

*Cross-cultural negotiation and cultural intelligence. Understanding the challenges of a more culturally and ethnically diverse management**

Edward Tamayo Duque**

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Abstract

During the last decade, and especially since 2017 the quantity of MNC's migrating to Colombia has risen and it has brought different challenges to negotiations as this process has also become more culturally and ethnically diverse. This article is divided in three main segments seeking to demonstrate how cross-cultural studies can be applied to negotiations through the idea of cultural intelligence. The first part will take statistics about FDI in the world and how it spreads cultural differences when companies around the world have migrated to other countries relying on a managerial style. The second part will describe the challenges of being more culturally and ethnically diverse delimitating it in the context of centralized or decentralize management. Finally, it will develop a background to comprehend cross-cultural negotiation studies in the field of cultural intelligence as an approach to understand cultural differences instead of generating theories with standards of behavior based on cognitive prejudgment.

* This review article provides a comprehensive summary of research on cross-cultural negotiation studies and it has been done for the review called MERCATEC from "Institución Educativa ESUMER" in 2019 as part of the complementary non-instructional assignment.

** Bachelor's degree in International Business Management. MSc in Philosophy. Assistant Professor and researcher at Universidad Pontificia Bolivariana, Circular 1 No. 70-01, Bloque 6, Piso 2, Medellín, Colombia, Teléfono: +57 448 8388 Ext. 12019. Professor at Institución Educativa Esumer. Former Professor at Universidad EIA. Former Research Leader at Universidad Católica de Oriente for "Grupo de Investigación FACEA" and Former Director at Universidad de San Buenaventura for International Business Faculty. E-mail: edward.tamayo@esumer.edu.co

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Key words

Business Communication; Business Management; Intercultural Communication; International Communication.

Resumo

O Investimento Estrangeiro Direto (IED) representa, por um lado, a migração de empresas multinacionais para um país e, durante a última década, especialmente a partir de 2017, a quantidade de multinacionais migrantes para a Colômbia aumentou e trouxe desafios diferentes às negociações. O processo também se tornou mais cultural e etnicamente diverso. Este artigo está dividido em três segmentos principais que buscam demonstrar como os estudos transculturais podem ser aplicados aos processos de negociação por meio da idéia de inteligência cultural. A primeira parte terá estatísticas sobre o IDE no mundo e na Colômbia e como ele difunde as diferenças culturais quando as empresas em todo o mundo migraram para este país. A segunda parte descreverá os desafios de ser mais cultural e etnicamente diversificada, delimitando-a no contexto de habilidades gerenciais. Finalmente, desenvolverá um pano de fundo para compreender os estudos de negociação transcultural no campo da inteligência cultural como uma abordagem para entender as diferenças culturais, em vez de gerar teorias com padrões de comportamento baseados no preconceito cognitivo.

Palavras-chave

Comunicação Empresarial; Gestão Empresarial; Comunicação Intercultural; Comunicação Internacional.

Introduction

The following short review article provides a comprehensive summary about the role and importance of cross-cultural studies in negotiation from the perspective of cultural intelligence. Its objective is to define cultural intelligence in order to promote this concept into the field of negotiation studies, bearing in mind the axel hypothesis that some of the most important theories regarding intercultural and cross-cultural negotiations start from cognitive prejudice.

The literature for this article was taken from academic databases on topics as cross-cultural communication, cross-cultural negotiation, and other significant corporate statistics organizations and newspaper such as: “The World Bank Organization”, “BBC”, “Dinero” and “El Tiempo”. The chosen methodology was hermeneutics, understanding the importance of interpretation when the possibility to expand negotiations studies including the assumption of cultural intelligence was open.

During the following paper three main topics can be seen. First, demonstrating through statistics the migration of Multinational Enterprises (MNE's) to Colombia and how FDI around the globe represents in most of the cases a centralized managerial style that makes negotiations between managers and employees more difficult and increases the challenge of a world more culturally and ethnically diverse bearing not only the differences but the power structure.

The second topic will state that negotiation theories regarding interculturality is commonly based on cognitive prejudices based on the perception of western civilizations theories. In this case the reader is going to find critics regarding two important texts about cross-cultural negotiation. This critical analysis will establish the divergence between communicating the American perception about cultural differences and understanding the differences to comprehend others identity without reasoning about who is right

or wrong.

Finally, this article will state a definition for cultural intelligence with the aim of understanding the challenges of a more culturally and ethnically diverse management in which organizations, not only according to their culture are different and have differences, but according to their managerial styles as well considering that in solving problems there is a variety of important things that sometimes are not consider such as Hofstede's power distance, or even the hierarchy structures or the way they are related.

1. Delimitating a new trend of International Business: Foreign Direct Investment in Colombia

International business has spread all over underdeveloped countries during the last decade and day by day more international transactions have been managed worldwide. Besides the new trends of consumption and the expansion of international brands, the spread of e-commerce had helped to growth international transactions and the role of Latin American and African countries is no longer to be the suppliers of raw materials but the center of the new wave of FDI.

As Zygmunt Bauman properly stated, more companies no longer belong to their home country and some of them no longer pay taxes there (2008). Even more, there is a lot of US companies that are not American anymore because "in 2017 over 50% of the revenue earned by companies in the US S&P 500 Index came from sources outside of the United States" (Newman, 2017).

The spread of foreign companies from developed countries investing in different emerging markets is one of the current trends to highlight when understanding this new scenario. Countries such as Brazil, Russia, India and China (considered as the BRICs) have gained more participation in today's economy and Latin America and Africa have become key participants as buyers with one of the highest population of costumers and natural resources around the globe.

According to The World Bank (2019), the world's FDI net flows increases from 319.9USD billion in 1995 to almost 2USD trillion in 2017, and specially for Colombia passes from 968.3USD million in 1995 to 14USD billion in 2017 in the Balance of Payment (BoP) value. FDI in Colombia represents near the 5% of the world's total FDI in 1995 and according to these statistics it reaches a growth of 93.1% in almost 22 years.

Figure 1 shows that Colombia is one of the countries in Latin America with the highest FDI followed by Argentina, Peru and Chile. According to CEPAL and the Latin America Economic Commission México concentrated the 48% of the total FDI, while Colombia concentrated only an 8% (Dinero, 2018). However, the migration of different multinationals to Colombia, reveals that this country is growing and that is crucial providing low-cost labor force and high-quality natural resources and services such as health, energy, insurances and tourism.

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Company	Country	Core Business
Danone	France	Company that established a partnership with Alquería.
Deutsche Post	Germany	DHL Express, the logistics division of the company.
Falabella	Chile	Department store that invested US \$ 800 million in 2008.
FEMSA	Mexico	Food company that began its expansion in Colombia with the installation of OXXO stores.
HINO	Japan	The assembler started the production of trucks at its plant in Colombia, with an investment of US \$ 19.4 million.
Intercontinental Hotels Group	UK	Hotel chain that have run hotels chain such as Holiday Inn, Waya Guajira and Bog 87.
Kimberly Clark	USA	Company of health and hygiene products. Invested almost US \$ 30 million in the construction of a plant for the company's institutional line.
Pelikan	Malaysia	School and office items. It made an investment of US \$ 4 million in the purchase of the Colombian company Industry.
PepsiCo Inc.	USA	Beverage and processed food Multinational.
SABMiller	South Africa	The Bavaria brewery, subsidiary of SABMiller.

Source: (CNV, 2018).

Chart 1 shows the most significant multinationals that made FDI in Colombia since 2008. Those new giants are penetrating this emerging market with a traditional Entry Mode such as Horizontal Integration. Thus, it means that “such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management”, in summary they establish multinational companies (MNC's) instead of transnational companies (TNC's) (Chen, 2019).

It is important to differentiate Multinationals (MNC's) and Transnationals (TNC's) in the sense that MNEs are those companies that get operations to at least one different country outside their home but there are managed at home. On the other hand, TNCs do not consider any country its national home, meaning that they give a significant part of their liability to different local CEO's in order to adapt their organizational culture to the new country's culture (The Business Dictionary, 2019).

Consequently, MNE's will differ from the concept of integration as a result of the homeland-controlled subsidiaries where economic value is not necessarily shared, but certainly cultural challenges are significant. Subsidiaries need to adapt to the new styles of management, the way of managing rules, processes, expressions and body language, and in the same way the headquarter should adapt to the whole mentioned factors.

International companies have seen Colombia as an opportunity to enter and manage their operation in Latin America, but this is not necessarily guiding Colombia to reach economic development when most

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of the new multinationals keep running their business unit from their homeland. However, the paradox to discuss here is not about economic development, it is about the direct relation and challenges that this migration implies over negotiations processes, having in mind the following relation: ‘the higher the level of FDI, the higher the cultural and ethnical diversity’.

2. Toward a cross-cultural problem statement regarding negotiation styles

In both cases there is a diverse negotiation process according to human psychology. Consequently, human behavior is not the same when the structure of power, for instance managing decisions and solving problems, is not the same when centralized and decentralized bureaucracy are part of two different scenarios, following that the first one promotes dominant leadership while the second promote shared leadership. This creates differences not only regarding beliefs and values, but regarding the capacity to negotiate and to elaborate decision making process.

Likewise, one good example to demonstrate this statement can be seen bearing in mind that the behavior of Google’s employees would not be the same that the behavior of the Global Production Line Manager from Nike, knowing that the first company do not want a traditional environment but one that provide people’s autonomy and to be happy at workplace, while the other, as it is mentioned in the documentary “The big one”, has specific orders about, for instance, outsourcing most of the new jobs to Indonesia (Moore, 1997).

While most organization’s vision has an opposition regarding employee’s autonomy at google the philosophy vary widely as it is suggested at Figure 2:

Their university-oriented organizational style created a very positive, creative, and incubator-type environment. The founders believed that the implementation of the academic 20 percent rule would create a flexible, creative environment for its employees. The policy encouraged Google employees to allocate one day per week to work on activities that they were interested in and believed had merit. Many of the new product offerings were a direct result of employees developing and presenting proposals from these “side work” activities (Vise, 2013).

In conclusion, the way cultural differences coexist in the same environment will not only rely on cultural behavior, but cultural behavior would be influenced by international management styles. If it is dominant, employee’s negotiations will probably be dominant as well. However, power structures can also promote cooperative negotiations when power is shared and leads to people’s autonomy. Cross-cultural negotiations will vary regarding organizational internationalization strategy as well.

3. Breaking down cross-cultural negotiation

Understanding cross-cultural theory background in negotiation represents an alternative to comprehend the influence of culture in business relations, and certainly must be challenging for negotiators trying to understand a concept that has its origins in the field of cross-cultural communications and the whole processes by which humans perceive their difference in the way they express ideas according to their language. The literature research on cross-cultural studies has expanded to the field of negotiations, but its origins has been properly explained according to cross cultural communication hypothesis.

Figure 2. Managerial style at google

Google's Rules
To engineer better managers, Google pored over performance reviews, feedback surveys and award nominations, correlating words and phrases as only a data-driven company like it can do. Here is an edited list of the directives it produced — in order of importance — as well as a few management pitfalls it found.
Eight Good Behaviors
1. Be a good coach <ul style="list-style-type: none">▪ Provide specific, constructive feedback, balancing the negative and the positive.▪ Have regular one-on-ones, presenting solutions to problems tailored to your employees' specific strengths.
2. Empower your team and don't micromanage <ul style="list-style-type: none">▪ Balance giving freedom to your employees, while still being available for advice. Make "stretch" assignments to help the team tackle big problems.
3. Express interest in team members' success and personal well-being <ul style="list-style-type: none">▪ Get to know your employees as people, with lives outside of work.▪ Make new members of your team feel welcome and help ease their transition.
4. Don't be a sissy: Be productive and results-oriented <ul style="list-style-type: none">▪ Focus on what employees want the team to achieve and how they can help achieve it.▪ Help the team prioritize work and use seniority to remove roadblocks.
5. Be a good communicator and listen to your team <ul style="list-style-type: none">▪ Communication is two-way: you both listen and share information.▪ Hold all-hands meetings and be straightforward about the messages and goals of the team. Help the team connect the dots.▪ Encourage open dialogue and listen to the issues and concerns of your employees.
6. Help your employees with career development
7. Have a clear vision and strategy for the team <ul style="list-style-type: none">▪ Even in the midst of turmoil, keep the team focused on goals and strategy.▪ Involve the team in setting and evolving the team's vision and making progress toward it.
8. Have key technical skills so you can help advise the team <ul style="list-style-type: none">▪ Roll up your sleeves and conduct work side by side with the team, when needed.▪ Understand the specific challenges of the work.
Three Pitfalls of Managers
1. Have trouble making a transition to the team <ul style="list-style-type: none">▪ Sometimes, fantastic individual contributors are promoted to managers without the necessary skills to lead people.▪ People hired from outside the organization don't always understand the unique aspects of managing at Google.
2. Lack a consistent approach to performance management and career development <ul style="list-style-type: none">▪ Don't help employees understand how these work at Google and doesn't coach them on their options to develop and stretch.▪ Not proactive, waits for the employee to come to them.
3. Spend too little time managing and communicating

Source: (Bulygo, 2015).

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People from different nationalities interact daily and according to this situation there is an unfamiliar interaction among communication styles. Cross-cultural communication researchers began their studies regarding on how people from different cultures communicate when they learn, not only a second language, but how they communicate in different scenarios and how it influences their cognitive behavior.

The expression cultural differences should not be taken during this text as mere ethnic contrast in the sense of people from different countries. Culture is that part of human construction behavior “in which the search of horizons allows human being to construct a repertoire of ideas and beliefs that emerge in the midst of avatars and life’s vicissitudes, as the poet Pindar stated, to become what you are” (Soto, 2009).

Thus, cross-cultural communication studies are important in negotiations bearing in mind that business and logistics patterns spreading all over the world brought challenges to researchers when the impact on a global scale generated a lot of cultural relations that surpass communication.

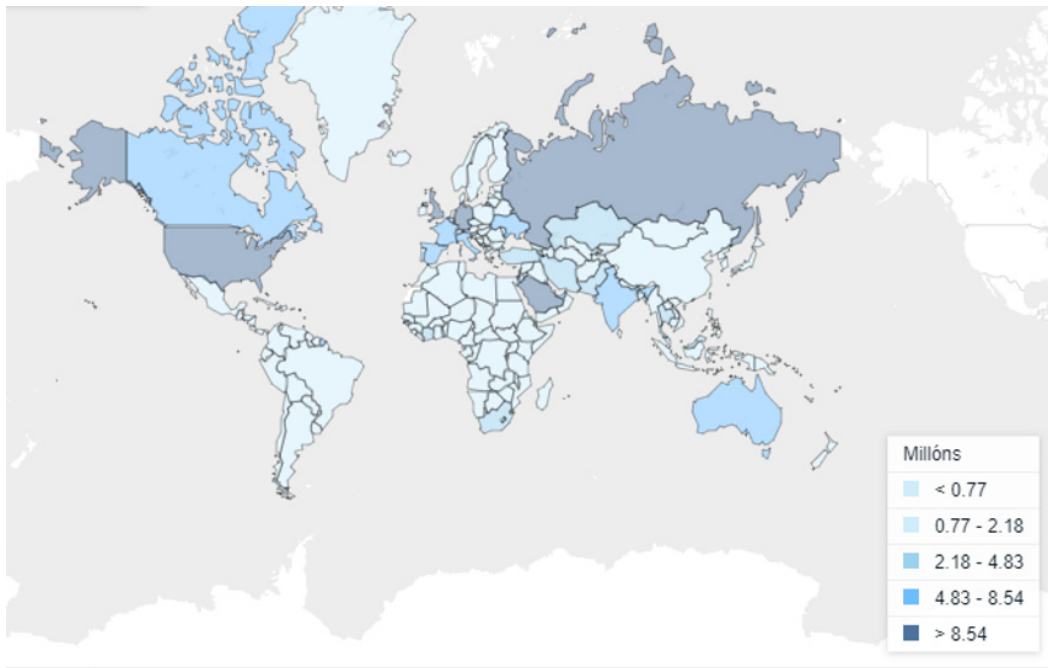
“The business of international business is culture” review the possibility to evaluate activities in an organization taking underlying “traditions and values and how management development must be adapted to the requirements of local culture and managerial style” (Al Hatmy, 2007). The way we conduct business around the world goes beyond one single decision and it also relies on how culture changes the perception and comprehension about the same process in different contexts (Hofstede, 1995).

However, Hofstede’s theories has focused on culture since the beginning when he wrote “Cultures Consequences: International Differences in Work-related values” assuming that the set of values from one culture have not been valid for another (Hofstede, 1980). For instance, marketing and business relations in UAE consider that the best way to interact is through face-to-face meetings (Rosa & Karimov, 2018), while Harvard Business School thought that the best way of doing it is through side by side negotiations in which people do not feel threatened by face-to-face meetings (Fisher & Ury, 2011).

The divergence on cultural interaction is even more common today when migration rises exponentially (see Figure 3 and 4) and FDI has risen and business with eastern countries has spread as well. This is the reason why scholars as Rosa and Karimov stated that “cross-cultural business communication, marketing, and management have gained important dimensions not only due to interaction with foreign cultures but also because the workforce within their national borders is becoming more and more culturally and ethnically diverse” (2018).

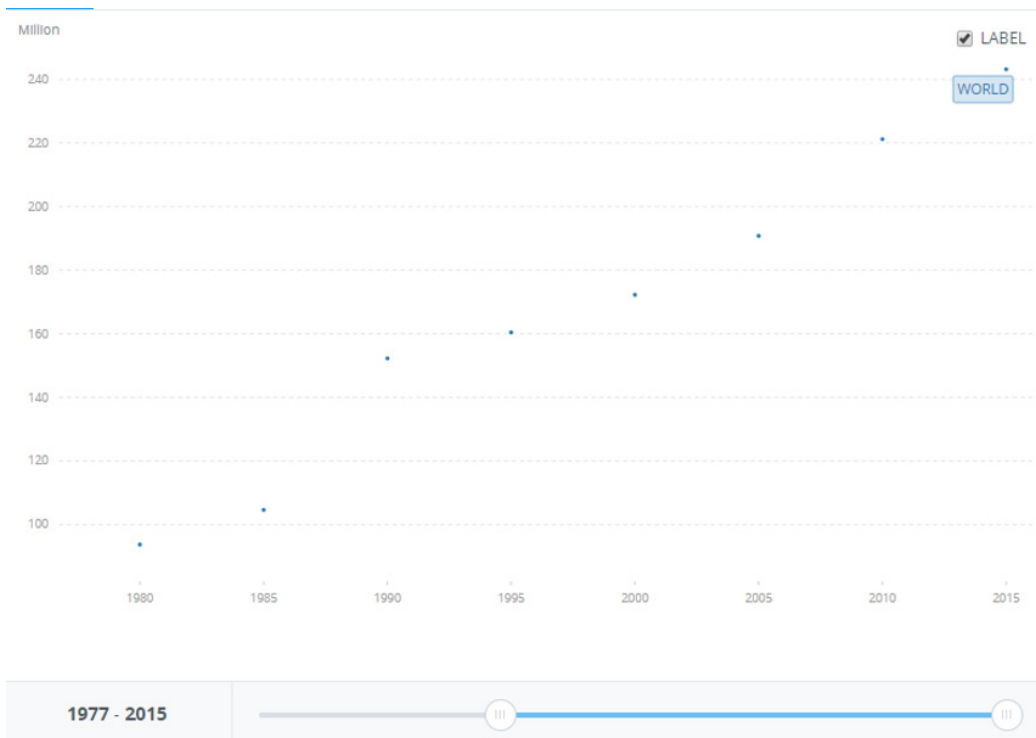
Although a lot of scholars have produced a lot of valuable work on cross-cultural management, communication, and marketing, they seem to agree that most of the studies have been western-oriented or mostly produced and generally validated according to the western standards. As a result, significant gaps still exist and there are areas that have not been covered by the scholars. To the knowledge of researcher, there are no published research works in cross-cultural relationship studies in the Arab world (Abbas et al., 1995; Darwish, 1977 and 2001 as quoted Rosa & Karimov, 2018).

Figure 3a. International migrant stock



Source: (World Bank, 2019).

Figure 3b. International migrant stock



Source: (World Bank, 2019).

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4. Towards a concept of cultural intelligence in cross-cultural negotiation studies

Negotiation theories and most cross-cultural negotiation and management studies have been developed according to western standards. Thus, discussions on the influence of culture in negotiations have entered slowly and involuntarily into the problem of relying theories marked by some cognitive prejudices. The text “Kiss bow or she hands”, allows this paper to exemplify it since it gives, under the premise “know before you go” a clear description on how studies on cultural relations start from an ethnocentric point of view. As a result, it validates American cultural standards to do business.

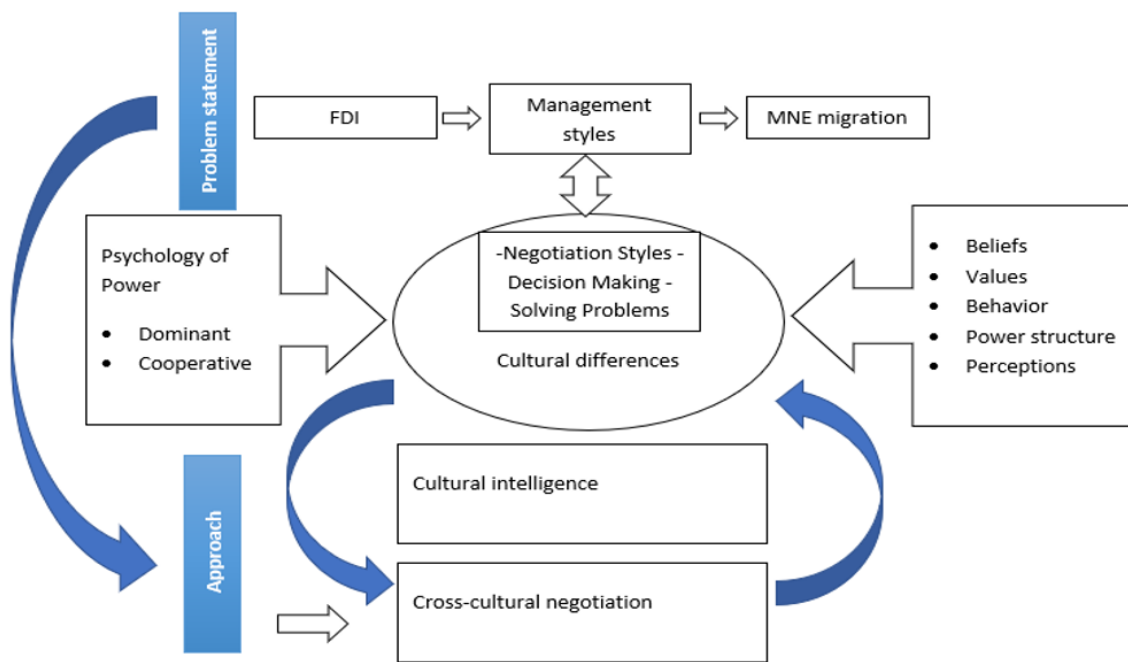
“Expect Israelis to ask you very personal questions. Nothing is considered off-limits, from your age to your marital status to how much you earn” (Morrison & Conaway, 2006). What is the standard to affirm that they are very personal questions? It is a question that the only possible answer refers to the standards of American culture, but it is impossible to develop an international standard on that question. Likewise, marital status or salary does not indicate any privacy limits that are off the table when interacting among them and the only way to conduct business and negotiation effectively will be according to the concept of cultural intelligence.

Cultural intelligence is defined as “an outsider’s seemingly natural ability to interpret someone’s unfamiliar and ambiguous gestures the way that person’s compatriots would” (Earley & Mosakowski, 2004). In this sense, cultural and emotional intelligence do share “the propensity to suspend prejudice” and to be harmful to others in their construction of beliefs and wants according to the interaction among personalities among those that are different from those similar on one culture (Earley & Mosakowski, 2004).

Essentially negotiation and business studies should become more culturally intelligent, specially according to the barrier of cognitive prejudgments that are common in some cross-cultural negotiation theories as the ones mentioned before. Negotiators encounter themselves in an uncomfortable situation in the effect of the self-image on their business processes and how are they reasoning and assuming their personality against others.

Commerce has become more globally integrated as international business rises, but cultures timidly integrate because there are traditions that that rely on heritage and psychology, bearing out Alfandary’s statement about the myth of globalization. The myth of globalization is the impossibility to be a global world with the same set of beliefs and values, there are other things that underline in our deepest motivations, needs and wants and they are going to be different according to variables as the first language, religion, geography, politics and the whole heritage and traditions that it will pass generation to generation despite the quantity of countries a person can live in (Alfandary, 2017).

Figure 5. Theoretical Framework for the proposed study



Source: author's elaboration

5. Conclusions

Cross-cultural negotiation studies have not been properly structured according to its main approach. This type of studies took some of the most significant theories of cross-cultural communication rather than negotiation and cultural intelligence. The main difference here, is that cross-cultural communication stated the problem on learning methods for different types of students with different accents and understandings about the same question.

Nevertheless, cross-cultural negotiation should open this spectrum trying to understand, instead of the similarities under different cultural speeches and semantics, the differences among those different cultural speeches that on one hand or another lead negotiation to intercultural problems. Migration of multinationals to Colombia spread this type of challenges and makes that these studies gain importance around the different managerial styles landing in this country.

In conclusion, cultural intelligence should be added in negotiation as a matter of study according in order to leave cognitive prejudgment that can be highlighted in different cultural studies in negotiation as the one that can be seen in texts as “kiss, bow or shake hands” or even those first Hofstede’s books that stood out the difference among cultures instead of promoting how to understand differences. This is one of the main findings and in summary promotes the inclusion of cultural intelligence as a matter of cross-cultural negotiation theories.

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