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Cross-cultural negotiations and power distance

Strategies applied by Asian and European buyers and sellers in electronic negotiations

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Abstract

Purpose – Negotiators from Asia are increasingly confronted with exchange partners from other regions, particularly Europe. The European culture differs from the Asian culture in many regards, one major aspect being distinct levels of power distance (hierarchy versus egalitarianism). The purpose of this paper is to analyze the impact of power distance in electronic negotiations between Asia and Europe.

Design/methodology/approach – The paper describes an experimental study with a sample of 126 participants investigating the impact of power distance on strategies applied by Asian and European buyers and sellers in computer-mediated negotiations.

Findings – Significant effects of power distance in electronic negotiations were identified. Culture confirms to play a significant role in negotiations. The results indicate that negotiation schemes differ depending on the cultural dimension power distance in Asia and Europe. In the hierarchical (Asian) culture, sellers show more efforts in negotiations, while buyers apply more power-related negotiation strategies but also tend to take more responsibility. In contrast, in the egalitarian (European) culture, buyers prefer negotiation behavior spreading power.

Research limitations/implications – First, use of a student sample engaging in a negotiation simulation might restrain the generalizability of the findings. Second, the authors investigated only two cultures in Asia and Europe.

Originality/value – The paper describes an experimental study comparing negotiators from Asia and Europe in order to analyze whether culture plays a significant role in electronic negotiations between Asia and Europe. The authors focus on power distance as the main cultural dimension.

Keywords Asia, Europe, National cultures, Negotiating, Internet, Buyers, Vendors, Electronic negotiations, Intercultural negotiations, Power distance, Interfirm relations, Negotiation strategies, Content analysis

Paper type Research paper

1. Introduction

Due to its enormous market size and economic growth, China and other Asian countries have become increasingly important for international enterprises worldwide.



However, the success of foreign companies in China is disputable, in spite of an extensive liberalization of the economy after China's WTO accession. A key reason is the difference in strategies in negotiations pursued in the East and West which may encounter great cultural resistance (Alon, 2003; Cooke, 2005).

In international business, the cultural background often leads to problems in business interactions (Barkema and Vermeulen, 1997; Ertel *et al.*, 2002; Gordon and Salganik, 2001; Graf, 2004; Herbert and Beamish, 2002; Li *et al.*, 2002). National culture has been found to influence buyer-seller relationships by determining individuals' behavior in business settings (Hewett *et al.*, 2006). Culture constitutes a socially shared knowledge structure providing schemes that give meaning to incoming stimuli and channeling outgoing reactions (Triandis, 1972). Negotiation schemes provide information and form expectations with respect to the process of negotiation (Thompson, 1997). Subsets of such negotiation schemes, denoted as scripts, constitute cognitively stored action plans in the form of behavioral sequences (strategies) that can be drawn upon for enacting schemes.

In the execution of negotiation schemes, individuals have been found to prefer certain strategies, which they consistently apply when negotiating (Weingart *et al.*, 2002). The tendency to execute power thereby constitutes an issue of particular importance.

When discussing negotiations between Eastern and Western companies one has to keep in mind that these negotiations across borders take place more and more often electronically. Particularly in B2B-contexts, exchange partners benefit from the many advantages the internet can offer in international sales negotiations (such as independence of location and time, combining synchronous and asynchronous communication, etc.). Today, online B2B-transactions (mostly e-procurement and e-sourcing) are gaining in importance and are expected to grow further worldwide. As a consequence, a growing number of sales interactions are effected through computer-mediated communication (Yadav and Varadarajan, 2005). In view of the rising significance of electronic negotiations in global management, companies need to understand computer-mediated negotiations.

Negotiations are a form of decision-making in which actively involved agents, who cannot make decisions independently, interact and bargain to achieve an agreement (Kersten *et al.*, 1991). They constitute "a process in which two or more entities discuss common and (apparently) different interests and objectives in order to reach an agreement or a compromise (contract)" (Ulijn and Strother, 1995, p. 250). Negotiators have to accommodate their partners and respond to their requests; they must negotiate and renegotiate adjustments when unforeseen events occur (Heide, 1994; Johnson, 1999; Noordewier *et al.*, 1990). The negotiation strategies applied thereby determine the success and stability of business relationships.

Computer-mediated communication offers new possibilities for companies in their negotiations. It refers to an exchange of messages between senders and receivers via electronic platforms and support systems (e-negotiation systems). E-negotiation systems enable partners to communicate and bargain at low costs and almost without delay, even if they are separated in terms of geography and time zones. They provide for transfer, processing and storage of information (for a detailed description see Koeszegi *et al.* (2006)). Literature suggests that electronic support not only results in improved decision-making and better negotiation outcomes (Croson, 1999; Delaney *et al.*, 1997; Foroughi *et al.*, 1995; Perkins, 1996; Rangaswamy *et al.*, 1989; Wilkenfeld *et al.*, 1995), but it also structures negotiations in a way that facilitates

cross-cultural communication (Kersten, 1985, 1987, 2004). E-negotiation systems are thus particularly attractive for supporting international business transactions.

Power distance has been proposed as relevant dimension determining preferred constellations and processes in the organizational context on which cultures may differ. We therefore focus on power distance as the main cultural dimension in our study. Indeed, several authors comment that more needs to be known about the effects of power distance on buyers' and sellers' strategies in computer-mediated negotiations (Chairsrakeo and Speece, 2004). There is pervasive literature on cross-national sales interactions (Graham, 1983, 1985, 1993; Kale and Barnes, 1992) and cultural differences in strategies applied in face-to-face negotiations (Adair and Brett, 2005; Olekalns *et al.*, 2003; Weingart *et al.*, 1990). Little research, however, has so far been conducted on power and related cultural differences in electronic negotiations. However, research revealed that power distance does not influence whether an individual feels comfortable to use e-mail in contrast to face-to-face interactions for negotiations (Richardson and Smith, 2007). We therefore explore power-related differences on strategies applied by buyers and sellers from different cultures in computer-mediated sales interactions.

We conduct an experimental study comparing negotiators from Asia and Europe. These regions are economically significant partners for companies in the whole world; and they have been found to fundamentally differ from other cultural regions on various cultural dimensions determining preferred communication patterns. Vice versa, Asian companies increasingly negotiate with European and other Western firms. In the following sections, we describe the theoretical background for negotiation strategies and culture as well as the role of power distance in negotiations. Based on the literature reviewed, we formulate four hypotheses. We test these hypotheses in our empirical study, discuss the results and show implications for the management of intercultural electronic sales negotiations.

2. Theoretical background

2.1 Negotiation strategies and culture

Olekalns *et al.* (2003) have developed a typology of negotiation strategies comprising four strategies: creating value, claiming value, integrative information and distributive information. These strategies comprise different types of behaviors in negotiations, such as providing package-offers, tradeoffs, creative solutions or multi-issue offers (creating value), substantiating, threatening, using power, making bottom-line or single-issue offers (claiming value), stating priorities, needs, or interests (integrative information) and exchanging positions or facts (distributive information).

These strategies result from a classification of negotiation behaviors based on two dimensions: the first dimension is represented by the "strategic orientation", which can be either integrative or distributive. Integrative strategies attempt to build joint gains and typically include behaviors that work toward mutually beneficial problem solving and tradeoffs. Distributive strategies attempt to distribute resources, often by focusing on individual interests and single-issues (e.g. price or quality). The second dimension comprises the "strategic function", which may emphasize the management tasks such as information exchange or action. Both task relevant information and actions constitute the foundation upon which agreements are made.

Table I exemplifies the various negotiation behaviors and classifies them into the four types of negotiation strategies based on these two dimensions.

Strategic function	Strategic orientation	
	Integrative	Distributive
Action	Creating value Package-offers Tradeoffs Creative solutions Multi-issue offers	Claiming value Substantiation Threats Power use Bottom-line Single-issue offers
Information	Integrative information Priorities Needs Interests	Distributive information Positions Facts

Table I.
Typology of negotiation strategies

Source: Olekalns *et al.* (2003)

Given the rising importance of relationships across national and cultural borders, sales managers need to understand to what extent the application of these four negotiation strategies (which are likely to reflect culturally determined negotiation scripts) varies in distinct cultures. While individuals with similar cultural background tend to display common patterns of thinking, feeling and acting, the behavioral patterns and styles preferred in sales negotiations are likely to differ across cultures (Chairsraeko and Speece, 2004). Consequently, negotiation strategies applied by buyers and sellers in distinct cultures can be expected to differ (Simintiras and Thomas, 1998).

Cultures have been found to influence decision-making and social interactions with regard to various dimensions (Tse *et al.*, 1988). They determine, for instance, the importance attributed to the individual versus the group (Hofstede, 1980). In individualistic cultures the definition of self is independent from in-group membership, i.e. the culture is “low-context” (Hall, 1976). As opposed to individualistic cultures that focus on personal needs, collectivist cultures give priority to social obligations (Triandis, 1989, 1996). In collectivist cultures the definition of self is interdependent with in-group membership, i.e. the culture is “high context” (Hall, 1976).

Besides individualism/collectivism and the related dimension of low/high context, masculinity/femininity, uncertainty avoidance and power distance have been proposed as relevant dimensions determining preferred constellations and processes in the organizational context on which cultures may differ (Hofstede, 1980; Hofstede and Hofstede, 2005). While all of these dimensions are likely to influence individuals’ behavior in international business transactions (Chairsraeko and Speece, 2004; Kale and Barnes, 1992; Simintiras and Thomas, 1998), power distance can be considered to be of particular importance.

Power distance, as will be described in more detail below, reflects the extent to which less powerful members of institutions within a country expect and accept that power is distributed unequally. Countries with high-power distance are characterized by a more hierarchically structured society, whereas countries with low-power distance are more egalitarian (Brett and Okumura, 1998). The hierarchical structure of a society influences the way, in which individuals interact with others in general (Hofstede and Hofstede, 2005) and in cross-cultural sales interactions in particular (Huang *et al.*, 2003; McGinnis, 2005). Given the relevance of this cultural dimension in international negotiations, we wish to explore the impact of power distance on buyers’ and sellers’ strategies in electronic sales negotiations across cultures.

2.2 *Power distance: hierarchical versus egalitarian orientations in negotiations*

Power distance reflects the need for dependence versus interdependence in a culture and the resulting hierarchical structure in a society. Hierarchies exist in both low- and high-power distance countries, but they are dealt with differently: high-power distance societies consider inequality the basis of societal order. In contrast, individuals in low-power distance societies prefer equality; they perceive inequality as a necessary evil that should be minimized (Hofstede, 2001; Hofstede and Hofstede, 2005). In hierarchical cultures, low-status members are expected to concede to individuals in higher positions, whereas high-status members in turn have a social responsibility to care for the needs of lower-status individuals (Leung, 1997). Although social status differences do also exist in egalitarian cultures, their members are generally less receptive to social status. Consequently, a powerful position may not automatically translate into dominant negotiating behavior in egalitarian societies. Individuals in egalitarian cultures tend to prefer equal engagement in social exchanges including negotiations.

The power distance-score of a society indicates whether individuals prefer hierarchy or egalitarianism in their social relations and interactions in various contexts including (electronic) negotiations. The Asian culture has been found to be hierarchical (the score for power distance is, e.g. 80 for China and 58 for Taiwan). In comparison, the North American culture is less hierarchical and more egalitarian (the score for power distance is, e.g. 40 for the USA and 39 for Canada). The European culture, in turn, can be described as least hierarchical and most egalitarian (the score for power distance is, e.g. 35 for Germany and 11 for Austria, respectively) (Hofstede, 1980; Hofstede and Hofstede, 2005). Replications of Hofstede's survey indicate that the gap between low- and high-power distance cultures has increased rather than decreased since 1980 (Lowe, 1996).

The differences in power distance are likely to have an impact on negotiators' behavior in cross-cultural exchanges. A relevant, so far unexplored question for marketing decision makers in this regard is how power distance (hierarchy versus egalitarianism) influences the negotiation behavior of the two partners in electronic negotiations – seller and buyer – in different cultures. While no studies on the impact of power distance on negotiators' behavior can be identified, empirical evidence exists which suggests that power distance is conceptually related to authority in organization contexts. For instance, Wong and Birnbaum-More (1994), based on data in 14 countries, conclude that the acceptance of unequal power distances explained the degree of centralization of authority. Similar findings are reported in a study comparing organizations in France and Germany (Brossard and Maurice, 1974) as well as French and Danish organizations (Schramm-Nielsen, 1989; Sondergaard, 1994). Also, a number of studies show that the larger the power distance, the less participative is the management system in an organization (Pavett and Morris, 1995; Smith *et al.*, 1994). Based on a study in Australia, Great Britain, Japan, Taiwan and the USA, Schmidt and Yeh (1992) find that management behavior in cultures with high-power distance is authoritarian to such an extent that cooperative management techniques (e.g. management by objectives) cannot successfully be applied.

2.3 *Hypotheses*

In most markets buyers have more negotiation power than sellers. Depending on the accepted degree of hierarchy versus egalitarianism, however, differences may exist in the execution of this power in different cultures (Simintiras and Thomas, 1998) resulting in

other negotiation strategies: creating versus claiming value; integrative versus distributive information (Olekals *et al.*, 2003). While individuals in hierarchical cultures may tend to take advantage of a potential powerful position (usually the buyer-role) and consequently show more authoritarian negotiation behavior patterns, their counterparts in egalitarian cultures can be expected not to differ significantly from exchange partners in a less powerful position (Pavett and Morris, 1995; Schmidt and Yeh, 1992; Schramm-Nielsen, 1989; Smith *et al.*, 1994; Sondergaard, 1994; Wong and Birnbaum-More, 1994).

Based on the literature discussed above, we assume that members of a high-power distance (Asian) culture put high emphasis on hierarchy in negotiations expecting a unidirectional process. In other words, we expect Asian sellers and Asian buyers to show different negotiation behavior; Asian sellers may accept their subordinate role and Asian buyers supposedly take advantage of their more powerful role.

Asian participants in the seller role can be expected to try to accommodate the buyer as they focus on the hierarchical difference. One obvious possibility to do so is to try to “work on” convincing the buyer with information – both integrative and distributive. We test this by comparing the total number of communication units produced by Asian sellers and Asian buyers. Thus, the first hypothesis is as follows:

H1. Asian sellers *do* produce more negotiation input than Asian buyers.

Asian participants in the buyer-role, in turn, are likely to feel more powerful and may act accordingly in the negotiation. They can be expected to more often use the power-related negotiation strategies of claiming value and showing distributive information-behavior. This distributive strategic orientation focuses on the individual interests. Consequently, we formulate the second hypothesis:

H2. Asian buyers *do* more often claim value and *do* more often show distributive information-related negotiation behavior than Asian sellers.

On the other hand, individuals in low-power distance cultures put less emphasis on hierarchy in negotiations: participants from a low-power distance (European) culture are likely to show no significant difference in the two roles, i.e. buyer and seller, with respect to negotiation input as well as strategies applied. Buyers and sellers can thus be expected to show equal dedication and efforts as well as similar behavior in negotiations.

We thus formulate the following two hypotheses:

H3. European sellers *do not* produce more negotiation input than European buyers.

H4. European buyers *do not* more often claim value and *do not* more often show distributive information-related negotiation behavior than European sellers.

3. Empirical study

To test the hypotheses derived above, we used data from an experimental study conducted at the National Sun Yat-Sen University (Taiwan, ROC) and the University of Vienna (Austria). Unfortunately we did not succeed in gathering data in China. However, as China is supposed to be more hierarchical than Taiwan the findings can be applied to Chinese culture. Students at both universities participated in a seller-buyer negotiations experiment using electronic (web-based) negotiation systems[1]. Before turning to the statistical analyses and results, we below describe

the sample, the simulation case and procedure and the content analysis method as well as quality measures we applied in the preliminary analysis of negotiation transcripts.

3.1 Sample

Our sample comprised 126 students (60 percent were undergraduate students and 40 percent were graduate students) in the two negotiation simulations (we call the two data sets “first-data” and “second-data” in the following). In total, 62 students were from National Sun Yat-Sen University in Taiwan and comprise residents of the ROC. In total, 64 students were from the University of Vienna, being Austrian residents or coming from other German-speaking countries. Eight participants did not disclose their country of residence in the questionnaire and were thus excluded. Participants received credit points for participation; no other incentives were offered. Average age of the subjects was 28 years (first-data) and 30 years (second-data). In both data sets, samples were balanced in gender. Participants were paired cross-culturally for the simulation.

3.2 Simulation

Participants simulated negotiations in a B2B-context based on a case dealing with the purchase/sale of bicycle parts. Subjects negotiated on behalf of the involved companies, representing either the buyer or the seller. Roles (buyer, seller) were randomly assigned and subjects received a detailed explanation of both, the case and their respective roles. In the simulation, subjects had to agree on the four issues price, delivery, payment and return. They had three weeks time to reach an agreement in an asynchronous process. Negotiations were electronically logged by the system.

3.3 Content analysis

To analyze the data statistically and test the hypotheses, we first had to code the logged negotiation transcripts by means of content analysis. Content analysis, a method that originates from communication research, allows transformation of qualitative material into data for further quantitative analysis (Krippendorff, 1980). It has been specifically developed for problems in which the content of communication serves as the basis of inference (Holsti, 1969) and can be applied for the systematic analysis of even huge amounts of text-material (Mayring, 2002). According to Srnka and Koeszegi (2007), a structured content analysis procedure comprises the following steps:

- (1) *Unitization – procedure in which the text-material is divided into units for further analysis.* We divided the logged negotiations into codeable “thought units” (i.e. units conveying one thought communicated by a negotiator). Two independent, well-trained judges unitized the data from both sub-samples.
- (2) *Categorization – iterative process in which categories relevant to the research problem are developed and revised.* We started with categories deducted from the literature (Koeszegi *et al.*, 2006). Based on our data, we then inductively adapted these categories in several rounds of preliminary coding[2]. In this multi-stage procedure, we identified 40 categories. We aggregated them to 18 categories, which can be classified according to the four strategy types proposed by Olekalns *et al.* (2003): creating value, claiming value, integrative information and distributive information (Table II)[3].

Main category	No.	Category
Creating value	1	Make multi-issue offer
	2	Agree, accept or concede
	3	Suggest compromise or use logrolling
	4	Make positive comments, like express understanding, apology or regret, state positive emotions, etc.
Claiming value	5	Make single-issue offer
	6	React negatively, like reject offers, state negative emotions, etc.
	7	Refer to mutual interest to influence other party
	8	Substantiate own position
	9	Refer to bottom-line
	10	Use threats, like exert pressure, threaten with BATNA, etc.
Integrative information	11	Ask about priorities or preferences
	12	State issue preferences, priorities or other insights
	13	Make off-task comments, like release or request identity or other information about private or non-task issues
Distributive information	14	State facts and other information to meet own interests
	15	Suggest to discuss one issue at a time
Process and text-specific categories	16	Process management (time or IT related coordination)
	17	Text-specific communication units (fillers, redundancy, text-structuring)
	18	Communication protocol (formal/informal address, close and signature)

Table II.
Category scheme for coding the unitized negotiation transcripts

(3) *Coding – the assignment of coding units to categories based on the adapted category scheme.* Finally, each communication unit had to be assigned to a category in the scheme. Our two judges independently coded the entire data.

3.4 Quality measures

After unitizing the data, the two judges compared results and calculated Guetzkow's U as a measure of unitizing reliability (Srnlka and Koeszegi, 2007). For the first-data Guetzkow's was $U = 0.00$ and a check of the intercoder unitizing reliability showed 97 percent textual conformance of the identified units. For the second-data, Guetzkow's U amounted to $U = 0.02$ and the intercoder unitizing reliability was 93 percent. These reliability values are all highly satisfactory. After the final coding round based on the category scheme described above, Cohen's κ was calculated as a measure of intercoder interpretative reliability. For coding, Cohen's κ (Cohen, 1960) for the first-data amounted to $\kappa = 0.84$ and for the second-data it was $\kappa = 0.91$. Again, these values are considered to be highly satisfactory (Brett *et al.*, 1998; Lombard *et al.*, 2002; Weingart *et al.*, 1990). The remaining differences were resolved through discourse (Weingart *et al.*, 2002).

4. Statistical analyses and results

The data derived by content analysis was used for subsequent statistical analyses. To test our hypotheses, we first apply *t*-tests to estimate the difference between buyers and sellers from Europe and Asia with respect to the total number of communication units produced. Results show no significant effect for role in both the Asian ($t = 0.947$, $p = 0.352$) and the European group ($t = -0.552$, $p = 0.584$) rejecting *H1* and supporting *H3*.

Next, we estimate two MANOVA-models for sub-categories (15 dependent variables) and main categories (four dependent variables). In our models, we use relative frequencies, i.e. observed counts in one category divided by total number of observed communication

units of a negotiator. We enter role (buyer, seller), culture (Asian, European), gender and age as well as all two-way interactions as independent variables and remove non-significant factors. Only culture has a significant effect ($p < 0.01$) on the four main categories: claim value, create value, integrative information and distributive information. Role, culture and the interaction term of role and culture, though, have significant multivariate effects (all $p < 0.01$) on several sub-categories. We then apply ANOVA models for Asian and European negotiators entering role as independent factor. Results show a significant effect of role on both, the main and sub-category level for Asian negotiators, but only one significant difference on the sub-category level and no difference on the main category level for European negotiators.

Table III summarizes ANOVA results for main categories. As can be seen, Asian buyers use the claiming value strategy significantly more often than Asian sellers.

Looking at results at the sub-category level displayed in Table IV, we also find that Asian buyers use threats much more often than sellers ($F = 19.152, p < 0.001$). Also, they release significantly less off-task information ($F = 4.284, p = 0.044$) than their exchange partners, who may try to propitiate and personally involve the buyer by revealing personal information not directly related to the sale. Furthermore, Asian

Table III.
ANOVA results for
main categories

Descriptive statistics	<i>n</i>	Asia			<i>n</i>	Europe		
		Mean	SD	<i>F</i> (<i>p</i>)		M	SD	<i>F</i> (<i>p</i>)
<i>Create value</i>								
Buyer	21	35.713	12.756	1.196	43	35.697	12.349	0.172
Seller	41	40.433	17.514	(0.278)	21	34.387	10.736	(0.679)
<i>Claim value</i>								
Buyer	21	24.573	12.671	7.429	43	22.478	12.869	0.647
Seller	41	16.957	9.075	(0.008)	21	19.848	10.954	(0.424)
<i>Integrative information</i>								
Buyer	21	26.619	9.800	1.856	43	30.029	14.451	0.096
Seller	41	31.811	15.956	(0.178)	21	31.349	18.791	(0.757)
<i>Distributive information</i>								
Buyer	21	13.095	10.469	0.851	43	11.796	9.481	1.125
Seller	41	10.799	8.625	(0.360)	21	14.417	8.847	(0.293)

Table IV.
Significant ANOVA
results for sub-categories

Region	Sub-category	Role	<i>n</i>	M	SD	<i>F</i> (<i>p</i>)
Asia	Make multi-issue offer	Buyer	21	7.868	9.723	5.656
		Seller	41	15.656	13.270	(0.021)
	Suggest compromise	Buyer	21	5.604	8.783	4.347
		Seller	41	2.283	3.781	(0.0419)
	Make single-issue offer	Buyer	21	6.968	7.444	5.142
		Seller	41	3.514	4.541	(0.027)
	Use threats	Buyer	21	5.053	5.662	19.152
		Seller	41	0.799	1.913	(0.000)
Make off-task comments	Buyer	21	1.974	6.049	4.248	
	Seller	41	7.592	11.682	(0.044)	
Europe	Suggest to discuss one issue	Buyer	43	2.212	4.211	7.096
		Seller	21	5.605	5.808	(0.010)

buyers make significantly less multi-issue offers ($F = 5.656, p = 0.021$) and more single-issue offers ($F = 5.140, p = 0.027$), which is an indicator of using the more powerful position to increase their own benefit. However, Asian buyers suggest a compromise more often than sellers ($F = 4.347, p = 0.041$), which can be interpreted as taking responsibility and caring for the less powerful seller. In sum, results indicate that Asian buyers in fact tend to exert more power in the negotiation, but also tend to take responsibility for a positive outcome of the interaction. In contrast, the only significant difference on the sub-category level between European buyers and sellers is that European sellers suggest more often to discuss one issue at a time ($F = 7.096, p = 0.010$). This procedure to both parties equally offers the possibility of a systematic and focused negotiation. Altogether, our findings support both *H2* and *H4*.

5. Discussion, summary and implications

Starting point of our research was the question whether there are differences on strategies applied by negotiators from different cultures in computer-mediated interactions based on the cultural dimension power distance. We tested this by analyzing electronic negotiations in Europe and Asia. Overall, our results indicate that negotiation schemes differ depending on the cultural dimension power distance. We find differences in the behavioral patterns of buyers and sellers from hierarchical versus egalitarian countries in intercultural sales interactions. As China has been identified to show more hierarchical behavior than individuals in Taiwan in past research we can assume that power distance is an important variable for China when negotiating with Western individuals. The other way around individuals from Western cultures should be aware of the differences in power distance when negotiating with China and other Asian countries.

Asian negotiators, representing the hierarchical culture, put more emphasis on power than European negotiators, representing the egalitarian culture. When being the buyer, i.e. having the more powerful role, Asian participants seem to take the risk of a potential conflict significantly more often than when being the seller. Asian buyers use the claiming value strategy significantly more often than Asian sellers. However, Asian negotiators did not produce more input when being a seller, as we expected. Power thus has an influence on the negotiation pattern in hierarchical cultures but not on the quantity of input. In the European culture, the role in an electronic sales interaction has no significant influence on negotiation behavior.

The results of this study suggest that strategies applied in computer-mediated negotiations differ depending on the negotiators' culture and their preferences with respect to power distance. Our findings can provide helpful support for the management of electronic negotiations across cultures. When communicating electronically just as in personal interactions, sales managers from egalitarian cultures cooperating with partners from a hierarchical culture need to be aware of the focus on hierarchical power in high-power distance-countries. They have to consider that depending on the hierarchical status (in the sales interaction as well as within the company), negotiators from a hierarchical culture might show different negotiation patterns: when a low-status member negotiates with a person from a hierarchical culture, this person might exert more power (e.g. claiming value). In contrast, a high-status member might be faced with high efforts of the exchange partner, a conflict-avoiding negotiation strategy, indirect information and exchange a large extent of off-task information. For firms in hierarchical cultures the results are interesting as they might sensitize them to the fact that

negotiators from egalitarian cultures base the negotiation behavior on other aspects than hierarchy. If the egalitarian negotiator, for instance, has interesting alternatives (BATNA[4]), he or she might feel more powerful, independent from the hierarchical status. The results, however, indicate that negotiators from egalitarian cultures, even when they are in the more powerful position, prefer equal input and equal possibilities for both exchange partners. They tend to discuss one issue at a time rather than, e.g. making single-issue offers or using threats as their counterparts from hierarchical cultures would do in the same position.

6. Limitations and conclusion

From a management point of view, the objective in business relationships is to develop win-win situations and maximize joint gains. Understanding the impact of power distance on computer-based negotiation behavior of buyers and sellers in different cultures can contribute to achieving these goals. This research may help to sensitize negotiators in intercultural relationships to their partners' negotiation strategies.

The study has some limitations that should be considered in evaluating the results. First, our use of a student sample engaging in a negotiation simulation might restrain the generalizability of the findings. We attempted to overcome this problem by choosing a high percentage of MBA-students with work experience and using a realistic and involving simulation case. Second, we investigated only two cultures. Given that Asia and Europe represent major economic areas of high relevance to North America and other regions in the world, however, we believe that our study provides valuable insights. Still, the (subjective) choice of the countries included in the study may have created a bias. Although Taiwan and Austria very well reflect the two cultures under considerations (see scores for power distance in the theory section), they may do so only partially. Turning to the main interest of readers of *Nankai Business Review* we hope to contribute to insight into Chinese negotiations with Western cultures as the Asian sample Taiwan is supposed to be even less hierarchical than China.

These limitations notwithstanding, the findings of this study provide new insights into cross-cultural negotiation behavior between Asian and European individuals and they emphasize the importance of further research in electronic negotiations. Findings confirm the impact of power distance in China as far as negotiations are concerned. Therefore, further work in Chinese research would be valuable. There have been few other studies investigating the effect of cultures in electronic negotiation (Kersten *et al.*, 2003; Koeszegi *et al.*, 2006) and these studies focus on outcome variables and do not analyze the strategies applied in the process of bargaining. By combining both, the cultural perspective and the content of written electronic communication, this study helps to fill a gap and adds to an emerging field in academic management research (Barkema and Vermeulen, 1997).

Notes

1. System information can be retrieved from www.interneg.org
2. After unitization, the coders in iterative steps coded the data to inductively adapt the category scheme.
3. The category scheme reported in Koeszegi *et al.* (2006) comprises 40 sub-categories. For further analysis, we condensed the categories of this more detailed scheme by merging categories.

The (“technical”) group of process- and text-specific categories (reflecting particularities of text-based, asynchronous communication) is excluded in the further analysis.

4. BATNA, or “Best Alternative to Negotiated Agreement”, is an alternative one can obtain if the current negotiation terminates without an agreement (i.e. with a breakdown).

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