

Comparison of the Formality of Business Negotiations in the United States and Japan

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ABSTRACT

Business negotiation, as one of the most common and effective techniques, has laid the foundation of international commercial exchange if it is being used properly. This work aims to review the impacts of distinct culture, different formality particularly, on the outcome of negotiation by comparing two diverse culture and the behaviors because of such differences from over 20 recent research papers. Here, this paper not only derive a causal chain of the specific behaviors by synthesizing Hofstede's model and culture edification, but also present feasible suggestions about how to make effective negotiation with people from either formal or informal culture background.

Keywords: *business negotiation, formality and informality, Hofstede Model, cultural influence.*

1. CURRENT SITUATION

Due to a rapid growth in globalization, including integrating business worldwide, frequent global cooperation offers inevitable chances for enterprises to develop by making new multi-country business networks. Negotiation is a major tool for international commercial exchange to stably construct, improve, and sustain in the global business cooperation [1]. The percentage of the talks between corporations from various cultural backgrounds grows, along with the increased frequency and ratio of both domestic and worldwide operating commerce in different countries [2].

Cross-cultural communication, business negotiation in particular, is comparatively a brand-new but indispensable field in complicated business networks. Given the elementary function in clarifying the priority of the negotiators, applying proper negotiating tactics is effective for generating different results at the table. During negotiations, operational risks, such as failures to smoothly negotiate, may accompany with different indigenous cultural characteristics [2]. In business negotiations, the role of formality influences the outcome of the negotiations from various perspectives. This research provides insights into American and Japanese managers' interaction between culture and international business negotiations, comparing formality and informality.

This paper covers the definitions of important terms like negotiation, intercultural communication etc., the factors contributing to American and Japanese negotiators' formation of formal/informal negotiation styles. Plus, the specific behaviors related to formality and recommendations about negotiating with these two different countries are also presented.

2. FACTORS INFLUENCING THE FORMALITY OF THE NEGOTIATIONS

A country's negotiating style cannot simply be shaped on its own. Many factors must shape it. Negotiation is such an arduous and complex process that can be further complicated by various obstacles, including misunderstandings due to idioms or distinct dictions. Beside languages, cultural values, such as local customs and living patterns, also lie strong base in framing different negotiation styles. Several elements affecting the American and Japanese managers' negotiation formality are as follows.

2.1. The United States

2.1.1. Hofstede model

Hofstede's cultural dimension theory tends to measure cultural diversity about how different society organize itself in different regions. According to Hofstede, culture can be categorized as a psychological

process partaken by people within national borders from six dimensions [3]. Hofstede and Minkov suggest that power distance, uncertainty avoidance, and other components impact the informality of the United States [4].

2.1.2. Power distance

Power distance refers to the degree of deference and acceptance of unequal power between people [3]. Just as this concept implies, the higher power distance a country has, the more people assume superior because of present-day identity and status. The United States belongs to the opposite side-low power distance, which pursues equality and emphasizes earned positions. Americans tend to fight back when confronting unjust events, treatments, or conditions. That's why the essential negotiations process does not have to be implemented by top authorities or executives in the US.

2.1.3. Uncertainty avoidance

According to Hofstede, uncertainty avoidance measures how well people adapt to variations [3]. Countries with high uncertainty avoidance generally have low tolerance for unfamiliar conditions. To be more precise, when someone is behaving in an unfamiliar way that forces them to jump out of their comfort zone, they will sense strongly unsatisfactory. Therefore, negotiators from an uncertainty-preventing background favor well-structured, organized, and formal negotiations. Americans belong to the group that favors uncertainty. Given the high preference for indeterminacy, American managers are not afraid of trying brand-new means, which may have potential risks. Plus, American managers value problem-solving, flat structure, and tolerance for ambiguity [5]. Because of such high tolerance rooted in the US culture, it is easier for outsiders-people from other cultures-to build trustworthy relationships with American negotiating partners.

2.1.4. Masculinity vs. femininity

Generally, masculinity and its opposite femininity demonstrate the distribution of genders, but it can further be refined in the dimension of behaving assertive or less competitive. Hence, the assertive pole refers to masculinity while the caring figure ranks feminine. The United States embraces high masculinity, thus promoting American managers tackling conflicts assertively-fighting rather than compromising.

2.1.5. Individualism

Grounded in a strong belief in equality and individualism, America has long been viewed as an informal culture. Individualism is prevalent in society, which is shown in Americans' characteristics and

subconscious emphasis. Wu and Liu in the Economist indicated that Americans are outgoing, straightforward, and passionate [6]. Most of Americans are extroverts, and they prefer to show their feelings directly by expressing out frankly or using body language to help them convey emotions. In addition, personality and uniqueness are stressed by Americans.

2.2. Japan

2.2.1. Japanese local culture

In complete contrast to the United States, Japan is a very formal country. The formality of its people's negotiating style is due to the local culture of Japan. The Japanese have always admired the Bushido spirit- "be transient and glorious" [7]. Then the Bushido spirit serves as the foundation of the Japanese Deity spirit. Because of this social and cultural background, the Japanese are very focused on achieving their own glory. Hence, face, closely related to glory, is very important to the Japanese. For the Japanese, in the process of achieving their goals, to do something shameful is fatal. So, Japanese culture features shame, which refers to avoid doing something which loses a person's face. To avoid losing face, the Japanese negotiating style is formal, and the Japanese allow only a limited set of tactics when negotiating.

2.2.2. The Relationship between Japanese companies and employees

Not only does culture influence the way negotiations are conducted in Japan, but the close relationship between Japanese companies and their employees also contributes to Japan's formality. The relationship of lifetime mutual reliance has existed between the Japanese enterprises and their employee [8]. The reason why Japanese companies are so close to their employees is Japanese companies give their employees room and board in addition to their salaries. And the company will not easily quit employees. Therefore, Japanese employees have a strong sense of security towards the company, which is like a family to them. So, the employees are very loyal to the company and follow the company's discipline very well.

3. BEHAVIORS RESULTING FROM DIFFERENT FORMALITY

3.1. The United States

American managers tend to express their opinions directly while negotiating with other countries. Sano suggests that business negotiations typically can be broken down into four stages: non-task sounding, take related exchange of information, persuasion, and concessions and agreement [9]. In all four stages, American negotiators present their ideas with clear

statements of needs and preferences. In previous, this passage covers the information that Americans favor direct communication. Given the importance of individualism, American business professionals prefer to bring negotiations down to earth quickly in the opening. Their language is very straightforward [6].

Secondly, when addressing negotiating partners, American managers like to use their first names. Since America is a low power distance country [3], the emphasis on hierarchy and status is less valued. In the non-tasking stage, which is viewed as a waste of time for Americans, they may briefly discuss the opposite side's family, personal preference in a relatively short period. Such brief chats can be a signal of how the other side feels about this specific day [9]. In other words, in informal negotiations, the distance between each side is shortened and the parties are cleared in several ways.

American tone is clear and definite. The "yes" and "no" are kept very clean. Among the four stages, persuasion is the most critical part for American business managers. The priority of negotiations is to reach a consensus on how to maximize profits by allocating finite resources. Therefore, they prefer to lay out all their proposals on the table at the very beginning. Then, they will discuss the key items point by point. When they face disagreement with their opposite parties openly, Americans do not flinch about differences. They use aggressive, persuasive tactics such as threats and warnings, which are treated as informal communicating channels [9]. This aggressive behavior is also correspondent to the United States' high masculinity. Furthermore, Americans are good at bargaining. They analyze not only the domestic market but also international price trends and even the mentality of potential customers to persuade each other.

When making decisions, Americans prefer risk-taking rather than risk-averse. Based on Hofstede's cultural dimension theories, the United States is viewed as a low uncertainty avoidance country. Plus, in Americans' minds, they decided to seek short-term benefits [10]. In other words, the time frame focuses on the present and short-term future, so they are supposed to maximize profits in a limited time frame. Therefore, American negotiators are not afraid of establishing risky decisions, leading to a better outcome than the traditional one.

In the concession and agreement stage, American business professionals prefer to show explicit agreement on present schemes. As American negotiators' goal is to make contracts [5], they care about the profits earned from contracts. Sometimes, negotiators worry that they face possibilities of losing further negotiations, so they pretend to be willing to accept the other party's request. They also make ambiguous promises to reply in the future do not make a reply. To avoid such disputes,

American negotiators make a clear judgment about the proposals regardless of caring for interpersonal relations.

3.2. Japan

Two factors have been discussed in the preceding paragraph that influence Japanese negotiation style. According to the cultural background of Japan, the influence of negotiation formality on their specific behaviors can be studied. Here are five Japanese negotiators with specific behaviors, and Japan's formal negotiating style affects each of these.

First, before the start of negotiations, the Japanese side will certainly exchange business cards with the other side [11]. Because the Japanese negotiator wants to know the partner's information, such as the name of the other party, the position of the other party in the company, and so on. This effective information can help the Japanese to formulate their negotiation strategy earlier and avoid the occurrence of accidents. As mentioned above, Japanese people do not like accidents, because accidents will make them flustered and unable to judge the problem rationally. Therefore, the Japanese negotiators need to understand each other as early as possible and make sufficient preparations for the negotiations.

Second, when addressing the partner, the Japanese avoid using their first names. Japanese people think it impolite to address people by their first names [11]. Japan has a very strict hierarchy, and they place a lot of emphasis on etiquette. Calling a person by his or her first name is a very direct action, which is considered disrespectful by the Japanese. It also makes Japanese people uncomfortable if the partner is not familiar with them. Never call Japanese people by their first name unless they insist on it [11].

Third, when negotiating, the Japanese will always wear formal and conservative clothing such as a suit. Unlike other countries' simple dress codes for negotiations, Japan has its own set of dress codes. Japanese people believe that the clothes they wear during negotiations reflect their attitude towards the negotiations. So, when they are negotiating, without exception, they will wear a formal suit to show that they are serious. Furthermore, the Japanese always wear different suits for different occasions, because they also believe that the clothes, they wear are a symbol of status. When negotiating with their superiors, they will wear a cheaper suit to highlight their superior's status; when negotiating with subordinates, the Japanese wear expensive suits to highlight their status [12].

Fourth, Japanese people plan their negotiations and meetings two weeks in advance. Japanese people arrive at meetings on time and expect the partner to arrive on time [11]. Because the Japanese are face-conscious, they will try to avoid making mistakes. Therefore, before the negotiation, the Japanese will fully understand the other

side so that they can make full preparations for the negotiation and avoid losing face. In addition, Japanese people do not like surprises, and their travel plans are strictly organized. Unpunctual lateness can affect their plan of the day, which naturally makes the Japanese uncomfortable.

Fifth, Japan tends to negotiate as a team when they negotiate with the partner [11]. When a decision is made or their decision is changed, lower-level employees need to make suggestions to higher-level employees, and higher-level employees review those suggestions and decide whether they are approved or not [13]. In either negotiation, a decision must be made with the knowledge and consent of the entire company in Japan. As a result of this formal system, the Japanese side will not change its decision easily, and even if it does change, it will take a lot of time to make a new decision. And in this process, there will be no Japanese employees who are dissatisfied or make decisions without their consent, because Japanese employees are very loyal to their company.

4. RECOMMENDATIONS

4.1. *When negotiating with the United States, people need to...*

1. Create an American-style opening, one that is chill, friendly, and humorous by telling jokes to break the ice or using eye contact to show enthusiasm. A relaxed atmosphere lies a firm foundation for attaining a favorable business negotiation outcome because American managers tend to be passionate and humorous [6]. With such an atmosphere, both sides (Americans and people from other countries) can get into negotiations directly.

2. Gather factual information about how American managers make a decision [14]. The absence of knowledge of scope about the decision-making process can be treated as a major reason for the failure of negotiations because of mismatch about each others' style. If negotiators from other cultures can explore the US-style in advance, and adjust about their own, they show willingness to exchange information and leaves a decent impression on Americans.

3. Make and show clear judgment about right and wrong, instead of express ambiguously. Some people worry that they may lose the opportunity to negotiate, pretend to be willing to accept the other party's request, and make vague or promise to reply in the future but in essence, do not make reply, which will lead to disputes in the future [6].

4.2. *When negotiating with Japan, people need to...*

1. Wear formal and conservative attire [11]. Since the Japanese believe that clothing can show a negotiating attitude, formal clothing can show the negotiator is

serious about the negotiation. When the Japanese negotiators see our attitude, they will also start to negotiate seriously and rigorously.

2. Share information with the Japanese promptly and schedule meetings and negotiations weeks in advance to avoid surprises [11]. Because of Japanese culture, Japanese people generally prefer to follow a plan. Thus, the Japanese will be overwhelmed by surprises, and the negotiators need to avoid surprising the Japanese.

3. Understand that Japan's negotiation style is step-by-step, and takes a long time, to avoid the disappointment of negotiating differently [15]. When we know the preferences of our partners, we can effectively avoid making unnecessary mistakes, and the negotiation will be smoother.

5. CONCLUSION

When studying the formality of negotiations in different countries, it is found that there are huge cultural differences between countries, which will undoubtedly bring trouble and difficulties to negotiators of different countries. But we can't stop every country's economic development abroad because the world is becoming more diversified, and we need to communicate and cooperate with other countries. The research purpose of this paper is to make negotiators from different countries to minimize the conflict caused by cultural differences before reaching the negotiation goal of both sides, and to successfully complete the negotiation. If negotiators actively seek to recognize, understand, and tolerate these differences, the cultural, linguistic, and negotiating style gaps and differences can be narrowed or closed. Hopefully, in the future, by understanding each other's differences, negotiators from different countries will be able to negotiate a fair agreement and find a workable solution [15].

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