

International Business Management

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Lecture 4



Learning objectives

Communication overview

Micro and Macro International Communication

Communication perspectives

Components of the communication process

Negotiation concept and its types

- During the course of a day, we are judged by the effectiveness of our communication.
- We are appraised by the way we speak, by our accents or dialects, by our body language, by the way we listen, and even by the way we read and write.
- Communication is a skill that has to be learned and sharpened. As the world constantly changes, we must continue to improve our communication skills.

- When people get together, communication is inevitable. It is impossible not to communicate in the presence of other people.
- Everything we do, every inadvertent move we make, even our silences are perceived and interpreted by other people.
- Sometimes, we send erroneous messages by the manner of our dress or tone of our voice or simply by the condition of our bodies.
- We may, for example, mistake someone as a successful financial consultant if he or she dresses in a conservative style, carries a leather briefcase, and reads a financial newspaper.

Micro and Macro International Communication

- International communication can be viewed from two different perspectives, the micro and macro levels.
- The micro level involves communication and information flow between the directors of the firm, its employees, and its external constituencies.
- At the micro level, intrafirm, interpersonal, and intercultural communication are connected to one another. Of course, multinational companies (MNCs) are more concerned with the communication issues at the micro level.

- The macro level deals with the problems and opportunities that arise from the flow of information and communication between countries.
- At this level, international information is exchanged through mass media, telecommunications, and high-technology transfer, which could have far-reaching political, economic, social, and cultural consequences on nations.
- The macro-level issues of international communication and information dissemination may potentially be the source of future difficulties

The macro level of international communication can be viewed from four different perspectives

The idealistic-humanistic approach views

- The first approach is idealistic and assumes the objective transfer of information and values—an impossible feat. It also assumes a universally accepted view of international order and peace
- international communication as a way to bring nations and people together. International communication is considered a source of power that international organizations (e.g., the United Nations) can use to serve the world community.
- Effective international communication can increase understanding among nations and peoples and improve conditions that are conducive to world peace.

The political proselytization approach

- considers international communication as a medium of propaganda and advertising. It is claimed that the political proselytization approach is used by industrialized countries to manipulate the people of the Third World.
- This has created distrust of the international media and has fueled intolerance and hatred among people and nations

The economic power approach

- is an increasingly popular view that considers international communication the source of economic power. Weaker nations are dominated by industrialized countries through international business activities that result in technology transfer and “modernization.”
- Developing countries become amenable to being controlled by Western powers once they have adopted the ways of Western industrialized nations. Countries that convert to Western ways may lose their cultural identity and indigenous creative power

source of political power

- viewed as the source of political power. Countries communicate through mass media, literature, films, and data transmission.
- Increased communication among countries can potentially increase understanding among nations and peoples and improve conditions that are conducive to world peace.
- International communication through media, films, and so on conveys the cultural content associated with the source too. This, however, may not always be in the best interests of the recipient country. It may lead to cultural domination.

The Classic Communication Model

- Communication comes from the Latin word communis, meaning “common.” When we attempt to communicate with another person, we seek to establish “commonness” by sharing information, knowledge, ideas, or attitudes.
- Communication is a two-way process and takes place when a person transmits ideas, knowledge, meanings, and feelings to others. A typical process of communication involves the sender (source) of communication, the receiver (target) of communication, and the feedback loop.
- A medium, such as a telephone, computer, letter, or face-to-face position, is used to send a message to the target.

- Communication can take place only if the sender's message falls within the receiver's realm of understanding and knowledge. The commonality in language, experience, knowledge, and culture provides a framework for communication between people.
- Cultural differences, language diversity, and differences in experience and knowledge create barriers to communication.
- If the receiver of a message, due to any of these differences, is unable to decode the message and comprehend it, the message will not reach its destination

- The three components of the communication process are origination, destination, and feedback
- any communication process has three major segments, the **origination, the destination, and the feedback loop.**
- **The origination** segment consists of the sender and his or her field of experience, which includes attitudes, experience, knowledge, environment, sociocultural background , and values that differentiate him or her from others. Also, the origination segment includes the meaning and the information the sender intends to share.

- The sender “encodes” the meaning of the message into signs, symbols, and words that the receiver can understand.
- The sender ensures the accuracy of the information transmitted by composing the message in his or her mind and organizing it in a logical sequence.
- In doing so and in “encoding” the meaning into an understandable form, a message is created. After encoding the message, the sender channels the message to the receiver

Destination

- The destination segment consists of the receiver, decoding, and the meaning of the message.
- After receiving the message, the receiver attempts to decipher the meaning of the words, symbols, and nonverbal signals such as the hand gestures and tone of voice.
- Listening to the composition of words, the manner of presentation, and other signs and signals used in communication, the receivers use their field of experience to interpret the message.

- They may encounter some “noise,” elements that can cause distortion, in the form of confusion and misunderstanding of the message. Many potential sources of noise exist when communicating across cultures.
- Noise (Distortion) Confusion can result when the sender and the receiver have not had the same common experiences.
- When the sender and the receiver have similar fields of experience, they have much the same frames of reference. Therefore, the information exchanged between them is usually not distorted very much

- The commonality of fields of experience between the origin and the destination reduces noise and increases the fidelity of communication. Even in a domestic situation, for example, the sender of the message may be a manager who uses technical computer jargon.
- If the receiver is a new salesperson in the company, he or she may not have much experience with the technical language and may receive limited information from the manager. Consequently, the lack of enough commonality between the sender and the receiver results in some noise, which in turn causes the receiver to not understand the message.

Feedback :

- Feedback is a loop connecting the destination segment to the origination segment, providing information about the message to both the sender and the receiver.
- Through feedback, the receiver sends information back to the sender describing the results of the communication.
- Without feedback, the sender would not know whether the message has been received or understood. In short, feedback is a response and control mechanism in the communication process.

- The differences in the giving and understanding of feedback can further complicate communication in cross-cultural settings.
- For example, in a communication between a Japanese and an American, when the Japanese, who desires harmony and wants to save face, politely avoids publicly contradicting the American, the American may take this feedback at its face value.
- In this case, the feedback has not served its purpose

Cultural Differences in Nonverbal Communication

- Communication consists of verbal and nonverbal components. Nonverbal communication cues impart meanings that are usually not presented in verbal communication.
- Just as there are cultural differences among various national groups, so are there differences in communication patterns, especially in nonverbal cues

- Differences in nonverbal communication cues can be a source of misunderstanding. International managers could greatly improve their understanding of people from other cultures by learning the subtleties of meanings conveyed by these nonverbal cues.
- To elaborate on the differences in nonverbal communication cues among cultures, we could discuss country-by-country differences. This would be a tedious process.
- Signs and motions using the hands, fingers, eyes, and head, for example, convey different meanings in different cultures

- Several examples of these motions are depicted in Some of these signs convey just the opposite meanings in two different cultures. the seven most commonly discussed dimensions of culture are:
- expressiveness,
- emotions,
- individualism,
- gender role differentiation
- rigidity,
- power distance (PD),
- uncertainty, and contextual variations

Negotiation

- Negotiation defined as "the process of communicating back and forth for the purpose of reaching a joint agreement about differing needs or ideas" In any negotiation, we can identify three components:
 - the process,
 - the parties in the negotiation,
 - the agreement or the outcome of the negotiation.
- Negotiating entities could be from the same culture or from different cultures.

International Negotiations

- One of the most difficult and important tasks facing international managers is negotiation. To successfully conclude a business deal, labor agreement, or government contract with foreigners requires a considerable amount of communication skill.
- International negotiation is very complex and difficult because it involves different laws, regulations, standards, business practices, and above all cultural differences.
- The popularity of the saying “When in Rome, do as the Romans do” is an indication of our awareness that to succeed in international negotiation, we need to suppress our ethnocentric tendencies

- Most writings on negotiation assume similarity in culture and fields of experience among negotiating parties. Based on this assumption, negotiation strategies are devised to influence the other party's position. for example, suggested that successful negotiation involves accomplishing three tasks:
 1. Bringing your own perceptions in line with reality.
 2. Ascertaining the other side's perceptions of the proposed transaction and the available alternatives.
 3. Finding ways to favorably alter the other side's perceptions.

There are two extreme negotiating positions, “hard” and “soft.”

- Those taking a **hard position** see every negotiation as a contest of wills. They believe that by taking extreme positions and holding out longer, they will fare better.
- Taking a hard position may lead to confrontation.
- Often, the other party responds by taking an equally hard position.
- This exhausts both parties and damages their long term relationship.
- Whereas a hard position is confrontational and adversely affects long-term relationships
- a **soft position** may create a one-sided deal and foster ill feelings. Avoiding confrontation and taking a more accommodating soft position may result in an undue advantage for the other party. By making concessions, a soft negotiator often ends up with less than a desirable deal and may feel bitter about it

Principled Negotiation factors

The PN method is applicable to all stages of negotiation and involves four basic factors: **people, interests, options, and criteria.**

People

Often, negotiating parties become emotional, and instead of attacking the problem, they attack each other.

- This produces defensive behavior, which is not conducive to constructive negotiation.
- Reducing the emotional overtone and building a good working relationship improve the chances of success

Interests

- Focus on interests, not positions. Sharing information creates understanding.
- Positions are “what” the parties say they want, and interests are “why” they want them.
- Try to discover what “interests” are behind the positions of the other participants.
- Be careful when one party tries to learn the other’s interests without revealing its own

Options

- Look for areas of mutual gain, and search for alternatives that give both sides something to gain.
- Considering multiple options, instead of one option at a time, may provide for more commonality of interests. Before deciding how to cut the pie, increase its size.

Criteria

- Insist on objective criteria that can be used in selecting the final option.
- Agreement on objective criteria, such as market value, expert opinion, custom, precedence, law, and industry practices, eliminates one-sided outcomes

The three stages of negotiation are analysis, planning, and discussion

Analysis Make certain preparations before arriving at the negotiation table. The analysis stage deals with gathering and organizing information for diagnosing the situation.

- Review the issues pertinent to the four basic factors of people, interests, options, and criteria. Consider any people problems that might arise during the negotiation, such as perception, emotion, and communication. Define your interests and those of the other party.
- Review the options already on the table, and identify the criteria and framework suggested for the negotiation.
- Analyze intercultural negotiation that involves learning about other cultures, understanding their communication methods, and knowing their likes, dislikes, and preferences.

Planning

- In the planning stage, again you are dealing with the same four factors of people, interests, options, and criteria.
- Here, you want to generate ideas and decide how to use them and determine how to deal with people problems that may arise.
- Prioritize your interests, and set realistic objectives. Generate more options, and devise criteria for selecting the best option

Discussion

- Parties communicate back and forth looking for ways to agree on various issues.
- Discussion is how perceptions, feelings, and difficulties in communication are addressed.
- Both parties acknowledge each other's interests, identify options that are mutually beneficial, and seek agreements on objective standards that could resolve opposing interests
- the discussion stage can be used to build and improve the relationship and create trust between parties

- PN provides parties to a negotiation with a method of focusing on basic interests and mutually advantageous solutions. Unlike inefficient bargaining within a political framework, PN enables parties to reach an agreement without all the haggling and posturing.
- By separating the people from the problem, PN makes an amicable and efficient agreement possible. Cultural differences, however, make some aspects of PN less viable for intercultural negotiations.

- The complexity of issues in a negotiation may determine the size of the negotiating teams. Negotiations on complex issues such as oil exploration and marketing rights with a foreign country require the use of many specialists.
- Most negotiations between MNCs and their foreign partners are complex. In these negotiations, MNCs employ many staff specialists.
- Not all members of the staff need to attend the negotiation session. Negotiating teams may simply benefit from the behind-the-scenes services of the specialist staff. Cultural differences influence the size of the team directly involved in the negotiation

- Without communication, no organization can function. By communicating, we share information, knowledge, beliefs, and values; we also share our ideas, opinions, and feelings with others.
- It is through communication that we negotiate a deal, buy and sell products, and exchange information. Communication is complete when the meaning we intended to send with our message reaches its destination and is understood by the receiver.
- This requires commonality of fields of experience between the sender and the receiver

- Cultural differences that create different fields of experience make communication across cultures very difficult.
- International managers need to understand the influence of cultural differences in communication.
- They can improve intercultural communication by recognizing the cross-cultural variations in communication patterns

- Although verbal communication and written communication are the predominant forms of communication, nonverbal cues are used to supplement or replace the oral and written forms.
- Similar to differences in languages, there are cultural variations in the nonverbal cues, signs, and signals used in communication. Because language differences are apparent, we learn foreign languages to communicate with other people in their mother tongue.
- Nonverbal cues, signs, and signals used in communication are less evident;

- nonverbal communication will face more communication problems. Ignorance of nonverbal, cross-cultural communication can have serious consequences.
- Unfamiliarity in reading the meaning behind the verbal messages could lead to misunderstanding, confusion, and business failure

- To negotiate a business deal, international managers must recognize the cultural differences in communication and negotiation styles.
- The skills developed in intracultural negotiations are insufficient for conducting intercultural negotiations.
- “Projective similarity,” assuming that others negotiate the same way as we do, could lead to disappointing results

- Some cultures view negotiation as a relationship-building exercise. Such a view of negotiation calls for a different type of negotiation and different skills.
- Attempts at maximizing our gains with such groups may produce a short-term result but may damage the long-term relationships.
- International managers who succeed remember the saying “When in Rome, do as the Romans do.”

Resources:

Kamal Fatehi & Jeongho Choi

International Business Management

Succeeding in a Culturally Diverse World, Second Edition

Chapter 4



Thank You