



OVERCOMING CULTURAL BARRIERS IN NEGOTIATION

FREE REPORT



**CROSS CULTURAL COMMUNICATION TECHNIQUES
AND NEGOTIATION SKILLS FROM INTERNATIONAL
BUSINESS AND DIPLOMACY**



Executive Committee

Max Bazerman

Harvard Business School

Gabriella Blum

Harvard Law School

Robert Bordone

Harvard Law School

Jared Curhan

MIT Sloan School of Management

Alain Lempereur

Brandeis University

Robert Mnookin

Harvard Law School

Jeswald Salacuse

Tufts University Fletcher School

James Sebenius

Harvard Business School

Guhan Subramanian

Harvard Business School

Lawrence Susskind

MIT Department of Urban Studies
& Planning

About the Program on Negotiation at Harvard Law School

Widely recognized as the preeminent leader in the field of negotiation and negotiation research, the Program on Negotiation (PON) is an interdisciplinary, multi-university research center based at Harvard Law School. Offering timely executive education programs, teaching negotiation resources, the *Negotiation Briefings* newsletter and *Negotiation Journal*, special community events, and webinars, PON is a one-stop resource for both aspiring and accomplished negotiators.

Our faculty have negotiated peace treaties, brokered multi-billion dollar deals, and hammered out high-stakes agreements around the globe. They are prominent authors, leading researchers, and distinguished professors—many of whom have originated the negotiation strategies used by many of the world's most successful leaders...and they teach at PON's renowned programs:

- Negotiation and Leadership
- Harvard Negotiation Institute Summer Programs
- PON Seminars
- Negotiation Master Class

Learn more or register at pon.harvard.edu/executive-education/

Negotiation Briefings, which serves as the basis for this special report, draws on ideas from leading authorities and scholars in the field of negotiation to help you realize greater success within your team, and with your counterparts, peers and employees.

Learn more or subscribe at pon.harvard.edu/publications/

Table of Contents

Negotiating across cultures? Look beyond stereotypes	Page 2
“It’s great because it’s mine”: The endowment effect across cultures	Page 7
Dear Negotiation Coach: Bridging the Cultural Divide	Page 8
Launch more productive cross-cultural negotiations	Page 10
Before apologizing, consider the culture	Page 15

THREE-DAY SEMINARS

**THE CHARLES HOTEL
CAMBRIDGE, MA**

NEGOTIATION AND LEADERSHIP

**DEALING WITH DIFFICULT PEOPLE
AND PROBLEMS**



BECOMING A BETTER NEGOTIATOR STARTS HERE

Thirty years of groundbreaking research, compressed into three thought-provoking days.

Day 1: Discover a framework for thinking about negotiation success.

Day 2: Examine and develop effective techniques for addressing a variety of negotiation challenges.

Day 3: Put it all together and emerge well equipped to negotiate more skillfully, confidently, and effectively.

PROGRAM ON NEGOTIATION

**HARVARD LAW SCHOOL
EXECUTIVE EDUCATION**



**To register online or to download the free Program Guide go to
www.executive.pon.harvard.edu**

1. Negotiating across cultures? Look beyond stereotypes

IN JANUARY 1998, DURING HIS FIRST BRIEF MEETING with Chrysler CEO Robert Eaton, Daimler-Benz CEO Jürgen Schrempp floated the possibility of a merger between their two thriving companies. A week later, Eaton agreed to pursue a partnership on the condition that it be a “merger of equals.” Schrempp readily agreed, write Bill Vlasic and Bradley A. Stertz in Taken for a Ride: How Daimler-Benz Drove Off with Chrysler (HarperBusiness, 2001).

But the new company that emerged from the ensuing negotiations was distinctly German: incorporated in Germany, directed by Schrempp, headquartered in Stuttgart, and (a sticking point for both sides) named DaimlerChrysler rather than ChryslerDaimler. Later, Schrempp publicly admitted that he had promised Eaton a merger of equals simply to ensure that the deal went through. All along he had envisioned an acquisition rather than a merger. The fact that Daimler shareholders owned a majority stake in the new company made this possible.

Schrempp’s machinations and heavy-handed management style triggered visions among many Chrysler employees of a prototypical German invader. As the new company’s stock sank, due primarily to cost overruns at Chrysler, some Daimler executives resisted intervening, reluctant to feed the cultural stereotype of “arrogant, know-it-all Germans” that Schrempp had brought to the surface, Peter Schneider writes in the New York Times. When Daimler did finally intervene, it appointed a German to head Chrysler’s day-to-day operations and laid off thousands of Chrysler employees—moves also viewed as authoritarian and “typically German,” according to Schneider.

The marriage of two unequals spiraled downward from there. After a series of roller-coaster years, Chrysler posted a \$1.5 billion loss in 2006. By 2009, Daimler

had completely divested itself of Chrysler, which briefly sought bankruptcy protection before being bailed out by the U.S. government.

Cultural differences were not the main reason the Daimler-Chrysler merger proved disastrous. Differing goals and reputations, decisions Chrysler made that predated the merger, and cost savings that failed to materialize played a larger role.

But the culture clash unquestionably got the partnership off to a rocky start. Different norms and styles made the transition difficult. As each side adjusted to the other's practices, high-level employees were often distracted from their goal of building a strong, unified brand.

Many books and courses profess to teach negotiators everything they need to know about dealing successfully with the Germans, the Chinese, the Saudis, and so on. Unfortunately, such training tends to be overly simplistic and can actually do more harm than good. Here we describe the Daimler-Chrysler merger as well as the more successful Renault-Nissan partnership as illustrations of what to do and what not to do in your next cross-cultural negotiation.

Stereotypes and surprises

According to Schneider, Daimler and Chrysler employees were slow to adjust to each other's different business practices and customs during and after the merger. The Germans were more hierarchical, formal, and methodical than the more casual Americans. Daimler employees showed up at meetings with thick folders and kept detailed minutes; Chrysler employees preferred not to have an agenda and were satisfied with summary memos.

How stereotypes promote competition

Taking your counterpart's perspective can help you negotiate higher-quality agreements, researchers have found. Is *cultural perspective taking*—that is, considering the typical approach to negotiation your counterpart might take based on her culture—just as effective as looking at details of the negotiation from her point of view?

To examine this question, researchers Sujin Lee and Seong-Jee Seo of the Korea Advanced Institute of Science and Technology and Wendi L. Adair of the University of Waterloo paired up North American and East Asian participants in a simulated negotiation for the purchase of a new car. Participants who engaged in cultural perspective taking (by reading about the other party's culture and negotiation norms) claimed more value in the negotiation than did those who engaged in more traditional perspective taking (by being asked to *think* about the other party's alternatives to the current negotiation). However, cultural perspective taking did not help parties *create* more value by trading on issues.

By highlighting cultural stereotypes rather than individual similarities, cultural perspective taking may prompt negotiators to compete to claim value at the expense of creating new sources of value, according to the researchers.

The message? Go ahead and study your counterpart's cultural norms so you're not surprised by unfamiliar practices—but spend even more time analyzing the intricacies of the negotiation at hand.

The description of Germans as formal and Americans as more relaxed confirms familiar cultural stereotypes. Yet other differences between the two groups proved surprising. Daimler executives earned much less than their American counterparts but shocked Chrysler executives with their extravagant travel expenses. Meanwhile, the Daimler executives found it odd that Chrysler executives, despite their seeming disdain for titles, had exclusive parking lots and cafeterias at their Auburn Hills, Mich., facility that segregated them from lower-level employees.

As Daimler and Chrysler employees discovered, people sometimes conform to our stereotypes about them—except when they don't. When a negotiating counterpart says or does something that seems reflective of her culture, it's only natural to take note of it. But then remind yourself that far from being a walking, talking stereotype, your counterpart is likely to be full of surprises, just as colleagues in your own culture are.

An overreliance on stereotypes will keep you from noticing important nuances in the other side's negotiating strategy. In addition, the fear of embodying negative stereotypes about your own culture could lead you to act unnaturally or even unethically, as may have been the case for Schrempp.

Fostering cultural intelligence

In a *Harvard Business Review* article, P. Christopher Earley and Elaine Mosakowski describe the value of improving your cultural intelligence, or the ability to make sense of unfamiliar contexts and adapt to them. Some people are naturally skilled at determining whether a person's behavior is unique to him or determined by his culture. For others, this process requires more effort.

Take Earley and Mosakowski's story of Peter, a Los Angeles-based sales manager for Eli Lilly pharmaceuticals who was transferred to the company's Indianapolis headquarters. In L.A., Peter's confrontational, high-pressure style was the norm and effectively motivated his sales staff. In Indianapolis, his new team disliked his hard-charging ways and avoided the challenges he set for them.

Interestingly, Earley and Mosakowski have found that the most socially successful among us often have the greatest difficulty making sense of cultural

strangers and being accepted by them. It seems that those who thrive in their own culture are often thrown off by unfamiliar practices, while those who are more detached from their own culture have an easier time adopting the social mores and body language of a new environment.

In Peter's case, his success in L.A. made it difficult for him to alter his style to his new work environment. Returning to the Daimler-Chrysler merger, Schrempp showed keen cultural intelligence by understanding that Eaton would want to protect Chrysler's standing as a strong American brand. Schrempp knew that if he didn't agree to the concept of a merger of equals, the deal wouldn't go through. Eventually, however, his apparent respect for Eaton's pride was revealed to be calculating and insincere.

Though some people are more naturally culturally intelligent than others, you can develop your cultural intelligence quotient, or "CQ," by trying to "read" others in low-pressure situations. Think about the snap judgments you made about people you've since gotten to know better. Chances are, you see now that your initial judgments relied heavily on stereotypes that proved to be inaccurate. Remember this the next time you're tempted to pigeonhole a fellow negotiator.

Building a long-term agreement

As compared with the 1998 merger between Daimler and Chrysler, the partnership negotiated the same year between French automaker Renault and Japan's Nissan has proven much more durable. In large part, this has been because of an "almost miraculous complementary relationship," as described by Renault executive vice president Georges Douin. Renault's focus on product innovation fit Nissan's desire to shed its reputation for boring cars; Nissan wanted to make headway in Europe, while Renault wanted to expand into Asia; and so on.

In addition, the methodical, slow approach the companies took to their partnership helped lay a foundation for trust and creativity that made cross-cultural differences less of an obstacle than they were in the Daimler-Chrysler merger. The CEOs of the two companies managed to build rapport and trust quickly, as did intercompany teams established to examine each other's

4 tips for durable cross-cultural partnerships:

1. **Earn their trust.** Telling the other side that you respect their culture may secure you a contract. But to build a promising relationship, you'll need to back up your words with respectful actions after the contract is signed.
2. **Respect differences.** When it comes to business partnerships, merging distinct cultures can be a confusing, lengthy process. A better approach may be to maintain your unique identities and borrow from the best of both.
3. **Expect to be surprised.** Because national culture is just one facet of our identities, try to view negotiating counterparts as unique individuals rather than cultural ambassadors.
4. **Prepare to adapt.** Don't assume that the business strategies you've cultivated on your home turf will work in a new culture. Arrive ready to listen and adapt your style.

operations. As Stephen E. Weiss describes in a chapter on the alliance in *Negotiation Excellence: Successful Deal Making* (World Scientific Publishing Co., 2011), the amount of information the teams shared early on was remarkable in an industry known for extreme secrecy. The two sides recognized that they needed to understand each other's business well to determine whether an alliance would be beneficial.

Eventually, the companies arrived at an unconventional partnership that allowed them to be "together but distinct." They maintained their brand identities as two separate companies while exploring certain synergies, as determined by a Global Alliance Committee cochaired by the CEOs of both

companies. Renault made a substantial investment in Nissan in exchange for equity in the Japanese company and its financial subsidiaries.

By 2000, once-struggling Nissan had turned a profit, and it continued to do so until the global financial crisis hit the auto industry hard in 2008. Renault's investment in Nissan easily paid for itself, Weiss writes, and the French company improved its operations by adopting Nissan production practices.

In contrast with Schrempp's willingness to lie to snare a Chrysler deal, Renault and Nissan paid keen attention to each other's interests and to building a lasting partnership. Rather than trying to conform to typical notions of a merger or an acquisition, they developed a new type of partnership that drew from each other's cultures rather than attempting to blend them.

First published in the *Negotiation* newsletter, January 2012.

2. “It’s great because it’s mine”: The endowment effect across cultures

SIMPLY OWNING AN OBJECT causes us to value it more than if we did not own it. This phenomenon, known as the *endowment effect*, can create trouble for sellers in negotiations. We’re all familiar with stories of home sellers setting unrealistic asking prices and then watching their homes sit on the market for months or years.

The endowment effect is so robust it has even been found in young children and chimpanzees. Yet until recently, the effect was studied only in Western cultures. In a 2010 study, William W. Maddux of the INSEAD business school in France and his colleagues discovered that the endowment effect was stronger among self-described white and European Americans than among Asians and East Asians. Specifically, the Westerners set significantly higher selling prices for the mug or box of chocolates they had just been given than the Easterners did.

The researchers tied this finding to the Western tendency to place special value on objects related to oneself. Western cultures tend to value independence and the self more highly than Eastern cultures do. By contrast, Eastern cultures tend to place more value on interdependence and to be associated with self-criticism.

Maddux and his team theorize that a lower susceptibility to the endowment effect could explain why East Asian consumers tend to be faster to adopt new technologies (and abandon old ones) than Western consumers. Overall, the study provides evidence that cultural differences affect the strength of the biases we bring to our negotiations, including the endowment effect.

Source: “For Whom Is Parting with Possessions More Painful? Cultural Differences in the Endowment Effect,” by William W. Maddux, Haiyang Yang, Carl Falk, Hajo Adam, Wendi Adair, Yumi Endo, Ziv Carmon, and Steven J. Heine. Psychological Science, Vol. 21, 2010.

First published in the *Negotiation* newsletter, May 2011.

3. Dear Negotiation Coach: Bridging the Cultural Divide

Question:

Before taking my new job, I had 10 years of successful experience negotiating with suppliers all over the United States. The company I just joined sources materials and components from almost everywhere but the United States. What advice can you give me on negotiating with foreign suppliers?

Answer:

When negotiating with foreign suppliers, you'll confront a variety of obstacles, such as unfamiliar laws, ideologies, and governments, that are usually absent from negotiations with U.S. suppliers. One particular obstacle that almost always complicates international negotiations is cultural differences between the two sides. Culture consists of the socially transmitted behavior patterns, attitudes, norms, and values of a given community, whether a nation, an ethnic group, or even an organization. Understanding a foreign counterpart's culture is a lot like peeling an onion, as you interpret behavior to reveal attitudes, which reflect norms, which are founded on values.

Differences in culture complicate business negotiations and relationships in many ways. First, they can create communication problems. For example, if in response to one of your proposals your Japanese supplier says, "That's difficult," you might erroneously assume that the door is still open for further discussion. In fact, your supplier, coming from a culture that avoids confrontation, may have been giving a flat no.

Second, cultural differences also make it difficult to understand each other's behavior. Americans may view the hiring of relatives as dubious nepotism, but Lebanese counterparts may consider the practice to be necessary to securing trustworthy, loyal employees.

Third, cultural considerations influence the form and substance of the deal. For example, when McDonald's first franchised its operations in Thailand, it insisted on strict adherence to its traditional American menu. Later, under pressure from its Thai franchisee, it permitted the sale of noodles, a dish traditionally served

on auspicious occasions. Sales increased as a result. Since differences in culture will invariably require adaptation of products, management systems, and personnel practices abroad, you need to be open to your suppliers' suggestions for change.

Finally, culture can influence the way people behave and interact at the bargaining table. In some countries, such as Spain, business negotiators' primary goal may be to achieve a signed contract, whereas negotiators in other cultures, including India, may be more focused on establishing an effective long-term relationship, I found in one survey.

Here are a few simple rules for coping with cultural differences in international negotiations and transactions:

1. Do your homework about your supplier's culture. Through reading and conversations with those who know the country concerned, you can learn a lot. Don't overlook your suppliers as sources of information about their culture. They will usually welcome your interest.

2. Show respect for cultural differences. Inexperienced negotiators tend to belittle unfamiliar cultural practices. It is far better to seek to understand the value system at work and to construct a problem-solving conversation about any difficulties that unfamiliar customs pose.

3. Be aware of how others may perceive your culture. You are as influenced by your culture as your counterpart is by his. Try to see how your behavior, attitudes, norms, and values appear to your foreign supplier.

4. Find ways to bridge the culture gap. Cultural differences create a divide between you and your suppliers. Constantly search for ways to bridge that gap. A first step in bridge building requires you and your suppliers to find something in common, such as a shared experience, interest, or goal.



Jeswald W. Salacuse
Henry J. Braker Professor of Law
The Fletcher School of Law and Diplomacy
Tufts University

First published in the *Negotiation* newsletter, July 2011.

4. Launch more productive cross-cultural negotiations

ON FEBRUARY 28, 2014, Russian troops swarmed into Crimea following violent clashes between protestors and police in Kiev, Ukraine, and Ukrainian president Viktor Yanukovich's abrupt departure from the country. Urging Russian president Vladimir Putin to retreat, Western leaders desperately searched for a way to help him "save face." It was a daunting task. Having made an incursion into a foreign land, Putin, they understood, would view retreat as a humiliating option for Russia.

Indeed, some observers viewed the humiliation that Russia experienced as the Soviet Union dissolved, an event that Putin once described as a "catastrophe," as the primary reason for his provocative act. Even German chancellor Angela Merkel, who had established a strong rapport with Putin thanks in part to their shared ties to East Germany, was unable to convince him to back down from annexing Crimea. After one of her conversations with Putin, Merkel told U.S. president Barack Obama that Putin seemed to be in "another world."

A debate arose in Washington, according to the New York Times: Had Putin become mentally unhinged? Or did he merely have a fundamentally divergent view of the world from that of the West, making it extremely difficult for the two sides to find common ground?

Though Merkel's attempted negotiations with Putin are a high-stakes political case, her frustration hints at the difficulties that can arise even in more straightforward business negotiations conducted across cultures. When negotiators are from different countries or regions, their fundamentally different ways of looking at the world in general, and negotiation in particular, can contribute to conflict and stand in the way of agreement.

A better understanding of cultural differences can improve our ability to understand counterparts from other cultures and work with them more effectively, suggest researchers Soroush Aslani, Jimena Ramirez-Marin, Zhaleh Semnani-Azad, Jeanne M. Brett, and Catherine Tinsley. Specifically, theory and research that categorizes the world's cultures into three prototypes, namely "dignity," "face," and "honor" cultures, can illuminate broad cultural differences

in the way we approach negotiation, the team writes in a chapter in the *Handbook of Research on Negotiation* (Edward Elgar, 2013).

According to anthropologists, cultural differences often spring from our different histories: the varying geographical, political, and economic conditions in which our ancestors found themselves. In particular, two factors—population density and type of economy—determined whether a region developed a dignity, face, or honor culture. We examine each of these categories in turn and consider how recognizing them might help negotiators reach more satisfying agreements and resolve pressing conflicts.

Dignity cultures: Independence and trust

Dignity cultures, which include the United States, Canada, and Northern Europe, developed in societies built on agriculture with low population density. The ample availability of farmland turned food production into an individual rather than a collective effort. Consequently, dignity cultures tend to prize independence and free will rather than a reliance on others.

In dignity cultures, people strive to manage conflict rationally and directly while avoiding strong emotional reactions, research finds. Because dignity cultures typically are supported by an effective system of law and strong markets, members tend to trust others automatically and engage in mutually enhancing trades rather than behaving in a selfless, altruistic manner.

This analytic, trusting mind-set leads members of dignity cultures to prefer a collaborative approach to negotiation. They explore one another's interests and priorities by engaging in questions and answers (Q&A), according to Aslani and his team.

Face cultures: Cooperation and harmony

Face cultures, found primarily in East Asian societies such as China and Japan, sprang up in agricultural regions with rapidly growing populations that required organized food production, a collective goal facilitated by cooperation and strong central governments. Face cultures have a reputation for social responsibility and great respect for elders and traditions. Cultural norms encourage people to save face and preserve harmony by avoiding direct confrontation, suppressing negative emotions, and deferring to authority.

A lack of trust, which characterizes face cultures, often leads negotiators to take an indirect approach to exploring the other side's interests. Instead of directly probing their interests through Q&A, as members of dignity cultures tend to do, they take turns making and substantiating offers and judging one another's reactions. Negotiators from face cultures are just as effective at negotiating joint gains through this exchange of offers as negotiators who rely on Q&A, research shows. Overall, this research suggests that when trust between negotiators is low, you may achieve more by exchanging offers and backing them up than by directly trading information about your priorities and preferences.

Interestingly, a 2012 Gallup poll suggested that people from face cultures not only *express* fewer negative emotions (including stress, anger, and sadness) but also actually *experience* these emotions less often than members of dignity and honor cultures do. As a consequence, they are less likely to feel intimidated, distracted, or insulted during negotiation than are those from dignity or honor cultures. When those from face cultures do experience and express negative emotions during talks, their typical strategy of learning by exchanging offers becomes less effective, research has found.

Honor cultures: Close ties and strong emotions

Finally, *honor cultures* sprang up in regions with herding economies and low population density, including the Middle East, North Africa, Latin America, and parts of southern Europe. Because herds are vulnerable to poaching, they can be difficult to defend. Consequently, traits that promote theft deterrence became prevalent in honor cultures, including a strong defense of oneself and one's family, reliance on a code of honor, and close family ties. Members tend to view insults and other conflicts as direct challenges to their status and to respond boldly and even aggressively to slights.

Less negotiation research has been conducted on honor cultures than on dignity and face cultures. However, some evidence suggests that people from honor cultures are more susceptible to *betrayal aversion*—that is, they may be quite reluctant to trust their counterparts for fear of being betrayed. In addition, the results of the Gallup poll mentioned earlier suggest that negotiators from honor cultures in the Middle East and Latin America experience negative

emotions such as anger more often than negotiators from the other two cultural prototypes.

Overall, research leads to the conclusion that negotiators from honor cultures may be easily distracted from the cognitive tasks of negotiation by the emotional need to protect their honor in the face of perceived slights. Therefore, it may be particularly important to spend time building trust and managing conflict when negotiating with members of honor cultures.

Learning from differences

- As part of your preparation for negotiation, research potential cultural differences that could arise.
- During negotiation, consider whether a flare-up could be rooted in a threat to dignity, face, or honor.
- Remember that your counterpart is a unique individual, not a cultural ambassador.

Looking beyond prototypes

Before we assume that recognizing prototypes is the key to unlocking potential in cross-cultural negotiations, it is critical to note that these are broad generalizations that rarely exist in their purest form in the real world, write Aslani and colleagues.

Most societies are a blend of prototypes, and cultural divisions within a single nation are common. The herding economy and wide-open spaces of the American Southwest, for instance, fostered an honor culture, while the more agricultural regions of the United States tend to resemble dignity cultures. And as technological and economic changes draw us closer together, cultural divisions begin to blur.

Moreover, individuals vary widely in the degree to which they adopt or reject their culture's norms and ideals. An Egyptian architect, for example, may behave more like an architect from Tokyo or Rome than like a typical Egyptian businessperson.

We are more likely to follow our own culture's norms in the face of certain triggers, according to Columbia University professor Michael Morris. Limits on our attention, such as those imposed by multitasking and deadlines, can increase our tendency to make culturally based snap judgments. In addition, our cultural barriers to agreement may be especially high when we are negotiating in the midst of a crisis.

Finally, when negotiators from different cultures meet, they may adapt their behavior in an attempt to match their counterpart's cultural style. A survey by Wendi L. Adair of the University of Waterloo, Canada, for example, found that experienced American and Japanese business negotiators adjusted their negotiating style too

far toward the other side's culture, resulting in confusion and misunderstandings. Ironically, our efforts to understand one another can drive us apart.

Is there a family resemblance?

For all these reasons, it would be a mistake to give great weight to prototypes in our dealings with negotiators from other cultures, lest we begin to view them as stereotypical representatives of their group. A more promising approach would be to consider whether or not our negotiating counterparts share a "family resemblance" with their culture of origin, as we understand it to be.

Sizing up your counterpart's culture should be just one element of your due diligence, alongside learning about her as an individual and analyzing the specific issues at stake in the negotiation at hand. You can do so by researching your counterpart's profession, work history, negotiating experience, education, reputation, and areas of expertise both before and during the negotiation.

Returning to Putin, the fact that the West seems largely puzzled by his motives even after years of on-and-off negotiation is striking. "With no meaningful rapport or trust between Obama and Putin, it's nearly impossible to use high-level phone calls for actual problem solving," Russia expert Andrew Weiss told the *New York Times*. "Instead, it looks like we're mostly posturing and talking past each other." Though the roots of the crisis are complex, for business negotiators, the conflict suggests that taking time to build rapport before getting down to business can be especially important in cross-cultural negotiations.

The conflict also points to the value of attempting to address negotiators' deepest concerns throughout cross-cultural talks, when possible. In an interview with CBS News, Obama speculated that Putin had a "deeply held grievance" over the dissolution of the Soviet Union and "a sense that somehow the West has taken advantage of Russia in the past." Obama went on to say that Putin seemed to be "entirely misreading the West."

In our own negotiations with people from other cultures, we would be wise to register potential threats to the other party's dignity, face, and honor, then look for ways to restore trust and rapport. With the same goals in mind, we also have a responsibility to speak up when we ourselves feel slighted.

First published in the *Negotiation* newsletter, June 2014.

5. Before apologizing, consider the culture

IN 2004, AFTER JAPANESE REGULATORS shut down Citigroup's private bank in the country for breaking numerous laws, then-CEO Charles O. Prince made headlines by traveling to Japan, bowing deeply before television cameras, and apologizing for his firm's mistakes. As unusual as it seemed in American eyes, the public apology was widely seen in Japan as a necessary first step in restarting Citigroup's operations there.

An apology can be an effective means of restoring trust in negotiations and disputes, past research has found. In a 2011 study, William W. Maddux of INSEAD and his colleagues identify cultural differences in the way Japanese and American participants respond to apologies.

The cultural differences start with expectations surrounding apologies. In the United States, apologies generally encompass an admission of personal responsibility and an expression of regret. In Japan, where organizations are generally viewed as more culpable than individuals for wrongdoing, an apology simply involves recognition of a burden suffered by someone else, write Maddux and his team. These differences reflect the individualistic nature of American culture and the more collectivistic culture of Japan.

Along these lines, in one experiment, the research team found that American participants viewed apologies as a means of assigning blame and rebuilding personal credibility. By contrast, Japanese participants viewed an apology as a general expression of remorse rather than as a means of assigning blame.

In a second experiment, as compared with Americans, Japanese participants were more accepting of an apology from a job applicant who had committed accounting malfeasance in a past position. The results suggest that apologies for this type of "integrity violation" would be more effective in Japan than in the United States because the Japanese generally view such transgressions as more correctable than Americans do.

The study results confirm the soundness of Prince's decision to apologize publicly to the Japanese for his firm's wrongdoing. They also echo more recent anecdotal evidence of cultural differences in the use of apologies. After the public

scandal regarding potential accelerator problems in Toyota vehicles, CEO Akio Toyoda made several explicit public apologies for his company's actions. Toyota even took out full-page ads in U.S. newspapers that read, "We apologize from the bottom of our hearts for the great inconvenience and worries that we have caused you all." Contrast this behavior with the 2009–2010 congressional testimony of American executives from AIG and other companies that had awarded large profits and bonuses on the heels of government bailouts. The executives' testimony included "at best, lukewarm remorse and few explicit apologies," say Maddux and colleagues.

In sum, in a collectivist culture like Japan's, an apology can be an effective means of alleviating conflict regardless of whether you are to blame. By contrast, when you apologize in an individualistic culture like that of the United States, you must balance the legal and reputational risks. Thus, be sure to frame and deliver apologies carefully in cross-cultural negotiations.

Resource: "Cultural Differences in the Function and Meaning of Apologies," by William W. Maddux, Peter H. Kim, Tetsushi Okumura, and Jeanne M. Brett. International Negotiation, 2011.

First published in *Negotiation* newsletter, June 2012.



ATTEND an upcoming Executive Education program

Negotiation and Leadership: Dealing with Difficult People and Problems

Designed to accelerate your negotiation capabilities, this three-day offering examines core decision-making challenges, analyzes complex negotiation scenarios, and provides a range of competitive and cooperative negotiation strategies. You will emerge well prepared to achieve better outcomes at the bargaining table, every time.

In-Depth, One-Day Sessions

Groundbreaking ideas, global insights, and innovative strategies — all taught by the experts who literally wrote the book on them.

Harvard Negotiation Institute's Summer Programs

Ranging in duration from two to five days, each program focuses on a critical aspect of negotiation.

- ▶ Negotiation Workshop: Strategies, Tools, and Skills for Success
- ▶ Mediating Disputes
- ▶ Negotiation Workshop: Improving Your Negotiation Effectiveness
- ▶ Intensive Negotiations for Lawyers and Executives
- ▶ Advanced Negotiation: Making Difficult Conversations More Productive
- ▶ Secrets of Successful Deal Making

For an updated listing of programs, including dates and locations, or to download a complete program guide, visit www.pon.harvard.edu.

SUBSCRIBE to *Negotiation Briefings*, the monthly newsletter

Drawing on ideas from leading authorities and scholars in the field of negotiation, this timely publication provides proven strategies and techniques aimed at improving your ability to get deals done, solve problems, preserve relationships, and manage conflict.

To learn more or subscribe, call +1 800-391-8629 (outside the U.S., dial +1 301-528-2676), email negotiation@law.harvard.edu, or visit www.pon.harvard.edu.

EDUCATE yourself and others on key negotiation topics

Access teaching materials and publications in the Teaching Negotiation Resource Center, including role-play simulations, videos, books, periodicals, and case studies. Most materials are designed for use by college faculty, corporate trainers, mediators, and facilitators, as well as individuals who seek to enhance their negotiation skills and knowledge.

To view all teaching materials and publications, visit www.pon.harvard.edu/store.

READ the *Negotiation Journal*

This quarterly publication is committed to the development of better strategies for resolving differences through the give-and-take process of negotiation. *Negotiation Journal's* eclectic, multidisciplinary approach reinforces its reputation as an invaluable international resource for anyone interested in the practice and analysis of negotiation, mediation, and conflict resolution.

To learn more or subscribe, visit www.pon.harvard.edu/publications/.