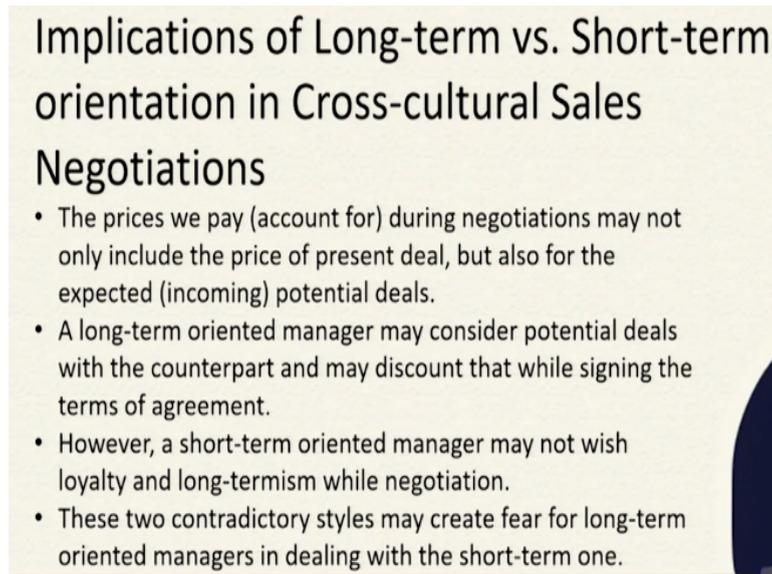


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Lecture – 12
Hofstede's Cultural Dimensions, Cross-Cultural Sales Negotiations

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Implications of Long-term vs. Short-term orientation in Cross-cultural Sales Negotiations

- The prices we pay (account for) during negotiations may not only include the price of present deal, but also for the expected (incoming) potential deals.
- A long-term oriented manager may consider potential deals with the counterpart and may discount that while signing the terms of agreement.
- However, a short-term oriented manager may not wish loyalty and long-termism while negotiation.
- These two contradictory styles may create fear for long-term oriented managers in dealing with the short-term one.

Hi, welcome back to my module 3, lecture 12. In continuation to the long-term versus short-term what we discussed in the last session, so how you will negotiate and what will be the typical cross-cultural negotiation guidelines between the long-term and short-term orientation cultural sales? So, the price we pay during the negotiation may not only include the price of present deal, but also the expected incoming potential deals, this is a very loaded one.

See the countries if it is a long-term versus short-term, in a long-term people will look at the projects from the same company for the longer term. That means I am collecting a negotiation, I am collecting an order from there but I am looking for the future orders and future project expansion of that company and I am trying to work with the company for the future negotiations, future orders. So, this is I am not giving any offer.

Just for this current negotiation or current order or current deal, I am looking that particular company for a long-term perspective so that is typically in the negotiation it happens. And you will see the companies who are looking for the short-term orientation cross culture, they

will only look for only this order and they will not really encourage or really not interested for any long-term association with the company. So, that is the big difference when you are going to a culture where the people have very short-term orientation.

So, then you do not expect that he will really go ahead with you for all his future projects with you. So that is why when you deal with the countries which features a very high short-term orientation and low long-term orientation, you will not able to go for the project year on year for next 5 or 10 years, may be the order what you are negotiating maybe that is the order you will finalize and then maybe the next order will go to some of your competitor, you may not be part, but in the long term it is very crucial.

A long-term oriented manager may consider potential deals with the counterpart and may discount that while signing the terms of agreement that is very important. So, I am repeating a long-term oriented manager may consider potential deals with the counterpart may discount that while signing the agreement. So, it is looking on in potential deal on a long-term oriented manager he will do that. However, a short-term oriented manager may not wish to loyalty and long-termism while negotiation.

These two contradictory styles may create a fear for long-term oriented managers in dealing with short-term one. So, as I explained to you on the first point that if the manager is coming from a short-term oriented country to a long-term oriented country or vice versa, there will be contradictory styles and may create a fear basically amongst a person. So that is the long-term versus short-term orientation.

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Indulgence vs. Restraint

- Indulgence refers to a culture allowing gratification of the nature human desires and the basic need of humans.
- Restraint refers to a culture that restricts free gratification of the basic human needs and the human drives. The gratification is restricted by the strict laws, norms, and the rules.

Next is indulgence and restraint. So, what is indulgence? Allowing the self-gratification, refers to a culture allowing gratification of the nature human desires and basic needs of humans. And restraint refers to a culture that restricts free gratification of the basic human needs and human drives. The gratification is restricted by the strict laws, norms and the rules. So restraint society versus indulgence society.

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Indulgent vs. Restrained Cultures

Indulgent	Restrained
1. Fulfilling self-desires, more happy people	1. Low happiness.
2. Perception of self-control over life.	2. Feeling of helplessness.
3. Importance to free speech.	3. Free speech is not considered important.
4. Leisure is considered vital.	4. Leisure is not important.
5. Sports are important.	5. No active involvement in sports.
6. Educated population, higher birth rates.	6. Educated population associated with lower birth rates.
7. Positive emotions are more remembered.	7. Less likelihood.
8. Enough food, more obese people.	8. Enough food countries, lesser obese people.

So what is indulgent? Fulfilling self-desires, more happy people. So, you will find that the indulgent people are very happy people. Restrained people are less happy, sorry for the typo that is less happiness, not low, less happiness. Perception of self-control over life, whereas feeling of helplessness, so that is the restrained typically the culture. Importance of free speech and in this restraint free speech is not considered important.

Leisure is considered vital in indulgent, why? I have worked for last one quarter and now I need to take a vacation, I want to have a leisure, I want to go with my family enjoy and so leisure, enjoy myself. So that is the way I will have the leisure, I will go for a leisure trip and is very important for the countries who has a very high indulgent. In restrained cultures, leisure is not important.

So your indulgence is very low, so leisure is not really important for you. Sports are important in the indulgent, whereas no active involvement in sports. In indulgent, educated population, higher birth rates. In the restrained educated population associated with lower birth rates. Positive emotions are more remembered. Whereas in restrained less likelihood, the positive emotions they will not remember. Enough food and more obese people.

So, you will find more obese people in an indulgent because as you know that self-gratification and people will consume more amount of food, so you will find more obese people there. Enough food countries, lesser obese people. So that is the difference between the indulgent and restrained.

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Top 20 Indulgence vs. Restraint

Country	IVR_Score	Country	IVR_Score
Pakistan	0	Iceland	67
Egypt	4	U.S.A.	68
Latvia	13	Chile	68
Ukraine	14	Canada	68
Albania	15	Netherlands	68
Belarus	15	Great Britain	69
Bulgaria	16	Denmark	70
Estonia	16	Cyprus	70
Lithuania	16	Australia	71
Iraq	17	Ghana	72
Hong Kong	17	New Zealand	75
Burkina Faso	18	Africa West	78
Moldova	19	Sweden	78
Bangladesh	20	Trinidad and Tobago	80
Romania	20	Colombia	83
Montenegro	20	Nigeria	84
Russia	20	El Salvador	89
Azerbaijan	22	Puerto Rico	90
China	24	Mexico	97
Morocco	25	Venezuela	100

Low
High

Source: <https://data.world/adamhelsinger/geerthofstedeculturaldimension/workspace/intro>
(accessed on: 14 November, 2021)

The score, see Venezuela, Mexico, Puerto Rico, Colombia these countries very high indulgence scores in Venezuela. And also you see US also is very high, it is around 68, it is in very high indulgence scores. Whereas the other countries you see the Pakistan is 0 indulgence that is really score which is really very astonishing, the Pakistan is 0. And also Egypt and these couple of countries like Ukraine, Albania and Bulgaria very low indulgence.

They are very low including Hong Kong and these countries. Bangladesh, our neighbouring country the indulgence is very low. Whereas in the restraint countries you see the indulgence is very high in the countries like Sweden, Colombia and the US, Canada; all these countries are very high and compare the Mexico, Venezuela these countries are very high indulgence.

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Implications of Indulgent vs Restrained in Cross-cultural Sales Negotiations

- Indulgent may prefer:
 - work-timings,
 - Personal time,
 - Relax, enjoy, food, and other necessities.

* Restrained manager not have a good judgement about such cultural differences with counterpart/ seller.

So the implications, as I have told the study, the whole lecture is based on the sales negotiation, how it helps your sales negotiation. Indulgence may prefer work timings, personal time, relax, enjoy food and other necessities. So that is very important for the people or nationals who are very indulgent. So they have to fix work timing, personal time is very important for me, relax, enjoy food, and all those things are very important for them. Whereas restrained managers not have a good judgment about such cultural differences with counterpart or seller, so that is the big difference.

(Refer Slide Time: 08:10)

Cross-cultural Sales Negotiations

“When people from two different cultures are conducting business making assumptions about another culture is often detrimental, and can result in miscommunication.”

-Hollensen, S. (2007). *Global marketing: A decision-oriented approach*. Pearson education.

Cross-cultural sales negotiation, so how you do the cross culture? So let us take some definition from the Hollensen, S book. When people from two different cultures are conducting business making assumptions about another culture is often detrimental and can result in miscommunication. So, what he is trying to say that the two different cultures, we have discussed those six different cultural dimensions of Hofstede, see that if you are conducting a business making assumption about another culture is often detrimental and can result in miscommunication. If you assume something without knowing it that may be miscommunication or detrimental.

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Gifts in China

- In China, clocks are considered inappropriate to be gifted on the occasions of happiness. Clocks are associated with death in China.

(Source: Hendon et al. 1999, cf. Hollensen, S. (2007). *Global marketing: A decision-oriented approach*. Pearson education.

Like, I am giving you here an example. In China, if you are gifting a clock, it is very inappropriate in that occasion of happiness because clocks are associated with death in China. So, you cannot give a Chinese customer or a Chinese person, national, clock is gifted, they

will not accept it, they will not be very happy. So that is very important there that they are considered inappropriate.

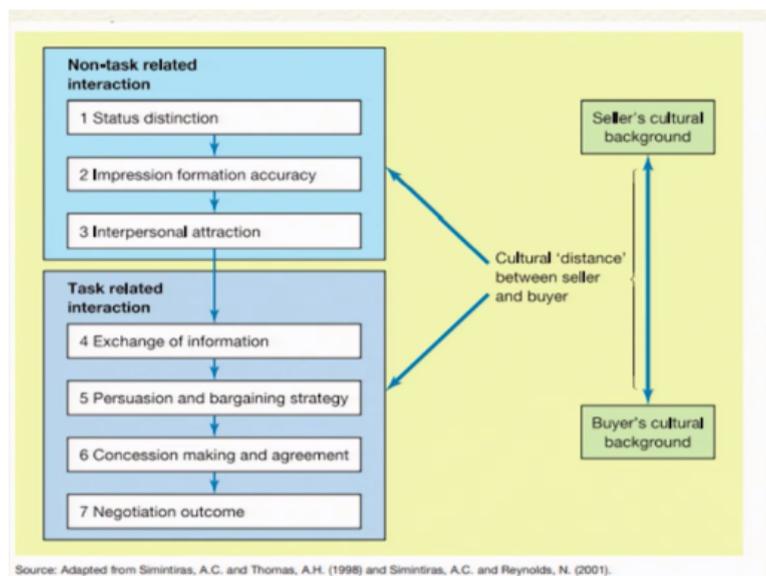
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Negotiation

- Negotiation:
 - A deal (agreement) between the two parties,
 - Parties may have common or conflicting interests,
 - Mutual benefits,
 - Total exchange transaction, financial consideration, product to be exchanged (delivered), conditions and service terms.

Negotiation, what is negotiation? I am sure you understand the deal, agreement between the two parties. Parties may have common or conflicting interests. Negotiation can happen between two common interest or maybe a conflicting interest. Mutual benefits. Total exchange of transaction, financial consideration, product to be exchanged, delivered, condition, service term. These are typically a definition of a negotiation.

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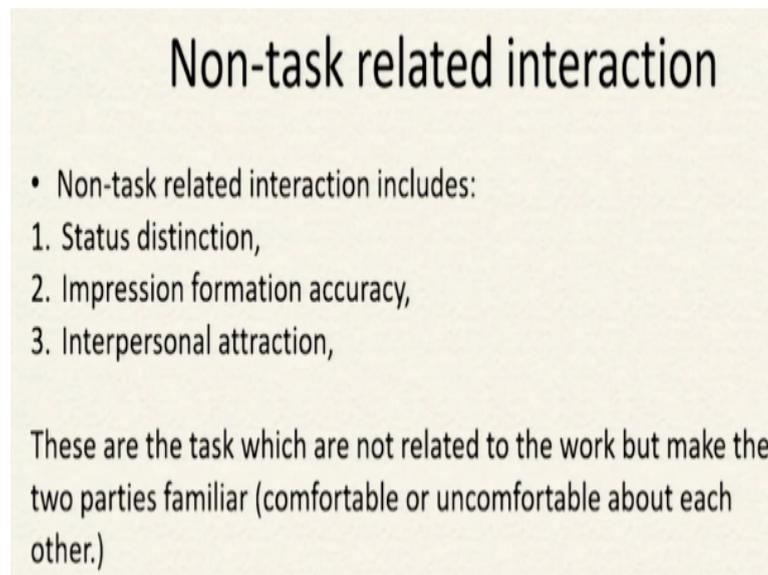


Now this is a very important diagram which the cultural distance between the seller and buyer okay. So, what are the non-task related interaction? I will explain each one of these. So, sellers, one on the top is the seller's cultural background, on the below is the buyer's cultural

background. See the status distinction, impression forming accuracy, interpersonal attraction, this is the non-task related interaction.

I will explain each one of these one by one in my next slides. And then there is a task related interaction. Exchange of information, persuasion and bargaining strategy, concession making and agreement and negotiation outcome. So, this is task related and the upper one is non-task related okay.

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Non-task related interaction

- Non-task related interaction includes:
 1. Status distinction,
 2. Impression formation accuracy,
 3. Interpersonal attraction,

These are the task which are not related to the work but make the two parties familiar (comfortable or uncomfortable about each other.)

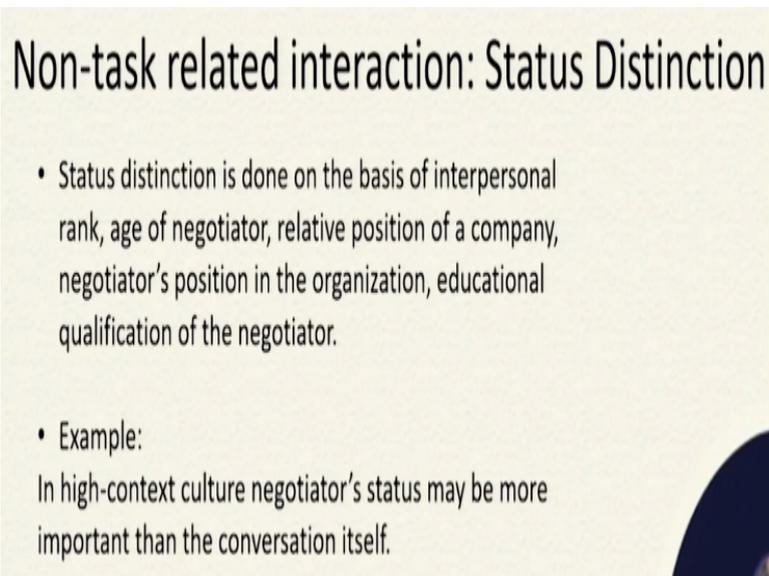
So, here what is non-task related interaction? Non-task related interaction is status distinction. What is the status of the person in the company? Who is negotiating with you? What is his designation? What is the authority he is having? So, this is the status distinction. Some people impression formation accuracy. The person uses a very high cost watch, so what is the first impression formation about that person?

So that is non-task related interaction. Interpersonal attraction. These are the tasks which are not related to the work, but make the two parties familiar. If the other person coming wearing a very high; the status in the company he is the CEO or he is the vice president or he is the head of production or operations, so his status, he is very important in that non-task related interaction.

Then the impression about formation of the accuracy that what type of phone he is using? What type of watch he is using? What type of interpersonal attraction? So, these are non-task

related interaction. These are the tasks which are not related to the work but make the two parties familiar.

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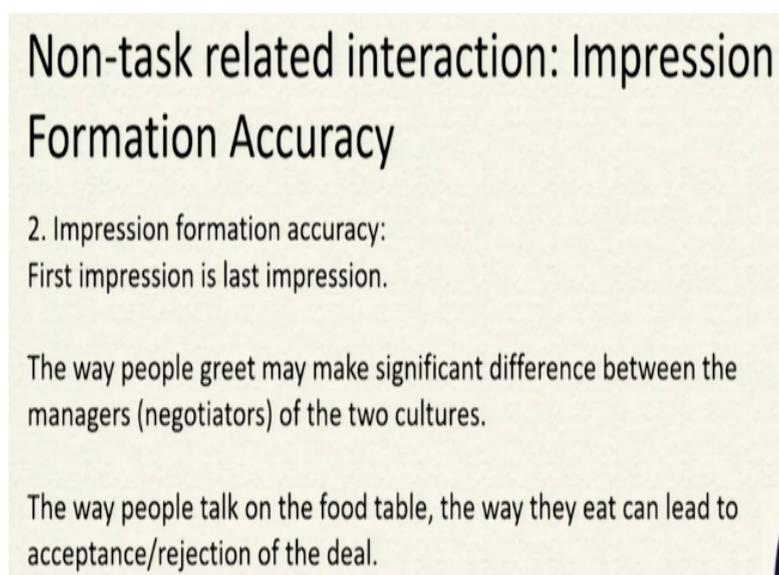


Non-task related interaction: Status Distinction

- Status distinction is done on the basis of interpersonal rank, age of negotiator, relative position of a company, negotiator's position in the organization, educational qualification of the negotiator.
- Example:
In high-context culture negotiator's status may be more important than the conversation itself.

Non-task related status distinction: Status distinction is done on the basis of interpersonal rank, age of negotiator, relative position of a company, negotiator's position in the organization, educational qualification of the negotiator. So, you designate, you first find out what is the status of that person. That means what is the age of the negotiator, relative position in the company, negotiator's position in the organization in the hierarchy of the organization, educational qualification of the negotiator all those. Example in a high-context culture negotiator's status may be more important than a conversation itself, so that is the important part.

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Non-task related interaction: Impression Formation Accuracy

2. Impression formation accuracy:
First impression is last impression.

The way people greet may make significant difference between the managers (negotiators) of the two cultures.

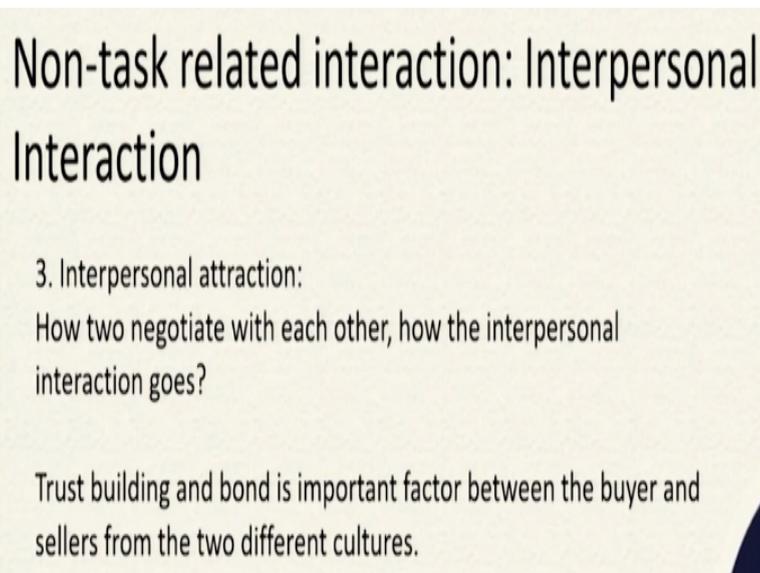
The way people talk on the food table, the way they eat can lead to acceptance/rejection of the deal.

Formation of accuracy, non-task, impression formation accuracy. Impression formation accuracy, first impression is the last impression. So, when you first meet in that negotiation, when you first go and meet your first impression how you enter the room, how you greet the person is the last impression and the way people greet may make significant difference between the managers, between the two cultures.

So, how do you greet? When you greet to a Japanese gentleman, how you bow down and you greet, but in US you greet totally in a different way. So, the way you greet is the first impression and is so different among the cultures. So, you should know the person with whom you are greeting and what is the culture of that person has accordingly you should greet him. The way people talk on the food table, the way they eat can lead to acceptance and rejections of the deal.

So, that is very important because in the food table how you talk or the way you eat, these are all very important whether in making a business deal when you have a business dinner and you are discussing with your prospective client there and then these things are very important on the food table and there are various ways also. There are various learning ways also to understand how this dinner table education and all those things there.

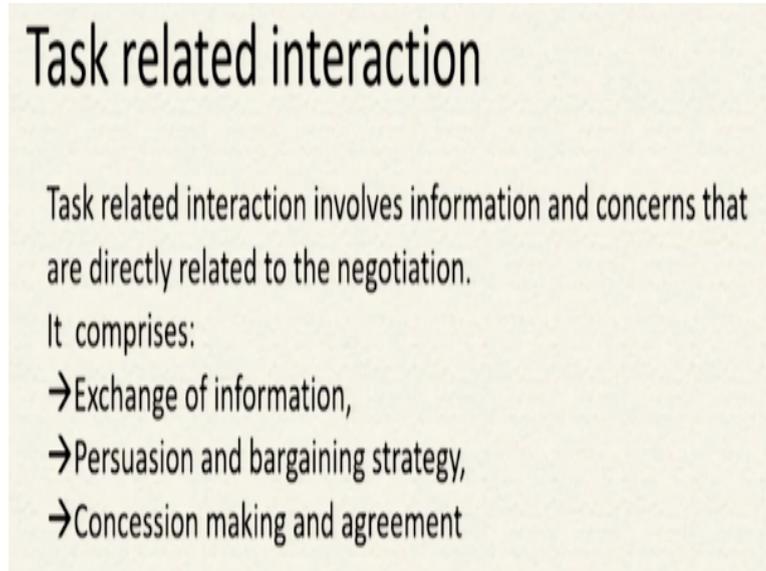
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Interpersonal attraction, how to negotiate with each other, how the interpersonal interaction goes that is also very important here in interpersonal negotiation. Trust building and bond is important factor between the buyer and seller the two different cultures. So, imagine you are two different cultures. You are selling something and there is one buyer and the trust building

is very important between the two cultures. So, how to negotiate with each other, how the interpersonal interaction goes? So, trust building is very important. These are all non-task related interpersonal interaction.

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Now comes task-related interaction. So, what is task-related interaction. This involves the information and concerns that are directly related to the negotiation that is the exchange of information, persuasion of bargaining strategy, concession of making an agreement. So, this is totally the task for that, you have gone there for the negotiation, the task was for you to sell the project there.

So, here is the task. Previously we discussed which is non-task related, but here it is a task you have gone exchange of information. That means the product what you are selling or the service what you are selling the entire information you are giving to your customer and the persuasion and the bargaining strategy and the concession of making agreement, all these are the task related how you close that particular business.

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Task Related Interaction: Exchange of Information

- Understanding the needs and expectation of counterpart,
- Effective communication of key ideas and the facts is necessary,
- Information exchange will be explicit or implicit depends on culture of parties,
- Cultural difference in communication priorities and modes of communication may become an impediment.
- Example: US company managers want very explicit and written communication. Japanese are high context culture, and verbal communication is important, body language and context plays important role.

So, understanding the task-related exchange of information, so how do you find it out? During the negotiation, how do you find it out? Understanding the needs and expectation of the counterpart. So, what is the customer's need you understand that need and then effective communication of the key ideas and the fact is necessary there. Information exchange will help explicit and implicit depends on the culture of the parties. Cultural difference in communication priorities and modes of communication maybe impediment.

Example, US company managers want very explicit and written communication. Japanese are high context culture and verbal communication is important, body language and context plays an important role in this negotiation. So, what comes here? The US company managers are very explicit and written communication. Japanese are highly context culture and verbal communication is important, body language and context also plays a very important role in the exchange of information.

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Task related interaction: Persuasion and Bargaining Strategy

Two strategies can be used:

- Representational strategy involves:
 - Identification of the problem,
 - Search for alternative solutions,
 - Choice of the best solution based on feedback and information from buyer.
- Instrumental strategy involves:
 - Use of persuasive communication,
 - Influence buyer and attempt to change their attitude/decision,
 - Use of persuasive promise, rewards, negative persuasion, bonds, and other mechanisms.

Task-related interaction, persuasion and bargaining strategy, two strategies can be used. Representation strategy involves identification of the problem, search of alternative solution and choice of the best solution based on the feedback and information from the buyer. So, here comes the representational strategy. First you identify what is the problem with the customer, what is the customer's currently the project, in that project what customer's exact problem? You take various solutions for that problem to that customer.

You say solution 1 for that way, solution B, solution C for that and see that which solution fits for the customer, best solution for the customer. Choice of the best solution based on the feedback and information from the buyer, how are you bargaining this strategy. So, you may have a product which may be the mid end of the market, it shall be product for the high end of the market. So, you take the complete product basket, identify what is the customer's problem.

And then you tailor made based on the customer's requirement whether to give it a high end product or mid end product to the customer, so that is the negotiation and based on the feedback information from the buyer. So, instrumental strategy involves use of persuasive communication, influence buyers and attempt to change their attitude and decision. Use persuasive promise, rewards and negative persuasion, bonds and other mechanisms, so that is very important.

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Task related interaction: Concession Making and Agreement

- Low context culture negotiators may use logic for making concession and agreement.
- High-context culture managers may use personalized arguments.

Task-related interaction, concession making and agreement. Low context culture negotiation may use logic for making the concession and agreement. High context culture managers may use personalized arguments.

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We acknowledge the permission here given by the Hofstede Insights to use their website to teach the students and we are extremely thankful to Hofstede India for giving us the permission. I will take you to the slides shortly. Thank you.