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The culturally intelligent negotiator: The impact of cultural intelligence (CQ) on negotiation sequences and outcomes

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ABSTRACT

Although scholars and practitioners have repeatedly touted the importance of negotiating effectively across cultures, paradoxically, little research has addressed what predicts intercultural negotiation effectiveness. In this research, we examined the impact of cultural intelligence (CQ) on intercultural negotiation processes and outcomes, controlling for other types of intelligence (cognitive ability and emotional intelligence), personality (openness and extraversion), and international experience. Transcripts of 124 American and East Asian negotiators were coded for sequences of integrative information behaviors and cooperative relationship management behaviors. CQ measured a week prior to negotiations predicted the extent to which negotiators sequenced integrative information behaviors, which in turn predicted joint profit, over and beyond other individual differences. Additional analyses revealed that the level of integrative sequencing was more a function of the lower-scoring than the higher-scoring negotiator within the dyad. Other individual difference characteristics were not related to effective intercultural negotiation processes. Theoretical and practical implications are discussed.

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Introduction

The concern for negotiating effectively across cultures is hardly a new phenomenon. Even the world's first historian, Herodotus (ca. 400BC) observed the "strangeness" of how ancient Egyptians traded with the Greeks (Herodotus, Marincola, & de Selincourt, 2003), and as early as the second century BC, trade began to flourish among people of different cultures along the Silk Road that stretched from Rome to China (Elisseeff, 2000). In the 21st century, with the advent of globalization, being able to negotiate effectively across cultures is a crucial aspect of many inter-organizational relationships, including strategic alliances, joint ventures, mergers and acquisitions, licensing and distribution agreements, and sales of products and services (Adler, 2002). The need to negotiate effectively across cultures is also painfully obvious in today's geo-political scene, where the source of conflict among humankind is thought to be increasingly cultural in nature (Huntington, 1996). Indeed, in the recent *Iraq Study Group Report*, the improvement of cultural training for US personnel fighting the war in Iraq was deemed one of the highest priorities by the US secretary of state, secretary of defense, and the director of national intelligence (Baker & Hamilton, 2006).

Despite the importance of being able to negotiate effectively across cultures, there is a fundamental paradox in the culture

and negotiation literature. That is, even though the practical importance of negotiating across cultural boundaries is often touted to justify cross-cultural theory development, the vast majority of research on culture and negotiation remains comparative (e.g. Gelfand & Realo, 1999; Tinsley & Pillutla, 1998). With some exceptions (Adair, Okumura, & Brett, 2001; Adler & Graham, 1989; Brett & Okumura, 1998; Natlandsmyr & Rognes, 1995), most research compares and contrasts different negotiation behaviors as they occur in mono-cultural contexts across cultures, instead of directly examining intercultural settings where cultural barriers exist right at the negotiation table. Indeed, in reviewing Gelfand and Brett's (2004) *Handbook of Negotiation and Culture*, Kray (2005) aptly lamented that "although researchers have identified a host of cross-cultural differences in styles and preferences, negotiation scholars might consider expanding beyond simple demonstrations of differences...and explore whether awareness of these differences makes a difference...knowledge about factors influencing the effectiveness of intercultural negotiations is sparse" (p. 159). Yet to date, the culture and negotiation literature reveals little as to what characteristics negotiators can be selected and/or trained upon in order to maximize the chances of reaching optimal agreements in intercultural negotiations.

The purpose of this research is to examine cultural intelligence (CQ), defined as an individual's capability to adapt effectively to situations of cultural diversity (Earley & Ang, 2003), as a potential predictor of intercultural negotiation effectiveness. Our main proposition is that negotiators with higher CQ have more cooperative

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motives and higher epistemic motivation in intercultural contexts (study 1), and will engage in more effective integrative negotiation processes (i.e., reciprocal and complementary sequences of integrative information behaviors and sequences of cooperative relationship management behaviors), which will allow them to achieve higher joint profits than dyads with lower CQ (study 2). We take a conservative approach and examine whether CQ predicts effective sequences of integrative negotiation behaviors over and beyond other forms of individual difference characteristics identified in the negotiation literature to have an impact on integrative negotiation. We also examine the dyad composition of CQ and propose that the level of integrative sequencing achieved among dyads will be no greater than that determined by the lower-scoring negotiator within the dyad. To the best of our knowledge, this research is of the first to directly address the question of *what predicts intercultural negotiation effectiveness*.

Intercultural challenges to effective integrative negotiation processes and outcomes

The culture and negotiation literature has consistently found that negotiators achieve significantly less joint profit when negotiating across the cultural divide than when negotiating within their own culture. This effect has been found among various samples (e.g., Adler & Graham, 1989; Brett & Okumura, 1998; Natlandsmyr & Rognes, 1995), and the robustness of this intercultural disadvantage is not surprising when considering the number of psychological and behavioral challenges that face negotiators in intercultural contexts (see Adair & Brett, 2004).

In terms of psychological challenges, negotiators in intercultural contexts are less likely to have *cooperative motives* (i.e., have equal and high concerns for both the outcomes of self and other) than negotiators in intracultural contexts. For example, the intergroup bias literature has long established that individuals are less willing to extend cooperation towards outgroup members compared to ingroup members (Hewstone, Rubin, & Willis, 2002). Indeed, an early negotiation study by Graham (1985) found that intercultural negotiators are more competitive than intracultural negotiators (see also George, Jones, & Gonzalez, 1999; Kumar, 2004). Intercultural negotiations are also more challenging in that they have the potential to promote negative intergroup dynamics that lead to the closing of the mind among negotiators. For example, negative moods such as anxiety and fear that commonly arise in intercultural situations (Stephan & Stephan, 1985) have been shown to lower cognitive flexibility (Baas, De Dreu, & Nijstad, 2008). Similarly, ethnocentrism has been found to be associated with rigidity in thinking (Cunningham, Nezelek, & Banaji, 2004). Together, these findings suggest that in intercultural contexts, negotiators may have a more difficult time sustaining *epistemic motivation* (i.e., the need to develop an accurate understanding of the world through deliberate and systematic information processing (De Dreu, 2004) than in intracultural contexts. The fact that both cooperative motives and epistemic motivation are difficult to maintain in intercultural contexts is problematic, as the broader literature shows that both are necessary for negotiators to engage in effective integrative behaviors that lead to joint profit (De Dreu, Beersma, Stroebe, & Euwema, 2006; see also Beersma & De Dreu, 1999; De Dreu & Van Lange, 1995; De Dreu, Weingart, & Kwon, 2000; Olekalns, Smith, & Kibby, 1996; Weingart, Bennett, & Brett, 1993).

Furthermore, behavioral challenges such as coordination problems and communication mismatches are more likely to afflict intercultural negotiators. Research suggests that negotiators from different cultures bring culture-specific schemas (Brett & Okumura, 1998; Gelfand et al., 2001) and behavioral strategies (Adair

et al., 2001) to the negotiation table. For example, Adair et al. (2001) found that while negotiators from a low context culture such as the US exchange information directly through stating issue priorities, negotiators from a high context culture such as Japan exchange information indirectly by implying their own issue priorities through the use of multi-issue offers. Such cultural differences in normative negotiation behaviors suggest that in intercultural contexts, negotiators may have a more difficult time engaging in effective, coordinated sequences of integrative negotiation behaviors than in intracultural contexts. This particular intercultural challenge is problematic given the broader negotiation literature shows that sequencing of integrative negotiation behaviors, whether it is *reciprocal* sequencing of integrative tactics (i.e., matching identical negotiation tactics; Adair, 2003; Olekalns & Smith, 2000; Weingart, Prietula, Hyder, & Genovese, 1999; Weingart, Thompson, Bazerman, & Carroll, 1990) or *complementary* sequencing of integrative tactics (i.e., pairing non-identical integrative tactics; Olekalns & Smith, 2003), is a critical predictor of high joint profit.

In summary, the lack of cooperativeness and epistemic motivation associated with interacting with culturally unfamiliar others and the coordination problems that result from clashing behavioral styles make intercultural negotiators less likely to engage in integrative negotiation processes that lead to joint profit. A natural question that arises then is: how can negotiators overcome such obstacles? What individual difference characteristic might best predict intercultural negotiation effectiveness?

Cultural intelligence (CQ)

In this research, we consider a broad range of individual difference characteristics, including cultural intelligence, cognitive ability, emotional intelligence, openness, extraversion, and international experience. Actual practices of how American firms select individuals for overseas assignments suggest that technical job-related experience and job-related skills are the two most important criteria to consider (Moran & Boyer, 1987; as discussed in Black, Mendenhall, and Oddou (1991)). Considering that cognitive ability has consistently been shown to be a valid predictor of job performance (Schmidt & Hunter, 1998), could it predict intercultural negotiation effectiveness? Or might emotional intelligence (Salovey & Mayer, 1990), a more interpersonally relevant ability of being able to accurately process others' emotions?

While we examine such possibilities, we argue that cultural intelligence (CQ), defined as a person's capability to successfully adapt to new cultural settings (Earley & Ang, 2003) is likely a more powerful predictor of intercultural negotiation effectiveness. Our reasoning (as elaborated in Earley and Ang (2003)) is that while constructs such as cognitive ability and emotional intelligence may help negotiators to process certain types of information, such advantages may not be necessarily helpful for facilitating *social interaction specifically in intercultural contexts*. For example, cognitive ability allows one to reason, solve problems, and think abstractly in general (Gottfredson, 1997), yet it does not necessarily entail effective processing of interpersonally relevant information. Furthermore, while emotional intelligence enables one to accurately appraise other's emotions and react appropriately, it does not guarantee that it familiarizes individuals to culture-specific systems of emotional expression. Indeed, there is empirical support in the culture and emotion literature for the dialect theory of communicating emotion (see Elfenbein & Ambady, 2002, 2003; Elfenbein, Beaupre, Levesque, & Hess, 2007), which states that while there are universal aspects to expressing emotion, there are also substantive cultural differences which pose challenges for accurate recognition of emotions across cultural boundaries. This is

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