

# Reframing Intercultural Negotiation Through Cultural Discount Theory

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## ABSTRACT

Regardless of the importance of exploring and dealing with intercultural differences in negotiation, there is a lack of theoretical development of intercultural negotiation. This paper attempts to reframe intercultural negotiation through cultural discount theory in response to the urgency of theoretical development in this field. Cultural discount theory originated from the field of media economics. Applying cultural discount theory to study intercultural negotiation could shed light on relevant research in two ways. First, the theory helps researchers and negotiators to investigate the complexity and effectiveness of negotiation messages. Second, the theory could serve as a lens through which findings from intercultural communication and negotiation could be examined and developed in an integrated way. Consequently, the application of cultural discount theory could lead to new research questions which would forward the study of intercultural negotiation.

**Keywords:** *Cultural intelligence, Intercultural negotiation, Cultural discount theory.*

## 1. INTRODUCTION

Globalization and the prevalence of information and communication technologies (ICT) contribute to increasingly frequent inter- and cross-cultural interacts [1] [2]. Inter-cultural negotiation may sometimes not be as easy as intra-cultural communication in terms of how the message is constructed and conveyed. During intercultural negotiation, one may worry about whether his/her point could be fully understood by the counterpart, weather the deliberately designed approach would turn out to be fruitless, and weather both parties put equal importance on some cultural values.

Regardless of the importance of exploring and dealing with intercultural differences in negotiation, there is a lack of theoretical development of intercultural negotiation. The majority of current studies view intercultural negotiation as one type of intercultural communication to which findings from other types could be applied. For example, Cai, Wilson, and Drake [3] employed the individualism-collectivism scale [4] to explore culture would affect negotiation behaviors and outcomes, and found that collectivism positively associated with joint profit. Salacuse [5] argued that the form and substance of communication interaction and

negotiating styles are influenced by four elements of culture: behaviors, attitudes, norms, and values. Another example is Ting-Toomey and Kurogi's [6] study on the Face-Negotiation Theory in which they conceptualize face as self-image that varies across cultures, and face-threatening and face-saving strategies as important factors when managing conflict in intercultural negotiation. These studies either treat negotiation as similar to other forms of communication or focus more on culture than on negotiation. That is, there is not enough exploration on to how and to what extent negotiation, as a unique form of communication, is influenced by intercultural differences.

In this article, the author reframes intercultural negotiation process through cultural discount theory. By doing so the complexity of information flow during intercultural negotiation could be investigated. More importantly, cultural discount theory could serve as a lens through which findings from intercultural communication and negotiation could be examined and developed in an integrated way. The paper begins with a review of the cultural discount theory and why it could be applied to study intercultural negotiation. Then the author explains how the process of outcome of intercultural negotiation could be reframed through

the cultural discount theory. Last, theoretical and practical implications will be discussed.

## **2. CULTURAL DISCOUNT THEORY: FROM MEDIA ECONOMICS TO INTERCULTURAL NEGOTIATION**

Cultural discount theory originated from the field of media economics, initially aiming to explain why some domestically successful media products performed poorly in foreign markets [7]. Hoskins and Mirus [8] coined the term "cultural discount" to refer to the phenomenon that when a media product (e.g., TV programs) was introduced to a different culture, it would have a diminished appeal to local audiences, since they "find it difficult to identify with the style, values, beliefs, institutions, and behavioral patterns of the material in question" (p. 500). Relevant research were conducted mainly on how these cultural differences influenced the reception of media products across cultures, including foreign-language media products in the U.S [9] and U.S. media products overseas [10] [11] [12] [13] [14], and the worldwide patterns of cultural discount rates [15] [16].

Although previous research primarily focused on the global trading of media products, the cultural discount theory could be applied to the study of intercultural negotiation for two reasons. First, like media products, when a message travels across cultures, it would also suffer some kind of "cultural discounts". During an intercultural negotiation, due to inaccurate interpretation and/or different cultural backgrounds, it is not uncommon that the message one coded could not be fully decoded and accepted by his/her counterpart. For example, Chinese treat the extent to which a before-negotiation-dinner could be called "luxurious" as a criterion to predict whether or not the counterpart would be willing to make a deal, whereas Americans may merely view it as a sign of hospitality. Thus when a Chinese negotiator offers an American counterpart a splendid feast, his/her willingness to make a deal may still be ignored or underestimated by the latter. That is, during intercultural negotiation, the message would suffer a "discount" in terms of how much information the negotiator puts in.

Second, the trading of media products and negotiation are similar in that they both are intended to arouse the audience's/counterpart's interest. Media products attract eyeballs in order to earn profits from advertisements [17]; whereas one

important purpose of a negotiation is to build a cooperative relationship through locating, meeting, and balancing two sides' interests [18]. Yet it is not uncommon that, due to cultural differences, during a negotiation one's message would be less successful to attract the counterpart than he/she expected [19]. For example, during negotiations, while Americans may focus on information, Chinese may pay much attention on individual's social capital, namely Guanxi, within their friends, relatives, and close associates [20]. Consequently, an American may prefer the actual performance to the conceptual Guanxi, while a Chinese may value the latter more [21]. Thus a Chinese negotiator's point of view may not be appealing to an American counterpart if he/she focused only on the possibility of establishing a Guanxi other than facilitating a good performance. In this sense, the message would be culturally discounted in terms of how well it could be attractive and persuasive.

When applying the cultural discount theory to the field of intercultural negotiation, besides similarities, one should also notice the difference(s) between the analyses of media products and negotiation messages. For media products, the extent to which they suffer cultural discounts could be calculated through results of trading, such as audience rating, box-office, and circulation [9] [10] [11] [12] [13] [14] [16]. The cultural discounts of negotiation messages, however, were more complicated to be assessed. Oftentimes the outcome of a negotiation would not be as accessible as actual numbers. A negotiation could result in making an agreement of a deal, or building a relationship, or both. As Putnam [22] argued, the negotiation was a dynamic and complex process. Thus, instead of focusing on actual outcome statistics (e.g., how much the deal worths), here the author suggests that researchers should take into account the extent to which a message would be as effective as a negotiator expects.

## **3. CULTURAL DISCOUNT EQUATION: ASSESSING THE AMOUNT OF INFORMATION**

In order to analyze the effectiveness of a message, one needs to first understand how much information within the message is noticed and understood by the counterpart. Oftentimes a message is a package of both verbal and nonverbal information. For example, when a negotiator is speaking, besides words, he/she may also use gestures to explicit his/her idea, and, at the same

time, his/her facial expression is showing his/her attitude towards it. Given the complexity of a message's composition, the extent to which the message would be culturally discounted should be assessed according to the following equation:

$$Y = R_1V_1 + R_2V_2 + R_3V_3... + R_aN_a + R_bN_b + R_cN_c...$$

In the above equation, Y refers to the total amount of information of a message perceived by a negotiator's counterpart. V and N represent the verbal and nonverbal information that the negotiator put in the message, respectively. R is the proportion of the remaining information after it being culturally discounted. That is,  $R = 1 - \text{cultural discount rate (\%)}$ . Details of the components are discussed below.

### 3.1 V (Verbal Information)

Verbal information refers to the verbal content of a message, such as the choice of a word, the structure of a sentence, and the organization of a statement. Wiener and Mehrabian [23] argued that certain kinds of words or referent variations in the verbal part of communication could influence the relationships between the speaker and his/her listener(s) and the outcome.

### 3.2 N (Nonverbal Information)

Nonverbal information refers to the non-verbal content of a message. According to Mehrabian [24], it included both non-speech information (e.g., gesture) and paralinguistic and vocal information (e.g., tone). Knapp and Horgan [25] further classified nonverbal information according to its sources, indicating that nonverbal information was created through gesture and posture, touch, facial expression, eye behavior, and vocal cues.

### 3.3 R (1 — Cultural Discount Rate %)

The cultural discount rates vary across cultures to which the negotiators belong, and types of information the negotiation includes. First, the same type of information would suffer different cultural discounts across cultures. For example, when a negotiator is speaking English, the amount

of verbal information perceived by a counterpart from an English-speaking country would differentiate from a counterpart who does not know English at all. That is, negotiators from different cultures would perceive the same types of information differently. Second, during an intercultural negotiation, different types of information would differ in terms of how much of it would be culturally discounted. As discussed previously, for negotiators who speaks different languages, verbal contents may suffer more discounts than nonverbal contents. Since cultural discount rates vary according to different cultures of the negotiators and different types of information, consequently the proportions of the information to be perceived by negotiators (i.e.,  $1 - \text{cultural discount rate (\%)}$ ) would vary from culture to culture, and from message to message.

## 4. EVALUATING EFFECTIVENESS OF THE MESSAGE

Cultural discount equation enables negotiators and researchers to assess how much information would be perceived by the counterpart. Once know the total amount of perceived information of a message, which is the sum of discounted individual types, researchers and negotiators could therefore assess to what extent this message would influence the negotiators' relationships and outcomes. Three (pairs of) concepts need to be mentioned during this process: positive and negative effects, negotiation motivation, and cultural intelligence.

### 4.1 Positive and Negative Effects

Positive and negative effects are core concepts in evaluating the effectiveness of the message. A message sent by a negotiator is considered as having positive effect when his/her counterpart perceives its information as expected or culturally similar. A message is treated as negative when the information it carries is unexpected by the counterpart or contradicted the counterpart's culture. If a message could only be understood by the sender, it would suffer a 100% culture discount, resulting in neither positive nor negative effects (see "Figure 1").

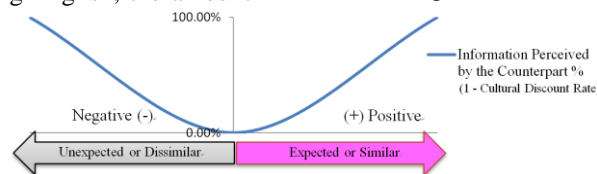


Figure 1 Illustration of positive and negative effects of the message.

Besides answering the question of whether the message brings positive or negative effect, one should also consider how great that effect would. During intercultural negotiation, it is often the case that not all types of information in a message, and not all messages perceived by the counterpart, would have the same types of effects (i.e., positive or negative). Thus the counterpart often adds both negative and positive effects together in order to assess the overall value of a series of messages during negotiation. The "weight" of the effect of each message, and of each piece of information, is highly situated. For the counterpart who focuses on the outcome statistics, numerical information may be more heavily weighted than a sign of etiquette; for the counterpart who cares more about the procedure of the negotiation than about the negotiation result, the politeness of the negotiator may be a more influential factor in the decision making.

#### **4.2 Negotiation Desire**

Negotiation desire refers to the counterpart's willingness to make a deal or establish a relationship. The significance of a negotiation to a counterpart affects the possibility that he/she would make decision based on perceived negotiation messages, which could be either positive or negative.

Negotiation desire would influence the counterpart's decision making in two ways. First, if a counterpart was desperate to make a deal or establish a relationship, his/her desire score would be very high so that even if the effects of messages as a whole had a minus score, it would be very likely that the result would be positive (e.g., reaching an agreement). Second, for a counterpart who does not care about the outcome of the negotiation that much, his/her desire score may be very low, even being minus. Under such circumstances, how persuasive the messages are would greatly matter. Accordingly, cultural discounts and positive/negative effects of the messages would be highly weighted when the counterpart is making a decision. To reiterate the above two points: if the counterpart had no other choice but to cooperate with the negotiator and/or make a deal, the extent to which the information contained in messages is culturally discounted and whether the effects are positive or negative would have a limited influence on the outcome; however, if it is not necessary for the counterpart to negotiate "for something", how much information he/she

perceives and how positive the messages are would significantly affect the negotiation result.

#### **4.3 Cultural Intelligence**

Cultural intelligence is defined as an individual's capability of "adaptation to varying cultural contexts" [26]. Cultural intelligence has been proved to be a significant predictor of intercultural negotiation effectiveness [27]. The better a negotiator could adapt to and understand his/her counterpart's culture, the more likely that the cultural discounts of negotiation messages and the negative effects caused by them would be reduced. For example, when negotiating with a Chinese counterpart, if an American negotiator knows Mandarin and Chinese culture, he/she could not only prevent to some extent the loss of verbal information resulted from translation, but also avoid some negative effects of the messages through culturally-accommodated argumentation (e.g., taking into account Guanxi).

Cultural intelligence is highly situated. People from different cultures may have different levels of cultural intelligence. Within a culture, every individual's ability of cultural adaption may be distinct from one another's. Even for the same person, how he/she would be culturally intelligent also may vary when dealing with different types of information or in different situations. If a culture had a mean for its people's cultural intelligence, individual differences represent the deviations from that mean. Therefore, whether the mean or the deviation should be taken in to account would depend on the subject of the cultural discount study (i.e., cultural group or individual).

### **5. IMPLICATIONS**

When applying cultural discount theory to examine intercultural negotiation, the messages perceived by a counterpart are seen as combinations of different types of discounted information, and the relationships between/among negotiators and the outcomes are seen as added effects of both the positive and negative influence of messages and the counterpart's desire to make a deal. In this sense the whole negotiation process is subdivided into separate fragments. This reframing brings four research questions to current and future intercultural negotiation studies:

First, how would the cultural discount rate for a specific type of information differentiate across cultures? When one certain type of information,

either verbal or nonverbal, is sent to negotiators from different cultures, the extent to which it could be understood varies. For example, verbal information coded in English would suffer more cultural discounts when a native English speaker is negotiating with a Korean than he/she is doing this with an American. Researchers should make comparative studies on these differences. Findings from intercultural communication would shed light on exploring cross-cultural variances of cultural discount rates for certain negotiation messages. For example, Hofstede's [28] study on power distance, individualism/collectivism, uncertainty avoidance, and masculinity/femininity could provide some references and insights. Graf, Koeszegi, and Pesendorfer [29] studied how power distance differences between Asian and European buyers and sellers could influence their communication during negotiation and found that people from high power distance culture prefer sending more power-related messages than people from low power distance culture. By integrating and incorporating findings from intercultural communication, our understandings on intercultural negotiation could be enhanced, negotiation efficiency could be increased, and odds for establishing a cooperative relationship or making an agreement could be added.

Second, is there any influential yet unnoticed type of information in intercultural negotiation? To begin with, the cultural discount equation disassembles the messages of a negotiation into separate types of information, enabling researchers and negotiators being aware of each one's significance. For example, response time has been proved to be a source of information that would influence the negotiation result [30]. The author's perspective is that the equation would shed light on exploring more undiscovered or underestimated factors in intercultural negotiation. Furthermore, when calculating the overall effectiveness of the messages, researchers and negotiators may find that some types of information which may stay neglected or taken for granted within a culture would be influential in another culture or perceived differently across cultures (e.g., eye contact for Americans and Japanese). Since discovering these normative differences is more of a focus for intercultural communication research than for negotiation studies, it is likely that the former has more relevant findings than the latter alone. Thus, again, researchers could introduce the findings in the field of intercultural communication to negotiation studies. For example, researchers could study the effect of turn taking behavior on

intercultural negotiation outcomes, since previous research found that the styles and the meanings of turn taking vary cross cultures [31] [32] [33].

Third, how would individual effects combined together to influence negotiator relationships and negotiation outcomes? This research question focuses on the effectiveness of negotiation strategies. It mainly studies the relationships between individual effects and the overall effect. Relevant sub-questions include, but not limited to: What would be the "weight" of a specific type of information in a strategy? Would the overall effect be greater or less than the sum of individual effects? Would structural differences of strategies (e.g., which types of information is sent first) result in different outcomes? How would culture influence the structures and effects of negotiation strategies?

Fourth, how would different types of communication interplay with cultural discount theory in intercultural negotiations? Purdy and Balakrishnan [34] studied four types of communication (i.e., face to face, videoconference, telephone, and computer-mediated) and argued that each had a distinct impact on negotiation outcomes. Researchers also found that different types of communication shaped negotiator relationships differently [35]. Each type of communication may have its own strengths and weakness in reducing cultural discounts and negative effects. Thus, when applying cultural discount theory to a specific type of communication, researchers should be aware of its uniqueness in order to build the most fitted model of intercultural negotiation.

## 6. CONCLUSION

Cultural discount theory originated in the field of media economics but could shed light on the study of intercultural negotiation in two aspects. First, cultural discount equation helps researchers examine the perceived information in terms of how much cultural discount each type suffers. Second, the theory enables researchers to reframe the overall negotiation effect as combinations of positive and negative individual effects, which are partly resulted from cultural similarities/differences. Consequently, the application of cultural discount theory brings new research questions which would forward the study of intercultural negotiation. In response to the lack of theory development in intercultural negotiation, cultural discount theory provides a framework to bridge negotiation studies and intercultural communication research, and integrate findings from both fields to contribute to

more successful intercultural negotiations. The template is designed so that author affiliations are not repeated each time for multiple authors of the same affiliation. Please keep your affiliations as succinct as possible (for example, do not differentiate among departments of the same organization). This template was designed for two affiliations.

## **AUTHORS' CONTRIBUTIONS**

This paper is independently completed by Qingqing Hu.

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