



Navigating the Rough Seas of Intercultural Negotiation

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Global supply sourcing keeps our businesses competitive, and supply management professionals need high levels of intercultural negotiation competence to be successful. Specifically, they need to understand the effect of culture on the negotiation process, and to possess the skills for building relationships and negotiating effectively with international suppliers.

The World Trade Organization reports that international merchandise trade in 2005 totaled US\$11 trillion. Of that, US\$2 trillion represented imports to the US. World trade of merchandise has averaged 4% annual growth over the past several years, while global trade of commercial services has averaged 14% annual growth. There is no escaping the fact that supply management professionals require effective intercultural negotiation skills. Even those who negotiate purchasing agreements within US borders find themselves negotiating with people from cultures different from their own.

The Opportunity

Texas Instruments is the world leader in digital signal processing and analog technologies—the semiconductor engines of the Internet age. The mission of TI's Worldwide Procurement and Logistics (WPL) organization is to provide a Sustained Competitive Advantage to Texas Instruments and its customers in Procurement and Logistics in the areas of cost, environmentally responsible procurement, technology, responsiveness, assurance of supply and quality (CETRAQ). The Cost component of CETRAQ was the impetus for WPL in 2003 to initiate a strategy to find additional sources of supply in lower cost regions such as Asia and Eastern Europe.

In the process of deciding what to source and where to potentially source it, it became obvious that comprehension of the culture of each country was an important factor to include in the sourcing analysis process. The actual price of a product was only one aspect of the total cost and to understand the additional cost adders one needed to understand the underlying values of each culture.

After potential suppliers were selected, knowledge of their cultural values was integral to preparing for and negotiating an agreement. Lastly, sustaining the relationship through the entire business cycle required an understanding and appreciation for what was valued by the supplier.

TI successfully improved intercultural sourcing expertise using a theoretically sound, tried and true process—the Cultural Detective® Model of intercultural effectiveness—delivered by in-house personnel.

Cultural Detective: Increase Productivity, Strengthen Relationships www.culturaldetective.com

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Advantages include anytime-anywhere delivery with minimal preparation time, and seamless customization to the industry, company and product. The approach showcases employee expertise, prevents many of the all-too-common errors and surprises that occur in new supplier relationships, quickly and effectively improves procurement performance, and promotes dialogue and continued learning. This low-cost high-return approach is easily replicated in most organizations.

Objectives

Professor Mohanbir Sawhney of Northwestern University's Kellogg School of Management, says, "One of our tasks in business schools is to train people to manage cross-culturally." Our focus is on understanding the intercultural dynamics of negotiation and purchasing, and improving our ability to "get the best deal" across cultures.

Objectives for this project included those outlined in the section "The Opportunity," above, and also the specific behavioral objectives:

1. Demonstrate ability to question assumptions and expectations—both my own and those of potential supplier—as culturally determined.
2. Demonstrate ability to explain my expectations so that potential suppliers understand and respect them.
3. Demonstrate ability to observe, ask and learn how to understand supplier assumptions that could make a difference in the business relationship.
4. Demonstrate ability to bridge the differences, using cultural differences as assets rather than avoiding or managing around them until it is too late.

TI's Solution

Focusing on the China supply chain, the US procurement management, in conjunction with members of Texas Instruments' China Initiative, conducted a Cultural Detective® China Course for Procurement Team Members. The **Cultural Detective® China** was co-facilitated with a Texas Instruments Chinese employee and a TI Procurement manager.

Benefits and Results: Enhanced Procurement Team Performance

- Several participants who had previously traveled to China reported an "A Ha" experience, now understanding why a meeting with a supplier had not gone as expected. Their initial approach had been prepared without taking into consideration the cultural implications of building a cross-cultural relationship; their following visits were more successful.
- Procurement staff members traveling to China stated they were better prepared to successfully navigate the social and etiquette situations that arose during the negotiation trips.
- Learning the Cultural Detective Method of understanding one's own values, understanding the values of others and building a bridge between the two helped break down the roadblocks to building global supplier relationships.

Supply Professionals' Feedback:

"The discussion regarding 'loss of face' as it relates to Chinese culture enabled me to respond appropriately when one of our Chinese counterparts made a difficult work request. I was able to build trust and further our objectives when the incident could have all too easily caused unnecessary problems."

– Logistics Professional

"When we visited potential suppliers in Shanghai, I felt the key benefits of this training were my increased understanding of different negotiation styles. I was better able to organize meetings, conduct the negotiations and conversations needed to support my colleagues' Chinese style while setting our team up for success. The cultural overview also helped a lot, in that I knew acceptable topics and flow of conversation when we were first building the relationship."

– Photomask Category Team Member

FAQs.

1. The approach TI used requires a Subject Matter Expert (SME), a person from the culture in question, to co-facilitate. How do we arrange that?
 - Use one of your employees from that culture. Your employee knows your industry, your corporate culture, your partners/suppliers/customers, and often the key players. Learnings will be spot-on, dovetailed with your realities.
 - Engage someone from your local community—an immigrant, college professor, or other professional. Most people love the opportunity to talk about their own culture, teach others about it, and build understanding.
 - Work with your suppliers and make the learning two-way: you learn about their common sense, and they learn about yours. This approach puts culture on the table as an asset to be leveraged, destroying its mystique.

2. These are terrific materials and a dynamite approach. It enables ongoing learning and conflict resolution and prevention. But how much does it cost, and how much lead time do I need?
 - The method and materials are ready-to-go, downloadable. The only lead time you need is the time required to read through and prepare your thoughts.
 - The materials are designed for minimal cost. You can work with a team of five people for \$125.00 out-of-pocket.

3. This approach seems best learned in a face-to-face workshop. Can we develop these skills in our people virtually across distance?
 - Many organizations use these materials in a virtual environment. The pdfs can be shown and discussed in a web conference or video teleconference. The pdfs can be shared ahead of time and discussed in a phone conference.
 - One effective approach is to email out a critical incident and Worksheet to your supply managers, along with learning objectives and instructions for the Worksheet. Each manager analyzes the incident alone or in a small group (co-located or virtual small group). Analyses are posted to a web site for review, or



shared by email. Learners phone in to a teleconference to discuss the incident and the best practices they have learned for more effectively negotiating across cultures.

4. How much time do I need to use this approach? Downtime costs money.
 - Once your managers know this approach, they only need ten minutes to plan/anticipate a negotiation using the Worksheet.
 - You can use the Values Lenses and/or Incidents during the negotiation process with a supplier, as a tool to further mutual understanding and prevent mismatched assumptions on both sides of the table.

5. Our Supply Management Professionals need to know the specific cultures of the people with whom they are negotiating, and also they need culture-general abilities to negotiate with anyone, from anywhere. How do we enable both of these things to happen?
 - Global, cross-cultural skills are best developed through actual scenarios. We need to know the context, look at the individuals involved, the business realities, the personalities, as well as the cultural aspects. We can only learn culture-general skills through culture-specific experience. Culture-general learning on its own is conceptual.
 - As you use the Incidents you will be amazed at how a U.S. American Supply Manager might empathize with a Brazilian in one scenario, a Chinese in another. This approach reinforces our common humanity while sensitizing us to the depth and complexity of difference.

Cross-Cultural Negotiation Skills

- **Negotiating Skills**
 - Preparation:
 - Learns as much as possible about the product, market and company
 - Sets targets that will be seen as aggressive but not insulting
 - During Negotiation:
 - Perceived as knowledgeable, person who can make the decision, reliable and trust worthy
 - Good listener
 - Patient
 - Skilled in communicating
 - Good problem solver
 - Finds common ground for agreement
 - Can work through conflicts that arise during the process
 - Summarizes points and checks for agreement
- **Correlating Cross-Cultural Skills**
 - Preparation:
 - Understands the information in the context of the culture
 - Motivation is culturally relative; perception & pursuit of goals also
 - During Negotiation:
 - What makes a person trustworthy varies by culture—we must know how to demonstrate it
 - Interactive questioning, empathetic observation, eye contact, nodding—listening style affects info obtained
 - Communication styles vary, as does the purpose of communication
 - Problem solving: Inductive? Deductive? Logic? Experience?
 - Conflict resolution style—role of emotion, apology, flow

REFERENCES

Cultural Detective[®] Increase Productivity, Strengthen Relationships: licensable and immediately downloadable global effectiveness materials authored by 90 professionals worldwide: <http://www.culturaldetective.com>

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