


UNIVERSITY OF
ILLINOIS LIBRARY
AT URBANA-CAMPAIGN
BOOKSTACKS



Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

<http://www.archive.org/details/crossculturalinf710shet>

Faculty Working Papers

CROSS-CULTURAL INFLUENCES ON BUYER-SELLER
INTERACTION/NEGOTIATION PROCESS

Jagdish N. Sheth, Professor, Department of
Business Administration

#710

College of Commerce and Business Administration
University of Illinois at Urbana-Champaign

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

September 22, 1980

CROSS-CULTURAL INFLUENCES ON BUYER-SELLER
INTERACTION/NEGOTIATION PROCESS

Jagdish N. Sheth, Professor, Department of
Business Administration

#710

Summary

A vast number of marketing transactions are undertaken in the international arena. Therefore, we need to understand cross-cultural differences in selling and negotiations. Each transaction has a dimension of content (what you offer) and style (how you offer). The paper discusses how certain cultural factors affect the content aspects and other cultural factors affect the style aspects of international buyer-seller negotiations. Finally, the paper suggests which of the six stages (prospecting, rapport, information, persuasion, closing, and follow-up) of personal selling need to be changed in the presence of different types of cultural factors.

CROSS-CULTURAL INFLUENCES ON BUYER-SELLER
INTERACTION/NEGOTIATION PROCESS

Jagdish N. Sheth
University of Illinois

INTRODUCTION

Even though buyer-seller interaction/negotiation process is receiving increasing attention from the marketing scholars (Capon & Hulbert, 1976; O'Shaughnessy, 1972; Sheth, 1976; Wilson, 1976; Woodside, Bennett & Sheth, 1977), there is virtually nothing in the literature on the influence of cross-cultural and cross-national settings in which negotiations take place. And yet, we must reckon with the cross-cultural influences on buyer-seller interaction/negotiation process simply because a vast number of marketing transactions transcend national and cultural boundaries. In other words, multinational and transnational marketing has emerged as a way of life and transactions between buyers of one country/culture and sellers of another country/culture are commonplace.

The purpose of this paper is, therefore, to discuss the cross-cultural influences on buyer-seller interaction process, and to provide a conceptual framework which may become useful for future empirical research.

NEED FOR UNDERSTANDING CROSS-CULTURAL INFLUENCES

There are a number of reasons to study and understand cross-cultural influences on buyer-seller interaction/negotiation process.

First, despite market research and market opportunities, there is an abundance of international business blunders (Ricks, Fu & Arpen, 1974). The post mortems performed on past marketing mistakes strongly suggest that most mistakes occur in the process of carrying out marketing plans rather than in basic thinking. In other words, it is the execution of marketing plans in terms of interpersonal communication, negotiations and mass communication where most mistakes occur. Therefore, the message is clear: The cross-cultural setting creates situations in which the marketer must decide whether he should extend or adjust his way of doing business in a foreign market.

Second, the dependence on transnational markets for technical/industrial products is increasing. It would appear that engineering concepts of experience curve (Conley, 1970) is more and more compelling the manufacturers of highly technical industrial products to think of worldwide market potential to achieve competitive cost and price advantages. While this was invariably recognized by most European countries due to their small domestic markets, it is also being increasingly felt by the United States and many large developing nations such as India, Brazil and China. This increasing dependence on transnational markets leads to more marketing transactions in cross-national settings.

Third, it is almost universally recognized today that there is a true interdependence relationship between the advanced industrial nations (North countries) and the developing nations of the third world (South countries). One cannot industrially and economically survive without access to markets, natural resources and capital of each other. Given the fact that cultural differences are far greater between the North and the South countries, it is inevitable that cross-cultural influences must be

recognized and understood to make this interdependence work. At a very macro level, the failure of the recent UNIDO conferences in Lima (Peru) and New Delhi (India) to generate a dialog between the North and the South countries is a good indication of the complexity of cross-cultural differences in industrial negotiations.

Fourth, international trade is growing at a rapid rate for most nations (Sheth, 1980). Both exports and imports are an integral part of any nation's industrial development including East European and Socialist countries. Furthermore, international trade is not limited to bilateral agreements but extended to multilateral agreements and arrangements. Organizations such as UNCTAD and GATT are a testimony to the growth of worldwide international trade. Therefore, buyer-seller negotiations and interaction processes are more and more likely to be subjected to cross-national and cross-cultural influences.

Finally, future growth for most traditional products in both consumer and industrial goods is likely to come from the Asian and African markets. Of course, the primary reason for this is that markets in the industrialized world are becoming mature or stagnant whereas the Asian and African markets are at the growth stage. While we know a little about cultural and national differences among the industrialized markets, we know very little about the unique cultures of Asian and African markets. At the same time, we do believe that our learned experiences from the European context are not likely to be generalizable to these new and culturally unique markets.

In summary, all of the above five reasons for the need to understand cross-cultural influences on buyer-seller interaction process have one common denominator: Marketing transactions involving exchange and negotiations between buyers and sellers are increasingly taking place in the world arena rather than in the domestic markets.

DIMENSIONS OF BUYER-SELLER INTERACTION PROCESS

Before we discuss cross-cultural influences, we need to define and describe the buyer-seller interaction/negotiation process. Fundamentally, it consists of two dimensions: content and style of interaction/negotiation (Sheth, 1976)¹.

Content of Interaction: The content dimension of interaction process represents the substantive aspects of the purposes for which the two parties (buyers and sellers) get together. It, therefore, includes suggesting, offering, promoting and/or negotiating a set of product/service exchange specific values and their expectations. The content dimension is presumed to consist of the following vector of exchange specific values and their perceived expectations:

- a. Functional Values representing the instrumental values associated with the product/service involved in the exchange/interaction process such as the engineering specifications, packaging features, product safety and other consequences directly related to the functions for which a product/service is designed and offered.

- b. Social/Organizational Values reflecting the nonfunctional values associated with a product/service because of its image or stereotypes as being most appropriate for certain socioeconomic, demographic and cultural groups or certain types of organizations and institutions. For example, an automobile may acquire social value as a prestige or status symbol by being associated with certain upscale social groups. Similarly, a computer system may possess organizational value by being associated with basic R & D institutions such as NASA or NSF.
- c. Personal/Emotional Values representing those nonfunctional values which are created by the product/service being associated with certain personality types or with certain emotions. For example, a cigarette may be considered a masculine cigarette (Marlboro) or a liberated woman's cigarette (Virginia Slims) because of its association with certain personality and emotional traits. Similarly, a nuclear reactor may be perceived as something to be feared because of the emotional feelings it arouses.
- d. Epistemic/Innovative Values represent those nonfunctional values which are generated by the product/service being perceived as something new, different, or as a change of pace substitute for what is otherwise a routine habitual choice. It reflects novelty and curiosity appeal built in a product/service. Most tourist attractions seem to be dominated by epistemic values. Similarly, most fads and fashions are dominated by innovative values. Even in industrial products, role of epistemic/innovative values is significant in most office equipment and decoration product categories.

A particular product/service exchange and the consequent buyer-seller interaction process is presumed to be driven by one or more of the above four values. Some products/services are primarily commodities and, therefore, driven by their functional values only. On the other hand, differentiated products/services are likely to also possess any of the three nonfunctional (social, personal or epistemic) values. Furthermore, a product/service driven by more than one value can have a trade-off relationship among values such as functionally excellent but socially unacceptable or socially relevant but personally unexciting. In other words, each value is presumed to be independent of, and compensatory or complementary to other values in a given product/service.

Style of Interaction². The style of interaction/negotiation represents the ground rules (format, structure, ritual or mannerisms) which the buyer and the seller choose to adopt for making the substantive product/service specific exchanges of values. The style dimension is presumed to include the following three actor specific characteristics or style:

- a. Task-Oriented Style represents preference for those ground rules which facilitate the accomplishment of interaction and negotiations in the most efficient and productive manner with respect to time, money and effort considerations. Task-oriented style reflects the professionalism in the buyer-seller interaction process. Every activity in the negotiation process is considered essential and its format, structure and organization with other activities are optimal. For example, task-oriented people get impatient with social chit-chat, bureaucratic paperwork or delays, and generally prefer mechanical

precision and speed in various tasks. The obvious stereotype of task-oriented style is the American way of doing business in international business. Among the Europeans, the Germans are exemplified by the task-oriented style.

- b. Tradition-Oriented Style represents preference for those ground rules which are normatively set by others and have been historically used in a particular transaction. It is most critical that the rituals, mannerisms and formats established by tradition be observed even if it results in less efficiency and productivity in the process of negotiating.

The obvious stereotypes of tradition-oriented style are the Middle-East and the Far-East countries' ways of negotiating business transactions. Among the Europeans, the British tend to reflect the tradition-oriented style.

- c. People-Oriented Style represents preference for those ground rules in a negotiation/interaction process which are set by the personal interests and backgrounds of the parties (actors) involved in it. In other words, what matters in the ground rules for negotiations is based on "who is who" or "who knows whom" attributes. Both parties in the interaction process are more interested in the personal and social preferences, habits and backgrounds rather than in task accomplishment or tradition achievement.

The obvious stereotypes of people-oriented styles are the highly expressive countries of Latin America, Southern Europe, and parts of Africa. Among the Europeans, the French and the Italians are considered as the best examples of people-oriented style.

It is hypothesized that unlike the content dimensions, style dimensions are manifested as a single element vector in a particular transaction. In other words, only one type of style is preferred or prevalent, and there are no trade-off or complimentary relationships among the three style dimensions.

Having defined and described buyer-seller interaction process in terms of content and style dimensions, we must now examine how cross-cultural settings impact on it. There are several problems and limitations, however.

First of all, it is very difficult to define what we mean by cross-cultural influences. Rather than define cultures and their correlations with national boundaries, this paper will attempt to list and examine some key characteristics associated with cultural and national differences which have a direct bearing on the buyer-seller interaction process. Secondly, it is vitally important to separately examine the cross-cultural influences on content and style dimensions since the factors influencing each aspect are not the same. Finally, it is important that managerial or policy implications be derived so that the conceptual framework developed in this paper becomes relevant and useful in marketing practice.

CROSS-CULTURAL INFLUENCES ON CONTENT DIMENSION

Based on past research compilation in cross-cultural psychology (Triandis, 1979) and in cross-cultural consumer behavior (Sheth and Sethi,

1977), we have identified five major dimensions of cross-cultural differences which will impact on the content aspect of buyer-seller interaction process. We will examine each dimension in some detail and show how it brings about differences in the four values (functional, social, personal, epistemic) associated with content of interaction/negotiation.

- a. Resource vs. Need Orientation. It is possible to examine cultures and nations with respect to their fundamental societal value system which reflects whether they are more dominated by resource conservation or need satisfaction. For example, certain cultures are more concerned with ecology and coexistence between man and his natural surroundings. On the other hand, other cultures believe that natural resources are for the use of mankind and its need satisfaction. Whether a culture is resource oriented or need oriented will clearly dictate the balance between functional and nonfunctional values in a product/service sought and offered in a transaction. Our hypothesis is that resource oriented cultures will be more driven by functional values whereas need oriented cultures will be more driven by nonfunctional values.

- b. Traditional vs. Modern Cultures. A second major dimension on which cultures vary is the degree to which they are traditional or modern in their outlook and values. Presumably, the higher the degree of modernity, the greater is the propensity to change. Accordingly, more modern cultures will manifest more epistemic/innovative values in a transaction than the traditional cultures. Similarly, more modern cultures will be driven by self-oriented personal values whereas more traditional cultures will be driven by social stereotypes and product imageries.

Our hypothesis is that modern cultures will manifest more epistemic and personal values in the interaction process and less social values as compared to the traditional cultures.

- c. Climate. The physical environment of countries have a lot to do with cultural values. In fact, some even believe that cultural differences represent mostly climatic differences. There is no question that physical climate will influence the content dimension of buyer-seller interaction process. For example, the specific functional values desired in a given climate will be significantly different than in another climate with respect to storage, packaging, preservation, use and disposal activities associated with a product/service. Thus, people living in hot climates will wear open air sandals whereas people in cold climates will wear shoes or boots; people living in deserts will have far more imaginative ways to conserve water than people who live near lakes and rivers.

Our hypothesis then is that physical climate as a cultural trait will create differences within functional values of products/services across cultures.

- d. Economic Development. The basic cross-cultural difference with respect to economic development is the predominance of time versus money as the scarce resource. It would appear that money will be the dominant constraint in less developed countries whereas time will be the dominant constraint in advanced industrialized nations. The vast life style differences between third world countries and industrialized nations can be easily attributed to this fundamental difference in money versus time as the scarce resource.

Our hypothesis, therefore, is obvious: Degree of economic development will create differences in the functional values of a product/service across different cultures. In particular, far more convenience values associated with time and place will be patronized by advanced countries as compared to less developed nations.

- e. Maslow's Need Hierarchy. Cultures also vary in terms of the dominance of specific needs in Maslow's need hierarchy. For example, less developed nations by and large tend to be dominated by safety/security and physiological needs, whereas the more advanced countries tend to be dominated by love/affection and self-esteem needs. This difference in dominance of needs is bound to generate cross-cultural differences in product/service values. For example, the only way you can successfully sell religion in less developed countries is to claim that God will protect you, whereas in most advanced countries, it is imperative to claim that God loves you.

Our hypothesis, therefore, is that more nonfunctional values in a product/service will be manifested in those cultures which are dominated by love/affection and self-esteem needs, whereas more functional values will be dominated in less developed countries.

While these five factors are found to be most significant determinants of cross-cultural influence on buyer-seller interaction process, they are neither mutually exclusive nor exhaustive. In fact, our a priori thinking suggests that they are likely to be correlated with one another. Furthermore, many other cultural characteristics such as abstract-concrete thinking, literacy rate, population homogeneity and others are also likely

to be relevant. However, these five factors seem more fundamental and universal.

CROSS-CULTURAL INFLUENCES ON STYLE DIMENSION

The style aspect of buyer-seller interaction/negotiation process is likely to be influenced by several other cultural practices and procedures. We will again examine the most significant aspects and hypothesized their impact on the three style dimensions.

- a. Silent Languages. In a classic book, Hall (1959) has brilliantly summarized a number of cultural traits which generate significant differences in business practices across cultures and countries. He calls them as the silent languages of time, space, friendship and business agreements. The basic idea is that cultures vary in their values and perceptions on these four factors which are so deep rooted that they are never explicitly discussed, and they almost subconsciously create differences in the way people conduct their business practices. For example, a Westerner is perceived to be very time-conscious, prefers spatial distance, believes in legal written agreements, and friendship is not above economic or monetary considerations as compared to an Easterner.

Our hypothesis is that silent languages will produce significant cross-cultural differences in task-oriented versus people-oriented styles of interaction.

b. Institutional Norms and Practices. A second cultural trait to impact on the style dimension is the institutional norms and practices. They include differences in organization structure, communication, coordination and control as well as in managerial decision-making process which can be attributed to centralized vs. decentralized power structure, and autocratic vs. bureaucratic ways of doing business. For example, the American institutions tend to be decentralized and autocratic, whereas the Japanese institutions tend to be centralized and bureaucratic resulting in "management by authority" versus "management by consensus" philosophies of conducting business transactions.

Our hypothesis related to institutional norms and practices is straight forward: Cultures will vary in their task-oriented style of negotiation/interaction process depending on whether they are bureaucratic vs. autocratic and whether they are centralized vs. decentralized in their power structure.

c. Individualistic vs. Socialistic Orientation. Cultures also vary with respect to the freedom they provide for expressing highly individualistic behavior or constraining it with a lot of social norms and legal rules. Individualistic cultures tend to encourage and reward personal achievements, whereas socialistic cultures tend to reward societal achievements. The obvious stereotypes that come to mind are the United States where personal freedom and achievement are the dominant traits as compared to China where collective behavior and achievement are the dominant traits.

It is hypothesized that individualistic cultures will be less tradition-oriented in their style of negotiation/interaction than socialistic cultures.

d. Inner vs. Other Orientation. Riesman's (1950) classification of inner-directed, other-directed and tradition-directed people is another major cultural trait which is likely to influence the style aspects of negotiation/interaction. In fact, Riesman's three-fold classification almost parallels the three types of style discussed in this paper. According to Riesman, other-directed people and cultures tend to be influenced by other people's desires, values and expectations; inner-directed people and cultures tend to be driven by their own personal philosophy and code of conduct; and tradition-directed people and cultures tend to be driven by patterns established by past generations.

We, therefore, hypothesize that other-directed cultures will tend to be more people-oriented in their style of interaction/negotiation, whereas tradition-oriented cultures will be more tradition-oriented in their style of negotiation/interaction. Finally, self-oriented cultures will be task-oriented only if their silent languages are task-driven rather than people-driven.

Once again, what we have identified and discussed here as cultural determinants of style represents only the major factors for which there is convergent validity as well as some predictive validity in the literature. There may be other factors either as correlates of the above four or as additional cultural determinants of style aspects which are not discussed here.

MANAGERIAL IMPLICATIONS

Having identified some cultural determinants of content and style dimensions of buyer-seller interaction/negotiation process, the next step is to discuss how this knowledge can be useful to managerial practice. The obvious dilemma in the international arena is whether to extend a successful strategy or process or to adjust it, and if so, what elements to adjust. The conceptual framework developed in this paper must offer guidelines to managerial policy as to what elements of buyer-seller interaction process should be changed under different types of cross-cultural influences. In order to do that, we must first identify various types of activities involved in buyer-seller interaction/negotiation process.

Recently, Taylor and Woodside (1980) have identified six stages in buyer-seller interactions/negotiations based on empirical research in the areas of health and life insurance selling process. They are: contact initiation (prospecting), rapport building, exchange of information, persuasive attempts, closure attempts, and follow-up stages. We will utilize the Taylor-Woodside typology partly because it is most comprehensive and partly because it very closely parallels the managerial practice in the personal selling area.

It is obvious that some of the six stages are mostly substantive and directly relate to exchange specific values or the content of interaction/negotiation process. These include exchange of information, persuasive attempts and closure attempts stages. On the other hand, there are other stages which are more directly related to the ground rules or style of

interaction/negotiation and, therefore, more concerned with the actor specific style dimensions. These are the prospecting, rapport and follow-up stages.

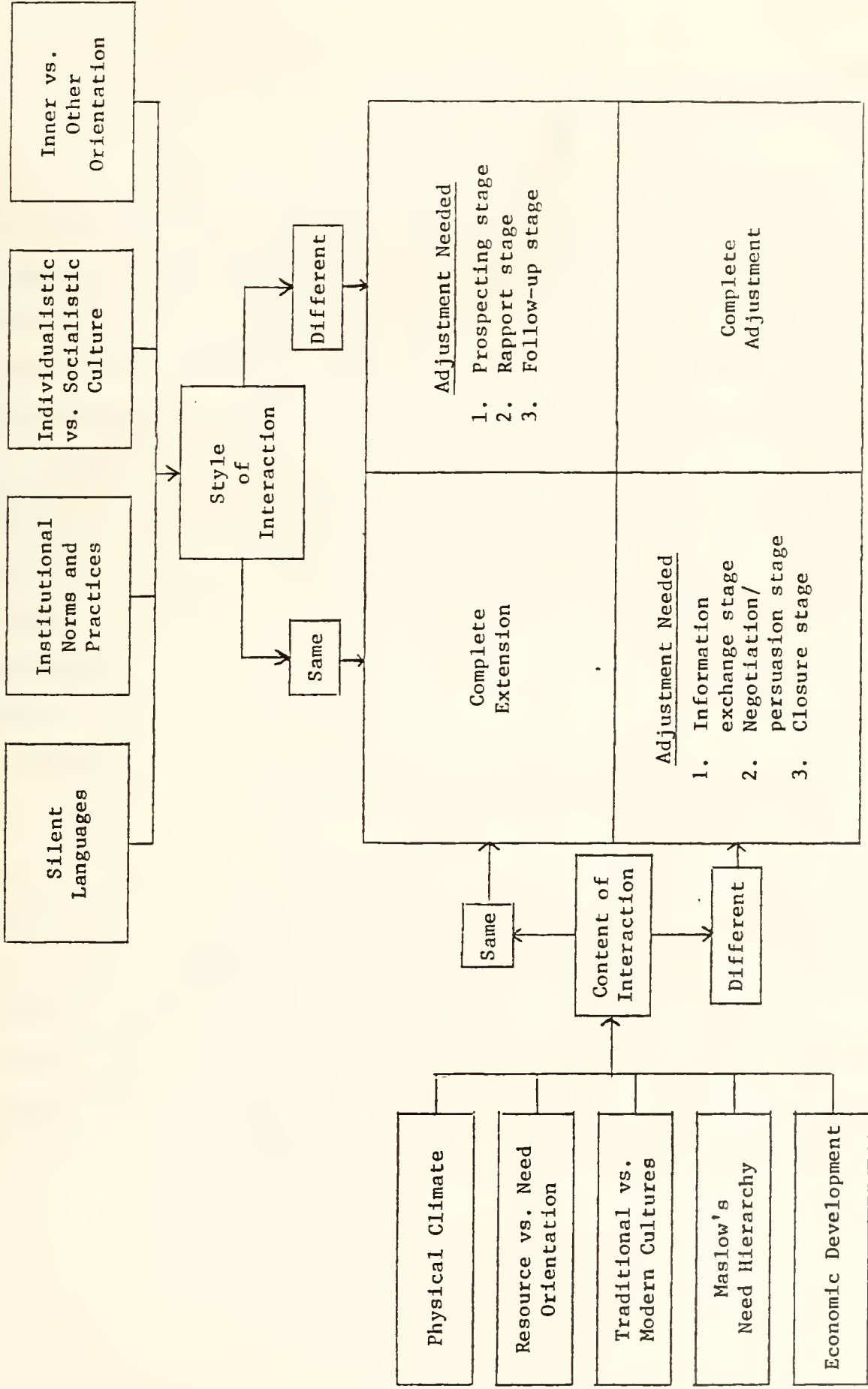
Since some cross-cultural influences impact on the content dimension, whereas others impact on the style dimension of interaction/negotiation, it is possible to suggest that the content-oriented stages or the style-oriented stages or both will need adjustment and adaptation in a cross-cultural or cross-national setting whenever the respective cultural determinants are likely to be present.

A more formal summary is provided in Table 1. It states that when the cultural determinants for both content and style aspects are the same between countries involved in the negotiation/interaction process, it is possible to successfully extend the same selling procedures developed by a company from one country to another. Obviously, this is very likely to be true between U. S. and Canada or between Germany and Scandinavian countries since they are more or less homogeneous with respect to the cultural determinants presented in this paper.

On the other hand, if the two countries are homogeneous with respect to content-related cultural determinants, but heterogeneous with respect to style-related cultural determinants, it will be necessary to adjust and adapt the prospecting, rapport building and follow-up stages. It is this aspect which Hall (1960) so beautifully describes in his paper between the American and the Latin American negotiation process. Also, it is this adjustment of style-related stages which can explain the dilemma of American businessmen about offering bribes and other corrupt practices

TABLE I

EXTENSION VS. ADJUSTMENT STRATEGIES FOR BUYER-SELLER INTERACTION PROCESS



or being subjected to bureaucratic red tape and delays in the Middle-East and the Far-East countries.

The third possibility arises when the two countries are homogeneous with respect to style related cultural determinants but quite far apart with respect to content related cultural determinants. In this situation, the seller must adjust the information exchange, persuasive attempts and closure stages which are content specific. The obvious examples here are the differences between the advanced countries and the less developed countries with respect to functional vs. nonfunctional values in products/services. Specifically, the same product such as a bicycle or a motorcycle can be sold only on its functional values in less developed countries, whereas it can be sold on social, personal or epistemic values in the U. S. Accordingly, product/service information as well as the process of persuasion and closure need to be adjusted between these two sets of countries for the same product/service.

Finally, it is very possible that the two countries are culturally so different that the seller must adjust all the six stages of buyer-seller interaction process. In other words, complete adjustment will be necessary affecting both what you offer and how you offer products/services in the international arena. The obvious example is the recent selling activities of American product/services to China.

CONCLUSIONS

We must examine cross-cultural influences on the buyer-seller interaction/negotiation process simply because a vast percentage of all mar-

keting transactions are undertaken in the international arena. In order to understand cross-cultural influences, the paper has separated the content and the style aspects of buyer-seller interaction/negotiation process. The content dimension reflecting functional, social, personal and epistemic values of a product/service is hypothesized to be influenced by the following five cultural determinants: resource vs. need orientation, physical climate, traditional vs. modern cultures, economic development and Maslow's need hierarchy. Similarly, the style dimensions reflecting task-oriented, tradition-oriented or people-oriented ways of conducting business transactions is hypothesized to be influenced by the following four cultural attributes: silent languages, individualistic vs. socialistic cultures, institutional norms and practices, and inner-other-traditional directed societies.

From a managerial point of view, the buyer-seller interaction process consists of the following six stages: prospecting, rapport building, information exchange, persuasive effort, closure and follow-up stage. It would appear that prospecting, rapport building and follow-up stages are more style-related activities, whereas information exchange, persuasive effort and closure are more content-related activities. Accordingly, a seller must adjust each type of selling activity depending upon whether content-specific or style-specific cultural determinants are present in a given international transaction.

It is my hope that the conceptual framework developed in this paper will facilitate empirical research on international buyer-seller interaction/negotiation process.

FOOTNOTES

1. The specific elements of content have been reduced to four values by excluding the situational value from previous conceptualization. This is primarily because situational values are more difficult to operationalize in a given empirical study.
2. The style dimensions are also revised although the number of dimensions remains the same as in previous conceptualization. The major change is to replace tradition-oriented style for self-oriented style.

REFERENCES

- Capon, Noel and James Hulbert (1976), "Interpersonal Interaction and Persuasion Processes: An Overview," in Advances in Consumer Research, Volume 3, B. B. Anderson (ed.), Cincinnati: Association for Consumer Research, 364-369.
- Conley, Patrick (1970), "Experience Curves as a Planning Tool," IEEE Spectrum, 7, (June), 63-68.
- Hall, Edward T. (1959), The Silent Language, Doubleday.
- Hall, E. T. (1960), "The Silent Language in Overseas Business," Harvard Business Review, 38, (May - June) 87-96.
- O'Shaughnessy, John (1972), "Selling as an Interpersonal Influence Process," Journal of Retailing, 47, 32-46.
- Ricks, D., M. Fu and J. Arpan (1974), International Business Blunders, Cincinnati, Grid, Inc.
- Riesman, David (1950), The Lonely Crowd: A Study of the Changing American Character, New Haven: Yale University Press.
- Sheth, Jagdish N. (1976), "Buyer-Seller Interaction: A Conceptual Framework," in Advances in Consumer Research, Vol. 3, B. B. Anderson (ed.) Cincinnati: Association for Consumer Research, 382-386.

- Sheth, Jagdish N. (1980), "Emerging Importance of Export Marketing for U. S. Products," in J. N. Sheth and H. M. Schoenfeld (eds.) Export Marketing: Lessons from Europe, BEBR, University of Illinois (in press).
- Sheth, J. N. and S. P. Sethi (1977), "A Theory of Cross-Cultural Buyer Behavior," in Woodside, Bennett and Sheth (eds.) Consumer and Industrial Buying Behavior, Elsvier, North Holland, 369-386.
- Taylor, J. S. and A. G. Woodside (1980), "An Examination of the Structure of Buying-Selling Interaction Among Insurance Agents and Prospective Customers," in Advances in Consumer Research, Vol. 7, Jerry Olson (ed.) Ann Arbor, Association for Consumer Research, 387-392.
- Triandis, Harry (ed.) (1979), Handbook of Cross-Cultural Psychology, Vol. 1-6, Allyn & Bacon.
- Wilson, David (1976), "Dyadic Interaction: An Exchange Process," in Advances in Consumer Research, Vol. 3, B. B. Anderson (ed.), Cincinnati Association for Consumer Research, 394-397.
- Woodside, Arch, P. Bennett and J. N. Sheth (eds.) (1977), Consumer and Industrial Buying Behavior, Elsvier, North Holland.





UNIVERSITY OF ILLINOIS-URBANA



3 0112 060296248