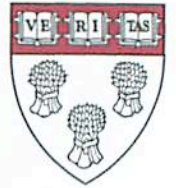


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Start your talks off on the right foot

Before getting down to business, discuss the negotiation process together.

Consider the following negotiation scenarios:



Kay and Ivan don't see eye to eye about whether to give or lend their daughter, Jane, the \$10,000 she would need to start her own catering business. Whenever they discuss the issue, Ivan says he's going to call Jane and tell her she can have the money—a threat that makes Kay irate.

Teams of executives from two companies meet to discuss a potential merger. Team A begins by distributing thick copies of a draft agreement. When Team B's leader complains that a draft agreement is premature, Team A's leader looks startled. "We're just trying to move the process forward," she says. The companies' CEOs end up having to iron out the disagreement over the phone.



A bank opens a new branch in a strip mall. On the day of the grand opening, a heavy rainstorm hits, and the bank's ceiling leaks in several areas. The bank manager and the landlord's representative get into an argument about the pace of repairs. Their relationship remains frosty and difficult in the years that follow.

What's your diagnosis of these negotiation breakdowns? You might blame one party or the other for being unreasonable, or perhaps you recognize the complexity of some of the issues at stake. What you may not have recognized, though, is that each of these unfortunate situations could have been avoided if the negotiators involved had laid a more solid foundation for their talks from the start.

In past issues of *Negotiation*, we've recommended a number of critical preparation steps for negotiators, such as assessing the likely bargaining zone and securing a negotiating mandate from other members of your organization.

Negotiators often assume that once they have done this type of solo homework, they are ready to dive into the back-and-forth business of creating and claiming value with

their counterpart. But they are missing a crucial step: the preparation that parties to a negotiation should do together. In particular, you should take time to discuss jointly how the negotiation process will unfold. If you fail to do so, you risk making talks much more difficult than they need to be.

Why process matters

Do you really have to spend time negotiating how you will negotiate? Why not open by putting issues and proposals on the table and moving on from there?

To understand the importance of negotiating how you will negotiate, consider that when a negotiation ends, our satisfaction with the final outcome doesn't depend solely on how much we objectively gained or lost, according to research by Jared Curhan and Hen Xu of the Massachusetts ▶▶

In this issue

- A film project strikes out
The cancellation of *Moneyball*. . . 5
- Don't get stuck in the status trap
Why we often overlook what makes us truly happy. 6
- Find out what the other side values
How to make multiple offers. . . 7
- Dear Negotiation Coach
"Is my team prepared for international talks?" 8

What's new

Discover how to build a winning team and boost your business negotiation results. Get your **free Special Report** from Negotiation, "Team-Building Strategies: Building a Winning Team for Your Organization," by visiting www.pon.harvard.edu.

Sharpen your negotiation skills in one of the Program on Negotiation's upcoming Executive Education Seminars in Cambridge, Mass. Coming up: our "**Program on Negotiation for Senior Executives**," September 23–24, October 19–20, and December 7–8; "**Dealing with Difficult People and Difficult Situations**," September 24–25 and December 8–9; or a combination of these two programs. For more information, visit www.pon.harvard.edu/education.

In future issues

The danger of "near-miss" events
Learning from sports negotiations

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