BUSINESS NEGOTIATIONS AND M&As
AT AN INTERNATIONAL LEVEL:
THROUGHOUT AND AFTER THE DEAL

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Anno Accademico
2012 / 2013
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The present research has the purpose to study the world of international negotiations through an accurate review of academic literature and case studies. It shows how these processes are continuously evolving by referring to more complex negotiation’ transactions such as mergers and acquisitions.

The work aims to show how negotiations and M&As undertaken by parties coming from different countries differ from domestic ones. In fact in the former, different cultural aspects strongly influence the bargaining.

The project has a theoretical focus which is divided in three sections. The first two parts integrate definitions and descriptions of the negotiation’s and M&A’s structures, while the third refers to the most important past researches and frameworks undertaken on culture’s aspects, dimensions and values intended to compare and analyze different nationalities’ behaviors.

This theoretical insights gained from the literature review are then integrated through the analysis of four real-life case studies of actual negotiations and mergers and acquisitions: Geox Spa, Renault-Nissan, Disneyland Paris and Credit Swiss' project Copernicus.
RÉSUMÉ

Cette étude a pour but d'étudier le monde de la négociation internationale à travers une recherche littéraire précise et des études de cas. Nous démontrons comment ces procédures sont en constante évolution, en se référant également aux transactions de négociations plus complexes telles que les fusions et acquisitions. Le travail vise à mettre en avant comment les négociations et les fusions-acquisitions entreprenses à un niveau international diffèrent de celles faites à un niveau nationale. En effet, dans le premier cas, les différents aspects culturels influencent fortement la négociation.

L'étude se compose d'une partie théorique, divisée en trois sections. Les premières deux sections comprennent les définitions et descriptions des structures des négociations et M&As, tandis que la troisième se concentre sur les importantes recherches et théories démontrant les aspects, dimensions et valeurs destinées à comparer et analyser les comportements des différentes nationalités. Ces connaissances théoriques acquises à travers la revue littéraire sont ensuite utilisées pour analyser quatre études de cas concrets et réels de négociations et fusions-acquisitions: Geox Spa, Renault-Nissan, Disneyland Paris et du projet Copernic Credit Suisse de.
ACKNOWLEDGEMENTS

I would like to thank Dr. Shaw for his support throughout this project and because of his complete trust in me during the development of it.

I thank all my friends, for having been close to me during the last year and especially during the preparation of this final work.

And above all, I would like to acknowledge my family, because only thanks to my parents this year I could do the best experience of my life so far.
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INTRODUCTION

In 2005, Thomas Friedman proclaimed: The World is Flat. While it may be true in many senses, Friedman’s statement could transmit a distort sense of simplicity. In reality, the evolution of globalization in the last decades has drastically changed business practices adding substantial complexity to it worldwide.

Nowadays we live in a world that is more and more globalized. Boundaries among countries are always less evident and defined. As the above cited economist mentioned, the processes of internationalization that are constantly taking place seem to make the world every day more flat.

However, is the imagine given by that author real? Is this actually the situation in which we are living in? Is the world really flat? Are there sill distinctions between countries? Are cultures homogenizing with each other until they will no longer exist?

And most importantly: is the way of doing business becoming the same everywhere?

The present paper will demonstrate how the way of undertaking negotiations (the business’ essence) is absolutely not definable as flat. Cultural influences in fact have a huge impact on all negotiating processes.

The concept of doing business has changed: today people do not work anymore just to survive, but companies work to create value. Firms are negotiating with other businesses, merging or acquiring other corporations to increase their performances, to improve their work, to be competitive and to propose better services and products. Moreover in this globalized world, being able to do so is increasingly a matter of conciliation between objectives.

Although nowadays “being international seems ordinary”, it is relevant to understand how companies and their managers have to deal with international negotiations, and with the more complex merger and acquisition processes, in order to be successful. Which are the aspects they have to pay attention to? How does the management
have to behave in order to rule and reach an agreement in those contexts? Does the influence of different cultures affect the ending result of negotiations?

To answer these questions and to go further into the topic, this work has been structured in four parts. The first two sections give a general, but essential, overview of the observed phenomena: negotiations and M&As. The third focuses on the past studies, researchers and frameworks which proposed some tools to analyze and compare different cultures. The last part deals with four case studies, bringing real examples of relevant international negotiations and M&As. Here it has been demonstrated how some managerial guidelines need to be followed to face these type of processes.
CHAPTER I

NEGOTIATIONS

“Negotiation is the process between two or more parties - each with its own aims, needs, and viewpoints - seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict” (Ghauri, Usunier, 2003).

With the term negotiation I am referring to the dialogue between two or more people or parties, who are debating for reaching an agreement. The parties are working together to arrive at an understanding, and to achieve it they have to dialog, dealing with point of differences and similarities. Negotiating is the process where each participant shows his points of strengths, with the final goal to gain advantages from this relational process.

Often this word is linked to business, but in reality we negotiate every day. This process is not strictly connected with trading. Surely we can negotiate in a formal organizational environment, but for instance we negotiate also with friends simply to decide where to have dinner.

In my work I am focusing on negotiations related to business, hence from here on with the term negotiation I will refer only to business negotiations.

1 NEGOTIATIONS’ MODALITIES AND THEIR DISTINCTIVE FEATURES

1.1 Contending vs. Problem solving method

Factors such as the history of relations between parties, the social context of the negotiation, the cognitive complexity of negotiators and their motivational orientation,

\[\text{\textsuperscript{1}}\, \text{From now on I will write “he” or “him” instead of “he/she” or “him/her” to make the reading more fluent}\]

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determine with which approach the negotiation will be conducted (Thompson, 2001).

In order to provide a schematic representation of the range of possible negotiating styles, we can distinguish between two opposite types of negotiation modalities. The first approach is characterized by a continuous attempt to persuade the counterparty to give way resources, but in the meanwhile trying to resist to his requests in using the same tactics acted by the counterparty (contending method). The second approach consists in tackling the conflict as a problematic situation to solve together through information, analysis and creativity (problem solving method). In the first case some parallels between the negotiation process and the social dilemmas’ dynamics are identifiable, such as the prisoner's dilemma, in which tactical and individualistic processes prevail on interaction and communication (Chammah & Rapoport, 1965). In the second approach the parallelism is possible with situations of group decision, where the common goal is the identification of an alternative that allows the solution of the conflict in a beneficial way for all parties involved (Bazerman, 1994). The contending approach is characterized by a individualistic/competitive orientation, while the problem solving approach by an orientation fair/cooperative.

These guidelines will have inevitable repercussions on the quality of the relationship between parties, making the negotiations’ climate more cold and sterile, inhibiting creativity and the exchange of information, putting at risk the processes of effective implementation of the agreements reached, and the possibility of future negotiations. In terms of interpretation of the structure of the negotiation 'game', at the extreme of a contending situation, parties interpret the negotiation as a zero-sum game (win-lose), instead, at the extreme of a problem solving situation parties react as a sum-variable game (win-win).

1.2 Distributive vs. Integrative negotiations

It is therefore clear that in win-lose negotiations, the parties are focused in distributing the limited resources in the most beneficial way for them (distributive negotiation), while in win-win negotiations case parties tend to work together in order to enlarge the resources before sharing it (integrative negotiation).

So, at best, on the one hand a person will have a negotiated settlement based on compromise in which both parties are partially satisfied and partially unsatisfied,
regardless of their relative importance, while on the other we have an integrative agreement (Bazerman, 1990). For *integrative solution* I mean an agreement in which both parties result as “winners”. More specifically, the parties, recognizing their differences from others, use them as points of strength developing a process of mutual concessions (log-rolling), so that the gain deriving from a concession for one of the party is higher than the cost that this concession represents for the party that carried it out. In this way a number of added values accrue, leading to a better overall negotiated agreement for both, compared to a simple compromise resulted from a distributive negotiation.

1.3 Negotiating behaviors

Further characteristics in line with the distinction between *contending* and *problem solving* processes are related to the *information* and negotiating *strategic behaviors*. When negotiations are based on *contending*, the negotiator who knows the counterpart's point of indifference has a clear advantage (Bazerman, 1990). Knowing which would be the minimum acceptable offer for the other, he will set his concession only to a level just above the point of indifference of the counterpart; in this way he could guarantee for himself the best result (Pruitt and Carnevale, 1995). The possible strategic behaviors in these type of negotiations could be: envisaged threats, pressure, declare immovable positions, formulate persuasive arguments, give ultimatums.

Negotiations characterized by the possession of information related with the distribution of counterparty's interests and therefore with the identification of priority issues for all parties involved are instead of the *problem solving* type. In this case, strategic behaviors are those aimed to create an atmosphere of mutual trust, communication and creativity. Examples are: the immediate reciprocation of revelations of the counterparty, the formulation of questions aimed at understanding his interests, the use of brain-storming, trying to solve the problem without affecting the relationship (Bazerman, 1990).
1.4 Risks in the negotiation process

Finally, also risks are different according to the way in which the negotiation is carried out. **Risks** that a *contending* negotiation can provoke are the breaking out of the deal, the dissatisfaction of both parties, the lack in the implementation of achieved agreements and the impossibility of identifying creative solutions and generating additional value to share. On the other hand *problem solving* negotiations involve the risk of excessive temporal dispersion and also the possibility for one of the party to grab all negotiating power for himself, thanks to information previously obtained, and having in this way a huge competitive advantage (Stahl, Bjokman, Morris, 2012).

2 THE EIGHT-STAGES OF A SUCCESSFUL NEGOTIATION PROCESS

Negotiation styles completely depend on the parties and their skills, the context and the final goals of each negotiation. However, it is possible to regroup the most well-known of them in three categories: belief-based styles (based on people’s opinion and in what they believe), professional styles (those used specifically by professionals in their roles) and contextual styles (where people are not particularly skilled at negotiating).

The following are the eight necessary steps to follow during a negotiation:

- **Prepare**: be aware of yourself (strengths and weaknesses), what you want, which is your final goal and be ready to understand the counterpart’s opinion.
- **Open**: explain your case in the most clear way possible and listen to the other negotiator’s point of view hear their point: in this part it is absolutely necessary for both counterparts to be transparent in the discussion.
- **Argue**: sustain your ideas and listen to other’s motivations.
- **Explore**: look for solutions and different possibilities.
- **Signal**: show that you are willing to collaborate with the counterpart.
- **Package**: create and develop potential deals.
- **Close**: final agreement.
- **Sustain**: ascertain that what is agreed will take place in the correct way.
Although generalizing is wrong, all these numerous stages are necessary. Certainly each situation is different and has to be contextualized, but in any case it is always very dangerous to jump to the last stage: doing that you could propose a rash solution without paying carefully attention to each factor.

You may find variations in negotiating, but when you put this route into practice and you carefully follow it, it should bring you to the right process (Gelfand, 2011)

3 DIFFERENT TYPES OF NEGOTIATING SITUATIONS

In order to study and predict the negotiation process it is possible to distinguish different types of negotiating situations. For instance, it is useful to make a distinction between negotiations in which the involved parties are only two, and those in which they are far more numerous. In this last case it is necessary to analyze the dynamics of the possible coalitions (Ghauri, Usunier, 2003). Another important distinction is between negotiations with strong public visibility and those conducted in a strictly private form. In the first case, research has reported an increased risk of an irrational and harmful static on the positions originally declared.

One of the most important distinctions for understanding and prescribe negotiation’s behaviors is however the distinction between mono-issue and multi-issues negotiations (Bazerman, 1994). For issues we mean the problematic discussed on the negotiating table. In the context of an agreement’s potential situation, negotiation’s objectives represent the issues in which parties have (or think to have) conflicting interests (Thompson, 2001). A typical example of a mono-issue negotiation is the bargaining for the sale of a single, indivisible good (such as a car), while with multi-issue negotiations we mean that during the bargaining, parties will deal with different topics.

All this, to explain that more complex negotiations, as those undertaken at an international level, have almost exclusively multi-issues’ structures. In the sense that a negotiation does not have only one specific goal, but it can be aimed at obtaining several results. Multi-issues negotiations, although they are more complex to manage, allow bigger margins for a mutually beneficial arrangement for all involved parties. For this reason many authors provide guidance to negotiators to transform
many small mono-issue negotiations in multi-issues negotiations (Crump, Zartman, 2003).

3.1 From mono-issue to multi-issues negotiations

I can identify two ways to manage this transformation. On the one hand, by an horizontal approach, that is aimed to enrich the negotiating table by adding new resources to treat, resources that may belong to the same original negotiation’s domain or that can be compensatory and external. This is the case, for instance, of two divisions of the same company that, instead of contending a single employee possessor of useful strategic skills for both, combine their efforts in order to implement a recruitment campaign for recruiting new resources with that kind of expertise. On the other hand, it is possible to adopt a vertical approach where the original matter is reinterpreted by parties so that it can be expanded and fragmented in a set of issues to be negotiated in the same way of a multi-issues situation. This process is possible if the parties are able to deepen their relationship, going from negotiating a deal based on ‘stated positions’ to a more analytical one, based on the interests that underlie those positions (Pervez, Usunier, 2003). I would like to express better this passage through an example related with politic. A case of international negotiation in which it is possible to observe this approach is the one between Egypt and Israel of 1978 relating to the occupation of the Sinai Peninsula. In this case a single issue (the peninsula) was divided into two issues: the territorial sovereignty and the distribution of military bases. This has enabled to reach a mutually beneficial agreement, discussing and defining the priorities of each party in relation to the two issues which were under negotiation. In fact, Israel has shown more interest to military control, while Egypt considered sovereignty as more important. In this negotiation has been successfully reached an integrative agreement, establishing that the Sinai Peninsula was under the Israeli military control, and at the same time under the Egyptian flag (Stahl, Bjokman, Morris, 2012).

4 THE NEGOTIATION’S VALUE CREATION

Which is the most important aspect coming out when we speak about creating durable value during the negotiating process? Collaborative approach is absolutely
necessary to bring to an end the negotiation in the most advantageous way for both counterparties; it helps to create a durable relationship in which everyone has benefits. If both parties want to establish a strong relation, there are some relevant strategies they should be followed. The process is not easy and resilience is a necessary characteristic to work towards it. (Thompson L., 2001)

4.1 Information sharing: first step in the value creation

Information are the starting and central point of the negotiation. At the beginning of the negotiation it is essential to know which is supposed to be the final aim of the bargaining, but without creating a relationship based on trust it is impossible to reach this goal. In fact, the parties wouldn’t be willing to share information if they do not trust who they are facing.

This phase is basilar for the process of negotiating and for the final compromise, normally it is developed through the process of asking and answering questions. In this phase the two parties are in constant direct communication. The more each party can gain information about the counterpart, the easier will be to find solutions to bridge common needs and goals. The more they will know about others’ objectives, the more they will be able to put together a final proposal that better addresses business goals and priorities of both parties.

4.2 Use of risk differences to create value

Sometimes people are so determined to reach their objective that they do not want to give up to achieve their goal. For this type of situations the counterpart should take advantage of the stubbornness of the other allowing him to have what he wants, but gaining something in return. In this way the counterpart’s behavior is not seen as an obstacle, but those different risk inclinations should be used as advantages by proposing different possibilities to increase value.

4.3 Creating value through cost cutting and adding resources strategy

When we speak about business, we know that money are always the main issue. In fact, mostly in that context, value creation is money driven. Among the various
possibilities, one of the most important is to increase the company’s cash flow exercising the costs cutting.

It is not unusual that business negotiations take place for solving problems concerning costs. In those cases, when people deal with costs cutting it means that one of the counterparts gains value through the costs’ reduction or attribution to the other party.

The second most common issue in augmenting value during negotiations is when it relates to resources’ shortage. In this case the solution is increasing the quantity of resources required (it can be done for instance through the addition of a third actor in the bargaining).

4.4 Third Party Assistance

Sometimes it is really useful and efficient to include a third party to give a neutral, objective and external opinion about the negotiation. This third part can be a non-indifferent silver lining. In fact an external actor could contribute with new ideas, aspects and proposals, could notice aspects that others would not see before, loosen doubts of different origin that participants within negotiation normally wouldn’t consider as problems, build a solid and long relationship giving feedbacks to improve their future negotiations, correct mistakes, give a creative contribution thanks to his past experiences.

5 SINGLE NEGOTIATOR VS. NEGOTIATING TEAM

Negotiations can involve just one negotiator or a negotiating team on behalf of each organization. In big-size companies, for important negotiations usually negotiating teams are composed of a number of members. Often, in the above mentioned cases, interpreters could be needed to facilitate the communication as well as a support of legal experts to solve disputes of international law or to bridge cultural differences.

At this point, in which the complexity of negotiating teams compared to the single negotiator is evident, I believe useful to focus on the issues and advantages that that structure could bring to the negotiation.

Negotiating teams “have a greater number of cognitive resources with which to find ways of achieving favorable results (...) In the negotiations between groups, it is
expected a higher degree of critical thinking, since multiple perspectives can be brought to face the same problem. The ideas that are approved at the end will be the result of a thought process very deep and accurate, because they were analyzed by a plurality of points of view and had to elicit a favorable opinion of most people” (Polzer, 1996).

This statement perfectly describes how a negotiation addressed by a team, presents certain advantages that an individual negotiator could not bring to the process. However, several are the precautions to be considered: although benefits are more, the complexity of the process isn’t indifferent. In fact, having a bigger amount of cognitive resources thanks to the group’s members is not enough, people should know how to actually manage them, in particular when dealing with people who have different backgrounds. The decision-making procedure requires more time and the internal dynamics of discussion and distribution of power can lead to the occurrence of distortions, one of the most well-known is the syndrome of the group-thought (Pruitt, Carnevale, 1995).

It is the analogue of the illusion of control of the individual decision maker, and it is manifested by the total rejection of any discussion and opposition: decisions taken by the leader or by the majority are unquestionably right and not subject to critics. Conformism and lack of critical sense which appear in group-thoughts’ phenomena are counter-productive in the decision making process.

On the other hand, excessive internal conflicts, or the influence of members’ inflexible position cause very critical deadlocks when trying to conclude the negotiation. For this reason “groups should be composed by people who say yes and by people who say no. The role of the former is to establish a positive social atmosphere, to provide calm suggestions and to protect the apex’s decision maker from aggressive critics. The task of the latter is to prevent cognitive closures, to have a critical attitude towards common points of view, and to prevent an excessive conformism within the group” (Johnson D.D.P., 2004).

A balanced composition of the negotiating team is therefore necessary to be successful during the bargaining.
Intuitively, it is expected that expert negotiators, professionals whose work requires negotiating skills, are more able than beginners. Some authors (Fisher, Ury, 1981) compared the performance of experts and university students on integrative negotiation’s tasks. Those researchers found higher abilities in experts in identifying integrative solutions, while the latter have revealed higher capacities in quickly resolution of conflicts. Some of their studies then have gone beyond the mere “measurement of expertise”, trying to manipulate it actively. In those other experiments a group of subjects had to deal with a limited number of issues related to a negotiation, while a second group had to face an intensive cycle of it. In general, these studies show that the ability to bargain a number of issues (log-rolling) increase significantly with the augmentation of negotiators’ experience. On the contrary, experience seems to not have any effect on the ability of negotiators in recognizing possible compatibilities between their own issues and those of the counterpart (Thompson, 2001). So, even the most experienced negotiators would be affected by the fixed-pie bias because they wouldn't recognize differences between themselves and their counterpart in the distribution of interests. The explication of the fix-pie bias is embodied in the statement: “what is important to me is therefore also important for my party” (Bazerman, 1994). The fixed-pie bias is therefore the distorted perception of the counterpart. This bias is originated by the push to simplify and speed up the interpretation of the distribution of counterparty’s interests, and by the false consensus effect, that is the tendency to believe a priori that others have similar visions and priorities to the own (Johnson D.D.P., 2004).

Some expert negotiators may even have a higher propensity to this bias than beginners negotiators. In fact, negotiators that during their work have mostly to deal with mono-issue negotiations, can mature a type of experience that pushes them to interpret each part of the negotiation process as a zero-sum game. In this way the expert negotiator develops a solid distribution perception that affects his knowledge and his behavior even in new situations, which could have an integrative potentiality. An expert negotiator, despite higher communication and relational skills, is subject to mistakes and distortions of judgments in interpreting new negotiations, in the same way as beginners negotiators are (Fisher, 1991).
7 INTERNATIONAL NEGOTIATIONS

The process of international negotiations, in which players belong to different nations, is becoming more and more essential due to the increasing spread of businesses and businesses’ connections all over the world. The phenomenon called globalization lays the foundations for the development of daily frequent trading, which consequently imposes the existence of international bargaining (Friedman T., 2005). Many are the factors that have led to this current situation, such as the continued evolution of transportation and of communication technologies, the progressive reduction of trade barriers between nations, the decrease in global political conflicts, the augmentation of multinational companies operating on a global scale etc. Due to those, and many other factors, international negotiations are increasing in number and, as it is easy to imagine, when different cultures deal with each other, problems that otherwise would not occur, come out.

7.1 Cultural differences

If, therefore, nowadays it appears inevitable to deal with cultural differences, first of all we should reflect on what culture is. The concept of culture has been treated by many authors over the centuries, many definitions of culture have been developed, but none can be considered right, wrong or absolute.

In Philosophy of History, Hegel writes: "A nation is making progress in itself, has its own development and its sunset. What first of all you meet here is the category of culture, its development and its degeneration ".

With this statement he gave an idea of the ensemble of the concept of common culture with the one of individual background, of civilization, and spirit of the population. One of the best complete definition of culture in my opinion defines it as all ways of life that have been created, learned and transmitted from one generation to another, among the members of a particular society. In this sense, culture is not only the progress of an individual in his humanity, but also the collective development of a social group in connection with the background’s institutions (Morosini, 1998). Indeed, culture can be compared to an iceberg, since the majority of cultural phenomena are not immediately visible and are not caused by personal decisions.
When doing this comparison, the visible part of the iceberg is called *technical level* and it represents the set of knowledge and scientific practices that enable a population to have some specificities comparing to others. A second level, partly visible and partly invisible, is called *formal* and is represented by the knowledge that stands at the head of behaviors in precise environments. Those are assimilated through a process of trial and error, and not by teaching. Finally, at the bottom of the iceberg there is the *informal level*, which consists of those unconscious conventions that guide our behavior in society. This level permeates the actions of everyday life in such a way not often recognizable, usually people assimilate it only by imitating others' behavior (Salacuse, 2003).

### 7.2 The time pressure

The international negotiations may be characterized by a superior temporal pressure comparing to the one that characterizes national negotiations, in fact, the *distance* between parties makes contacts and negotiations more difficult and often concentrated in a limited period of time. This can lead to two different consequences: on the one hand, lowering the level of expectations can facilitate the achievement of an agreement, which can lead to a more realistic assessment of property interests carefully selecting those that are absolutely essential, and those which have a secondary relevance. On the other hand, time limitations may not allow the analysis of all information and data, required to stipulate complex agreements. This last situation has negative effects not only on the procedures of information processing, but also on the general psychological condition of negotiators fostering the emergence of *pessimistic expectations* (Pervez, Usunier, 2003).

### 7.3 Levels of cultural diversity

During an international negotiation it is possible to get in contact with different cultures and consequently with a number of aspects, which may refer to the three above mentioned levels. A bigger effort is therefore required to the international negotiator, comparing to whom undertakes national negotiations: in the first case an evaluation on the counterpart's behavior will not be efficient if based only on personal mental schemes, an effort to understand the cultural basis originating the behavior,
needs to be made. For the international negotiator, to correctly interpret the bargaining’s exchange of information, it is not enough to put himself in the counterpart’s shoes to recreate his reasoning and calculations, in fact, he also must understand other’s values’ cultural system and point of reference. Levels of cultural diversity that influence negotiation can be subdivided according to (Brett, 2007):

- the language adopted,
- the meaning attributed to behaviors, attitudes and gestures,
- decision-making styles,
- the dominant system of values.

### 7.3.1 Difficulties arising from verbal communication

One of the most problematic aspects when dealing in international contexts is **communication**. Indeed it is the basis of relations’ creation; communication is based on direct communication (language) and indirect communication (gestures, behaviors, etc.).

As mentioned before, in negotiations it is necessary to be clear and transparent, and the starting point to reach this prerequisite depends on communication. It is easily comprehensible that people can’t come to an agreement if they don’t understand each other.

Referring to **language**, in international contexts usually (unless both parties are fully fluent in one language) the bargaining’s language is English (for some multinationals or big companies English is even required for all operations). However it can happen that parties request an interpreter throughout all the bargaining process. This figure often gives reassurance and certainty for a correct understanding of what is being said.

In those cases there is often the necessity to translate documents and the main challenge of translation, though mediated by English’s common code, is related with meanings and expressions of words. On one hand a language can have words that do not exist in other languages, on the other, there are many different expressions belonging only to a particular language. In these cases people have to pay attention to avoid the creation of misunderstandings.
7.3.2 Difficulties arising from the non-verbal communication

With typical non-verbal or indirect communication we mean the whole set of facial expressions, gestures, ritualized behaviors and social conventions.
All these features are extremely relevant, since very often the meaning of a message depends also on the way in which it is transmitted (i.e. the tone in pronouncing the same word changes its meaning). Moreover in different cultures, for instance, the same gesture often has different meanings (i.e. when people open the eyes it means “interest” for a Westerner, but it may mean “contained anger” for a Chinese). In fact, as for translation, also at this level of communication people have to pay attention to avoid behaviors creating possible misunderstandings.

7.3.3 Difficulties arising from differences in decision making’s styles

Even in decision making culture has big influences, in fact it can directly affect rational choices. I am referring to two particularities which also influence negotiations: the macro culture and the micro culture. The macro culture refers to the national level, which affect all people living in the same country: there are common features characterizing people coming from the same nation, which are also involuntarily displayed during the negotiation process, it will later explained in detail with the support of Hofstede framework.
On the other hand, with micro culture I am referring to the operating areas of each decision, such as the style of the company to which it belongs. In fact every company has its one corporate culture with its own philosophy and values to which all employees are influenced (every department creates then its own micro-environment).

7.3.4 Difficulties arising from differences in value systems

There are some values which are accepted and supported almost worldwide (i.e. respect for others, family, etc.), but each nationality give different relevance to them. In fact each country has its own value system, any value can be more or less important depending on the area from which the person negotiating is from. Every
nation also has a self-image and a value system that allows it to distinguish between legal and illegal actions, also in comparison to neighboring countries (Crump, Zartman, 2003)
When evaluating someone who has a different nationality from ours, the image of these systems sometimes digress in cultural stereotypes and can lead to mistakes. During negotiations stereotypes can be used to have an overall idea of framing the counterpart, but often they make people giving judgments *a priori* about foreign populations.
CHAPTER II

MERGERS AND ACQUISITIONS

Although, mergers and acquisitions coincide with the birth of firms, many histories of M&As started at the end of 19th century in the US.

Nowadays, this is a topic which people often talk about: during recent years, the M&A process has attracted significant attention all over the world.

My purpose here is to demonstrate their relevance, as far as negotiation is concerned, especially, their importance from an international point of view.

1 CURRENT SITUATION

“The value of worldwide M&A was US$2.6 trillion during full year 2012, a 2% increase from comparable 2012 levels. Worldwide spinoffs and divestitures, which totaled US$1.2 trillion for full year 2012, accounted for 47% of overall M&A activity that year, the highest annual percentage since records began in 1980. Compared to the third quarter of 2012, the value announced mergers and acquisitions increased 53% during the fourth quarter of 2012” (Fig. 1).

Through this brief introduction based on Thomson Reuters’ *M&A Financial Advisory Review* it is evident why nowadays M&As are considered so important. These phenomena do not concern just a single industry and are not concentrated in a single area of the world, but, as you can see in the charts below, they are taking place all over the world.

In addition to this, they generate value in many different business areas (Fig. 2).

2 WHAT ARE MERGERS AND ACQUISITIONS?

Before outlining the most important characteristics of Mergers and Acquisitions I really believe it is relevant to underline the difference between the two processes. People sometimes use these two words as synonyms, even though they are very different.

On the one hand, an acquisition occurs when a company buys another company and the former establishes a hierarchical relationship with the latter. The target company loses its independence (both legal and economic) and is completely absorbed by the acquiring company.

On the other hand, a merger takes place when two companies agree on working jointly setting up as a unique and new company. Both companies cease to exist as two independent corporations and merge to become one single company (Harvard Business School, 2001).
As we can understand from the above definitions, M&As together represent very different strategic activities.

These explanations give a broad point of view of the two activities, for this reason it would be simplistic to use just these definitions to explain the processes. In fact, there are different types of M&As based on their functional roles in the market and on companies’ features, such as horizontal mergers (between firms in the same business sector), vertical mergers (when a company purchases one of its suppliers/providers’ services to decrease operations’ costs) and conglomerate M&As (to diversify their own business sometimes companies buy corporations with unrelated businesses to their own).

2.1 M&As: complex typology of negotiations

It is evident how M&As are based on negotiation processes: in the game two or more entities are involved to reach a common final goal. The guidelines of the process are quite the same of “simple” negotiations, but one of the most important features which distinguishes the two procedures is the complexity of M&As.

In fact, before starting analyzing these typologies of transactions, I think it is necessary to explain why they are a so complex tool (whilst for negotiations this is not always true: it does not require much efforts when for instance we go to the store to buy a computer).

The complexity of M&As is driven by the fact that there is not a general standard way to analyze the structure of companies and to evaluate them, because it depends on the situation of the firms involved in the deal. Companies don’t have to fit a precise standard, but they have to fit the situation. So there is not an “evaluation formula” to use in all M&As processes, but it varies each time. The complexity, in fact, depends also on the uniqueness of each single company, because every firm is different from the other (Rock, Sikora, 1994).

This complexity is caused by both company’s internal characteristics, such as those described above, and external features not depending on the company. With the latter I mean the legal system, the economical stability of the country, the Government and the third parties involved in the process (as stakeholders).
3 THE PROCESS: PHASES

Even though each M&A transaction differ from the others, there are some general steps that take place in all transactions of this type. Anyway what is essential for the success of the operation is that all stages have to be developed in conjunction as a whole, and not as independent processes. Now I will synthesize these key steps.

The first phase (after decided to purchase or buy a specific company) has a huge relevance for the entire process, in fact in this step each company has to prepare and to be ready to show and explain all its characteristics and features to deal with its counterpart. In this part, firms, studying and assembling all their relevant data, prepare a business plan (in this way the company works on its own SWOT analysis and does its first own evaluation).

Now that the company has drown its strengths and weaknesses, it is much more clear where to work on and in this moment takes place the second step: the company has the first “external approach” with other companies, in the way that, after a market research of the most suitable companies, the company sends a fact book to the possible future acquirers or partners. Here the latter can find all information they need to study and to find out if they are compatible with the target company. If the potential buyers are interested they contact the target company and prepare their own offer.

After these two phases and after the decision to undertake the process of merging or acquiring a specific company, parties work on the agreement. Afterwards it takes place the structuring phase of the deal: companies follow contract's terms to reach set targets. Often it is possible to re-negotiate some contract’s terms after the agreement.

Now, even though the negotiating process appear as concluded, the parties still have constant communication to maintain the relationship. Signing the contract it is not meaning of “ending the negotiation” (Sherman A. J., 2011).

Regarding timing, it is difficult to define how long an M&A transaction will last, each of them can be completely different from others, there are many issues to take in consideration as the legal aspect, the economic situation, external factors, rubs, managers' knowledge and experience (Rock, Sikora, 1994).
4 PLAYERS AND THEIR MOTIVATIONS

Now that it is clear how an M&A process takes place, I think it is necessary to delineate why M&As occur: which are the reasons that push a company to acquire or to merger with another business?

This question doesn’t have a simple and unique answer. Companies have many reasons to change their business structure through merging or acquiring another company.

In general, the common reason that pushes the players to merge or acquire another specific corporation is that companies can produce goods/services more efficiently if they combine their intellectual and physical resources (Harvard Business School, 2001).

However, different reasons are connected with the two principal actors in those processes: the buyer and the seller. They see the M&A transaction under different points of view. It is absolutely necessary for the buyer to know sellers’ reasons and vice versa, because, even though they have common jointly goals, their own individual targets are different. Therefore, to reach a mutual successful agreement, objectives have to be complementary.

Hence, to completely understand this type of transaction it is necessary to know which are the different reasons driving M&As.

From the buyer’s perspective, with the acquired company he can: increase his own company’s revenue or market share, augmenting its own portfolio of clients serving new products (cross-selling), be able to decrease fixed costs (thanks to economies of scale and economies of scope), develop the production of new products/better products thanks to the use of different knowledge/resources combined, trade a more diversified range of products (mostly conglomerate M&As take place), reduce taxes (if a profitable company buy a company that is going bankrupt the former can reduce its tax liability), use acquisitions as an alternative to the normal hiring process; there are then reasons depending on manager’s personal interests (Sherman A. J., 2011).

Related with this last point there are also negative aspects. Manager’s hubris for instance is one of the most important. The explanation of this phenomena comes automatically out from its definition Hubris is “the characteristic of excessive confidence or arrogance, which leads a person to believe that he or she may do no
wrong. The overwhelming pride caused by hubris is often considered a flaw in character. While these hubris feelings are often justified, they often cause irrational and harmful behavior” (Shimizu, Hitt, Vaidyanath, Pisano, 2004).

Moreover some theories (Crump, Zartman, 2003) explain how managers begin M&As for their own interests taking advantage of them, as when managers don’t distribute dividends to shareholders to don’t lose control and power (empire-building phenomena).

Regarding the seller, he could be willing to sell its own company due to cash flow issues, to some personal reasons (such as problems in succession or related to different opinions between shareholders), to the lack of skilled human resources in the company, to the need of changing in management or to the company’s country instability (Sherman A. J., 2011).

5 M&As AT AN INTERNATIONAL POINT OF VIEW

“(..) cross-border transactions enable clients to achieve global reach through international acquisitions, and to maximize value through the sale of their business to international strategic acquirers” (Thomson Reuters, 2012).

As I mentioned before, the majority of M&As consist in negotiations between two or more companies established in different countries. Today cross-border M&As account for more than 85% of foreign direct investment. Nowadays it seems ordinary because thanks to internationalization and globalization, for a company, dealing with a foreign company is nearly always necessary: cross-border mergers and acquisitions are viewed by many businesses as an indispensable part for their growth’s strategy (Sherman A. J., 2011).

My statement is based on real current data, in fact according to figures from Thompson Reuters/Freeman Consulting, “Accounting for over one-quarter of worldwide announced merger activity, M&A involving companies located in the emerging markets totaled US$723.0 billion during full year 2012, a 9% increase from 2011. Cross Border M&A activity totaled US$944.1 billion during full year 2012, accounting for 36% of overall M&A volume and up 6% compared to full year 2011.
Cross border M&A was driven by the energy & power, industrials, and consumer staples sectors, which comprised 42% of cross-border deal volume during 2012.”

As you can notice from the chart below the worldwide volume of cross-border M&As is really high and is increasing after the last global financial crisis.

![Worldwide Cross Border Volume Chart]


“M&A advisory fees from completed transactions totaled US$24.7 billion during full year 2012, a 13% decrease from the comparable period in 2011. Deal activity in the Americas accounted for 58% of the worldwide fee pool, while Europe, Middle East and Africa accounted for 28%. Asia Pacific and Japan contributed 10% and 5%, respectively” (Thomson Reuters, 2012).

5.1 Why cross-border M&As are successful?

International mergers and acquisitions have been observed to perform better on average than transactions that occur in a purely national context (Shimizu, Hitt, Vaidyanath, Pisano, 2004).

There are many explanations for the drive towards these positive results. In fact the differences between cultures often influence in a positive way the transaction because enrich the relationship thanks to the different backgrounds of the companies. Moreover, another motivation is that often mergers or acquisitions between companies with the same nationality can create conflicts of interest that in an international context would not exist. In fact in the first scenario, the new partner
could be seen as a competitor, instead of a collaborator for the value creation, because set in the same territory (Crump, Zartman, 2003).

To the world difference sometimes people attribute a negative meaning, because what is different often is also unknown. But the point of strength of international M&As is exactly that one. In fact “culturally distant mergers can spur innovation and learning by helping break rigidities” (Chakraborty, Swasti, Narayanan, 2008). Precisely in this way, international M&As brings many advantages to the transaction and to the relationship, but they also need to be managed in a specific way. In fact when different cultures are dealing together, it is important for the participants to understand the different backgrounds. If not some actions could be misunderstood. Necessary is therefore, that players of cross-border M&As have international management skills and knowledge (Jacob, 2007).
CHAPTER III

THE COMPARISON OF CULTURES

In this chapter I will take into consideration the dimensions and elements that characterize different national cultures, and that consequently influence negotiations and their processes.

Based on the broad literary review to which I can relate to, I’m going to describe the most important frameworks that help us understanding the elements of difference and similarity among cultures and therefore in a business environment.

The topic I am focusing on in fact has been studied in detail by many researchers in the past. A number of them analyzed cultural differences among countries to describe how people react in different ways in precise situations. This is not an easy objective because those aspects are dynamic and constantly in evolution, but thanks to the studies I am going to describe, their understanding will be more simple and meaningful.

1 HOFSTEDE’S CULTURAL DIMENSIONS

The Dutch Professor Geert Hofstede has developed one of the most interpretative model of cultural diversity, known as the Hofstede’s cultural dimensions. The model started with a statistical research begun by Hofstede in the early 70s and still constantly updating and enriched. The first research was conducted on the basis of 116,000 questionnaires in about fifty countries. Today, the available data concern a hundred countries.

For this topic this is the only model that uses a statistical approach based on a so broad amount of data. It is internationally recognized as a point of reference for anyone who approaches to topics concerning cultural differences. The model identifies five dimensions, so five cultural values, and for each country under consideration, the model indicates if those values are generally present in the observed culture with a higher or lower level than in other countries. In this way,
every culture and the consequent behaviors adopted by people, can be better understood and interpreted through the comparison with typical values and behaviors of other countries (Hofstede, 2006).

The five dimensions cover the five fundamental cultural values that constitute the heart of each culture and they are: power distance, individualism/collectivism, masculinity/femininity, aversion to uncertainty and long term orientation.

![Diagram of Hofstede's five cultural dimensions]

Exhibit 4: Hofstede’s five cultural dimensions

Anyhow culture is inclusive part of people behaviors, and it takes form and life even in companies and institutions behaviors and in their products/services. To better explain this point, Hofstede’s words are clearer than any comment:

“Every person carries within him or herself patterns of thinking; feeling; and potential acting which were learned throughout their lifetime. Much of it has been acquired in early childhood, because at that time a person is most susceptible to learning and assimilating. As soon as certain patterns of thinking; feeling and acting have established themselves within a person’s mind; (s)he must unlearn these before being able to learn something different; and unlearning is more difficult than learning for the first time” (Hofstede, 2006).
1.1 Power distance

“This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalize the distribution of power and demand justification for inequalities of power” (Hofstede, 2006).

Italy for instance, as other countries of southern Europe and some countries of Central Europe where the Roman Empire has left its trace, has a relatively high level in the hierarchical distance.
What can the difference in power distance in intercultural collaboration mean? For instance, an executive from a country of high power distance as an Arab country, always proves his power. He expects respect from his subordinates and formal behaviors. On the contrary, in countries where power distance is low, employees would try to discuss with their manager, they would want to be heard.

1.2 Collectivism vs. Individualism

“The high side of this dimension, called Individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society’s position on this dimension is reflected in whether people’s self-image is defined in terms of “I” or “we” (Hofstede, 2006).

An example of individualistic country is France, here people prefer individual opinions, being interested in themselves (and in their family) instead of being part of a group. The sense of belonging to a community is very low. We recognize this way of acting even in the work environment, where autonomy is stimulated, the recognition of one’s work is expected and each employee can express the own idea
openly even if his colleagues don’t agree with his opinion. On the contrary, in a really collective country as Colombia (it is one of the country in the world with the lowest individual scores), the society is mostly divided in groups. Within the same group (often social class) people have really homogeneous characteristics, while among groups there can be large variations. In these countries, members of the same group share normally same opinions and behave as a group and not as single individuals.

1.3 Masculinity vs. Femininity

“The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material reward for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented” (Hofstede, 2006).

Significant is for feminine countries to have a balance between life and work. Denmark is a clear example, for instance in a Danish company a manager supports his employees, decision making is achieved through involvement and incentives are fostered (for instance free time and a flexible work schedule). Societies like that are characterized by equality and solidarity among people; solving problem is at the base of them and conflicts are solved by cooperation and negotiation. The more the society shows feminine traits, the more roles are interchangeable. While in masculine societies, as the Swiss one (mostly in the German speaking part) the sexual division of roles is much more evident. In the latter, competition, performance and strong managers’ decisions characterize work environment, people are highly success oriented and driven. Here people live to work and conflicts are often solved through fights.

1.4 Control of uncertainty

“The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong
uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behaviors and ideas. Weak uncertainty avoidance societies maintain a more relaxed attitude in which practice counts more than principles” (Hofstede, 2006).

In a society in which there is a low index of control of uncertainty people tend to accept each day as it comes, to assume personal risks with ease, and to be relatively tolerant concerning different behaviors and opinions. In these societies, future remains fundamentally unpredictable, and the population exhibits a high degree of anxiety, which is manifested by a high nervousness, increased emotionality and aggression. During business bargaining, for instance between a Japanese and an English, the first will tend to reach an agreement in principle, while the second will be more concentrated on details in order to predict all possible variables. In fact Japan is one of the most uncertainty avoiding countries in the world: often subjected to environmental disasters, they learnt how to be prepared in reacting to any uncertain situations. Japanese are reluctant to do things without precedence, even in their businesses they concentrate a lot on feasibility studies to erase as much as possible risks. Whilst in Japan is quite complicate to apply changes, in United Kingdom people are comfortable in ambiguous situations, and (also thanks to their individualistic approach) they are really innovative and curious (this is one of the reason because they are precursors in the production, consume and application of innovative approaches and industries as marketing and advertising).

1.5 Long vs. Short-term orientation

“The long-term orientation dimension can be interpreted as dealing with society’s search for virtue. Societies with a short-term orientation generally have a strong concern with establishing the absolute Truth. They are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results. In societies with a long-term orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results” (Hofstede, 2006).
In countries, such as China, with high score in long-term orientation persistence and perseverance are normal. Relations are based on social status and are developed in such a way that they will last for long time (investing resources and efforts). They have full confidence in the Government and they are aware that it is formed by people, in contrast to short-term orientation countries such as the United States where people think in a probabilistic way (culture is based on traditions, commitment to social obligations and the need to have an “absolute truth”). In a business context this factor is therefore significant because even businesses are evaluated on a short-term basis: they work setting quick results.

1.6 Indulgence vs. Restraint

Recently another dimension is adopted in this classification, we don’t have yet many instructions and information about how to apply it to different countries but the relation between indulgence vs restraint is described by Hofstede in this way:

“Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms” (Hofstede, 2006).

2 TROMPENAARS’ CULTURAL DIMENSIONS

Trompenaars based his studies on cultural dimensions and he suggested that culture affects our value system. To explain his theory he developed a cultural model studying three human dimensions: relation between people, relation to the environment and relation to time.

For the approach to people the author proposes a cultural model characterized by seven dimensions. He provides a key reading on differences that may exist in these value systems trying to explain how cultures can react in a identical, similar or completely different way from ours.

Each of these dimensions is composed of a dichotomy in which each culture - and, therefore, each country - shows a propensity to one of the opposites. Understanding
where a country fits in this model may lead us to a better perception of that environment. The dimensions relate to the following categories:

**Universalism vs. Particularism**: scope of rules and systems' application  
**Individualism vs. Collectivism**: identification of self  
**Neutral vs. Emotional**: the level of control of feelings  
**Specific vs. Diffuse**: perception of space  
**Achievement vs. Ascription**: source of power and status in society

I believe that to study in deep the comparison between cultures and negotiations in an international environment, it is really important to focus singularly on each of those characteristics (Trompenaars, 1993).

### 2.1 Universalism vs. Particularism

Answering to the question “what it is more important between rules and relationships in the country?” you understand if a particular country has a more universalist or particularistic approach.

In universalist cultures, general laws and roles are considered really important and can be applied to everyone in an “absolute way”, in fact they tend to look in an objective way at the situation (everyone is considered equal and personal feelings are not clearly expressed). In business environments they make use of precise contracts and agreements, often companies identify global standards in their policies and practices. Examples of universalistic countries are Canada, USA, Netherlands and Hong Kong.

People of more particularistic countries such as Brazil, Italy, Japan, and Mexico base their behaviors on circumstances: there is not a general way to behave, but it depends on the situation. Although being part of a group is relevant, also the *individual* is important considering his own personality marked by emotions and feelings (Trompenaars, 1993).
2.2 Individualism vs. Communitarianism

Individualism is meaning of people as individuals, while communitarianism means people regard selves as part of group.

This dimension is almost the same of Hofstede’s homonymous dimension. In fact individualism /collectivism (or communitarianism) discern societies on the relative weight of individual versus group interests. If members of a specific society would answer “as a group” to the question "do we work as a group or as individuals?" it means they live in a collectivist country. In the latter, as in Malaysia and Korea, people see the community before the individual, they fix common objectives and assume joint responsibilities (even in business environments): people behave for the society’s best interests.

On the contrary, in individualist societies as the USA, the individual is placed before the group. In working teams, decisions are made by representatives, people have personal goals to reach and mostly individual responsibilities (instead of shared responsibilities, as in collectivistic countries). Individual happiness and self-satisfaction are the most important issues (Trompenaars, 1993).

2.3 Neutral vs. Emotional

This Trompenaars’ dimension is related to the importance of feelings and relationships.

In neutral cultures emotions are not shown, people act stoically and maintain composure. Clear examples are Japan and UK. Individuals do not normally reveal what are thinking or feeling, they hide their emotions having a huge control on their expressions. In these countries people don’t like physical contact, gesturing or evident facial expressions.

On the contrary, cultures as the Mexican one, are considered extremely emotional in the sense that they easily show their feelings, often really clearly and loudly, through nonverbal and verbal displays. Sometimes they can appear dramatic and “exaggerated” compared to neutral societies (Trompenaars, 1993).
2.4 Specific vs. Diffuse

Members of more specific-oriented societies clearly separate their personal and working lives. Unlike for private areas, in these countries, large public spaces are shared with others. People here are usually open and extroverted, they normally go straight to the point (i.e. US and Austria).

In diffuse-oriented cultures as Spain and China, public and private spaces have similar dimensions and working life and private life are closely linked. Usually a diffuse-oriented person is less sociable in a public space, but very open in private spaces. Here the hierarchy of authority at work can be reflected into social areas outside working hours (Trompenaars, 1993).

2.5 Achievement vs. Ascription

This dimension has to do with the status of individuals. In achievement-oriented cultures the status is based on the performances a person achieves, while in ascription-oriented cultures status is based on who or what a person is.

In the former, in companies, managers are respected because of their knowledge and skills: decisions are made by the most competent people who reach high positions through accomplishments rather than just seniority. Use of titles occur only when it is necessary.

On the other hand, in ascription-oriented cultures status refers to the religion, origin or age of individuals. Titles are often used to underline and identify the level of a person: for instance a manager is respected because of seniority and hierarchy.

The US is an example of a strongly achievement-oriented society, whilst China and Russia of ascription-oriented societies (Trompenaars, 1993).

2.6 Relation to Time

The researcher focused then on the temporal dimension, describing the two ways of managing time: for him there is a sequential or a synchronic way to do that.

Managing time sequentially means that people do only one activity at a time, that appointments are kept strictly (delay are seen as a loss of time) and that time schedule and agenda are tightly followed. For these societies “time is money”. Whilst
there are cultures which manage time in a **synchronic** way: those are able to develop more tasks at the same time; appointments are approximate and schedules are subordinated to relationships.

In relation to this topic it has also been defined that people give importance differently to *present* and *future* depending on the level of relevance they attribute to their experiences. For instance future is more important for Italians, present is more important for Indonesian, while for French and Belgian those different time periods have equal importance (Trompenaars, 1993).

### 2.7 Relation to the environment

The last important approach of Trompenaars’ cultural dimensions is the attitude of the culture to the environment. Trying to answer to the question “Do we control our environment or are we controlled by it?” he proposes two possibilities: the **internal control** and the **external control** of the environment.

In an inner-directed approach people believe in control of outcomes: people rule what is around them, nothing is events driven (typical of Western Countries); while when the environment is outer-directed people believe in letting things take the own course (Trompenaars, 1993).

### 3 HALL FOUR CULTURAL DIMENSIONS

Edward T. Hall was an anthropologist who was interested in cultural factors, in particular he is well-known for the definition of **high** and **low context cultural factors**.

In a high-context culture, many elements help people to recognize and to follow rules; communication is often implicit and indirect. While in a low context culture, few is assumed as granted, communication is clear and direct. This implies that in the latter people need more explanations, but they have also less possibilities of misunderstanding (Hall, 1983).

There are evident similarities between low context and Trompenaars’ universalist cultures and between high context and Trompenaars' particularism.
Here in the chart below the two contexts are described and compared.

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<tr>
<th>Factor</th>
<th>High-context culture</th>
<th>Low-context culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearness of messages</td>
<td>Many covert and implicit messages, with use of metaphor and reading between the lines</td>
<td>Many overt and explicit messages that are simple and clear</td>
</tr>
<tr>
<td>Locus of control and attribution for failure</td>
<td>Inner locus of control and personal acceptance for failure</td>
<td>Outer locus of control and blame of others for failure</td>
</tr>
<tr>
<td>Use of non-verbal communication</td>
<td>Much non-verbal communication</td>
<td>More focus on verbal communication than body language</td>
</tr>
<tr>
<td>Expression of reaction</td>
<td>Reserved, inward reactions</td>
<td>Visible, external, outward reaction</td>
</tr>
<tr>
<td>Cohesion and separation of groups</td>
<td>Strong distinction between in-group and out-group; strong sense of family</td>
<td>Flexible and open grouping patterns, changing as needed</td>
</tr>
<tr>
<td>People bonds</td>
<td>Strong people bonds with affiliation to community</td>
<td>Fragile bonds between people with little sense of loyalty</td>
</tr>
<tr>
<td>Level of commitment to relationships</td>
<td>High commitment to long-term relationships; relationship is more important than task</td>
<td>Low commitment to relationship; task is more important than relationship</td>
</tr>
<tr>
<td>Flexibility of time</td>
<td>Time is open and flexible; process is more important than product</td>
<td>Time is highly organized; product is more important than process</td>
</tr>
</tbody>
</table>

Exhibit 5: High Context Culture vs Low Context Culture
3.1 Time

Moreover the researcher focused his studies on timing, and defined it as **monochronic** or **polychronic**. The first one means that people do just one thing at a time, everything is planned and scheduled. This way of acting is typical of low context countries.

On the contrary, polychronic people tend to live in high context societies; they take their time to decide without carrying too much about time issues. The extreme use of this notion of time was typical of Aboriginal and Native Americans. Nowadays French are a clear example of this typology of people, while Americans are strongly monochromic (Hall, 1983).

Also here there are clear similarities with Trompenaars’ time as sequence (monochronic) and time as synchronization (polychronic).

The two different ways of perceiving time are analyzed in Exhibit 6.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Monochronic action</th>
<th>Polychronic action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions</td>
<td>Do one thing at a time</td>
<td>Do many things at once</td>
</tr>
<tr>
<td>Focus</td>
<td>Concentrate on the task</td>
<td>Easily distracted</td>
</tr>
<tr>
<td>Attention to time</td>
<td>Think about <em>when</em> results must be achieved</td>
<td>Think about <em>what</em> will be achieved</td>
</tr>
<tr>
<td>Priority</td>
<td>Put the job first</td>
<td>Put relationships first</td>
</tr>
<tr>
<td>Respect for property</td>
<td>Seldom borrow or lend objects</td>
<td>Borrow and lend objects often and easily</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Emphasize promptness</td>
<td>Base promptness relationship factors</td>
</tr>
</tbody>
</table>

Exhibit 6: Monochronic Time vs Polychronic Time
3.2 Space

Hall concentrates also on the concept of space, and our relationship within it. Space is a constant in our lives, we have concerns about it in many different situations and moments. We all do not have the same perception about space. There are many issues regarding this topic that may be driven by cultural factors: some people need more space than others, other people see their personal space as something to share while others are extremely concerned about their own territory, the personal proximity to people, etc.

Hall described the different perception of space in two ways: the high territoriality and the low territoriality. On the one hand people with high territoriality are more “territorial” than others, for them owning their own space is essential. They always try to mark their spaces to explicitly define their property. On the other hand, people with lower territoriality are less interested in the property of space they use and benefit. They often share territory and ownership with others (Hall, 1983).

4 DAVID PINTO

Another important contribution is given by David Pinto. He assumed that a common language is not enough to guarantee good communication and cooperation. Cultural norms and values have much more influence on communication than language.

Pinto enforces his theory focusing on differences between Western and non-Western countries. The approximately-structured culture is the modern Western culture: the individual has the freedom to adapt general behavioral rules on different specific situations. While in non-Western countries, where culture is precisely-structured, the behavior’s modalities are defined for each situation (Pinto, 2000).
CHAPTER IV

CASE STUDIES

The contributions I gave so far are enough to support the thesis that negotiating at an international level brings many implications that do not come out when the bargaining takes place between people of the same nationality. Although already proved it by the literary review, I think that to complete my work, I need to bring real practical cases.

In this last chapter I pointed out how international negotiation processes, their particularities and their consequences take place, by providing four examples. I propose here four different situations in order to provide evidences for the whole negotiating process (before, through and after the deal).

In fact the first case pertain to the approach of a big Italian company in negotiating with national and international actors, the second case concerns the importance of the cross-cultural management, in the third case I describe how the cultural context is important when dealing with a foreign country and which are the related risks and the last case is a unique successful example of multi-cultural team.

1 THE GEOX CASE

1.1 The company

Geox is a successful Italian brand of shoes and apparel manufactured utilizing waterproof/breathable fabrics. The company, founded in 1995 by Mario Moretti Polegato, has its headquarters in Montebelluna (Treviso - Italy). This small city is located in the North-East Italy and it is part of the district of shoe\(^2\).

\(^2\) The district of shoe is located in North-East Italy where there is an high concentration of companies producing footwear. This area is well-known all over the world for the high quality of the good produced, thanks to long tradition and high expertise.
Thanks to its innovative products, the company has a huge relevance in the Italian and global apparel and shoe business scenario. When I say *innovative products* I really mean unique and original goods.

In fact Mr. Polegato patented the famous breathable sole: this type of sole guarantees the super transpiration of the foot. This unique and revolutionary idea of perforated sole, which is totally waterproof, was then applied also to Geox apparel, creating breathable outerwear.

The entrepreneur had this incredible idea during a wine industry conference in Reno (Nevada, USA). There he could not suffer anymore Reno's hot desert climate: his feet got extremely hot and he had the idea to do some holes in the soles of his shoes with a Swiss Army knife. Mr. Polegato really believed in the possibility to apply his idea on a wide range of products and to start his own business. Perfecting and improving this new technique, he had (and still has) a great success all around the world.

Moreover, the firm enlarged its range of products focusing on the sport clothing production, thanks to Diadora brand (Italian company leader in the production of sport shoes and apparel bought by Geox in 2009).

In 2004 the company was so successful that has been ranked the number one in the Italian market for quantity of sales and reached the second position worldwide for the lifestyle-casual sector. The company had a so big relevance that, in the same year, it has been listed in the Milan Stock Market.

**1.2 Geox: international company**

It is clear that Geox is one of the main players in the Italian and international footwear and apparel market, in fact, still today, Geox detains the *leadership* in Italy in the sector of *classic* and *casual* shoes and it is increasing its, already consistent, presence abroad: on March 2012, over 60% of net sales have been registered in the main foreign markets, among Germany, France and Spain.

Mostly in recent years, Geox has grown a lot. It has 1,150 single-brand stores, almost 11,000 multi-brand shops (managed directly or in franchising) spread in 103 countries.

Although its history started in a small town in north Italy, in the first years of XX century the Group expanded internationally and established a sales organization.
exclusively to administrate the international market. This entity consists of independent agents allocated by geographical area which deal with the distribution of Geox products.

Nowadays Geox stores are situated in almost every country and, as you can see in the illustration below, the company has many branch offices all over the world.

This patented technology of small holes in the sole of the shoe which allows air out is becoming more and more successful everywhere because of the real benefit that it brings to the consumer.

1.3 Interview

As I mentioned before, to support my thesis with empirical data, I decided to focus the attention on the Geox case. In fact this company is a great example of organization which is able to maintain and develop successful relations with foreign actors, undertaking daily international bargaining.

I had the great opportunity to interview one important manager of the company (who prefers to remain anonymous). This person deals directly with all foreign partners of the company and gave me a relevant contribution for my research.

Here below the major points coming out from the interview and the final managerial implications related to my thesis.
Interview Report

*Do you think there are any differences for Geox in the negotiation process between Italian and foreign companies?*

There are huge differences in negotiating with foreign countries than with Italians. Negotiations are influenced by the knowledge you have of your counterpart, by his *forma mentis* which is based on his own legal system and by the “conduction” of each single situation.

Individuals who come from different countries often have types of legal systems influencing their way of acting, which are sometimes very different from the Italian one (especially in very distant countries as those of the Far East). Among the latter in fact we have “a common legal ground”.

Rather than to the initial moment, I am referring to the beginning and development of the negotiation, where each party brings his own cultural background. With “conduction” of the negotiation I mean bureaucratic issues, applied strategies, but also the physical approach (such as the way of speaking, of gesticulating, etc.).

As we know, northern countries are very pragmatic and are inclined to go straight to the point, while the more you go to the south, the more the pleasure of the negotiation increases. Here they “physically enjoy” the bargaining, although they already know the projected results. Here negotiations are characterized by many meetings, long introductions and presentations; often having a theatrical approach. This happens in also in Asia (including Russia, where negotiations are very long).

Instead, the Italian approach is in between the pragmatism of northern countries and the exaggerated theatricality of southern countries/Asia/Russia. In Russia, for example, you do not sit down at the negotiating table before drinking some vodka together. In China there are very specific and strict rules also for the way in which people are supposed to sit (based on the level of influence a person has in the negotiating team). Here, relevant businessmen prefer to benefit of an interpreter who speaks their language to translate everything precisely, even if they understand English very well.

With regard to complex contracts, nowadays negotiations are developed quite
everywhere in the same way: normally you begin with some initial meetings between businessmen, then you proceed with an exchange of documents between professionals (such as lawyers and consultants), and eventually you conclude the whole process with some really formal situations in which people with authority meet to sign the contract. This last step should be just a formality, but it can be quite complicated. It happened to me many times to meet at this last step the highest authority of companies and needing to spend again more hours in bargaining, although before lawyers had already tried to reach an agreement. This because there were still relevant points to agree on, that could be solved only with the help of the heads of companies.

Which countries of the world are you dealing with?

I deal with all our range of countries because this is the headquarter of the company.

You said that there are similarities, such as between Russia and countries of the southern hemisphere. Do you find other similarities among very different countries?

There are countries in the world where the rituality of negotiation is very particular. For instance, during a negotiation in Japan, the team alternates subjects who participate in the dialogue and others that seem completely estranged from the conversation. Often there are few people who speak and the others remain completely out of the speech. The latter often listen, but sometimes it happened they fell asleep and when they woke up, they suddenly entered the discussion talking about topics that seemed already defined and, decisions that seemed already taken, turned out to be totally unsettled. So the negotiation with Japanese is very complex to manage. Moreover Japanese, but also Chinese, tend to be very assertive (they always say yes), and then they change their minds after deepen the problem speaking with their bosses. In this way they question again decisions that seemed to be already defined.

Japanese, even if they are very competent, they manage the negotiation in this way, because they have an extreme respect for their partner and therefore they are
psychologically restrained in giving refusals. I had big initial difficulties to fully understand this behavior. That could be their technique.

**Do you always meet people who you have to negotiate with?**

It depends on situations, the physical meeting is not always necessary. Now with the video-conference (it's like having the person in front of you) you manage to get everywhere. In my experience, however, physical contact can be much more effective and beneficial that video-conferencing.

The audio-conference or conference-call, in my opinion, can have a very limited effect, you need the visual or physical contact to create empathy. During the negotiation you can use these tools, but in the final stage - when you have to specify final details, even if it concerns very simple aspects - it is better to meet personally. It happened very often to me to do a very exhausting trip for just one hour meeting: but that was the only way to solve the problem. Sometimes it is better to see each other face-to-face, maybe just to shake hands, instead of wasting time speaking on the phone or sending emails.

**Is there an evident ease in negotiating with Italian companies compared to foreign ones?**

There are not many differences in negotiating with any European company, we speak the same language at a legal level and therefore we have the same legal logic categories, except for the English system. In any case, our consultants intervene when there is something particularly difficult to interpret.

Regarding Italy, I think, we continue to be sure of being the smartest country in the world. In Europe, the countries in which cunning tends to prevail more than the negotiation’s intellectual property are Italy and the Netherlands (Dutch are the most cunning merchants in Europe). French, Spanish and English are far more transparent. Americans are very pragmatic, for their culture, one’s promise is very important, with or without signing the contract. For them, once you have came to agreement, it is over: there are no more possible changes. Compared to us Italians, often tempted to reverse, they are much more accurate and serious.
Why do you say that within European countries, all negotiations are similar, except for English people?

It is not a cultural issue, but it is a matter of British legal system, which is very different from ours. For the rest, negotiations with individuals from the United Kingdom is very clean, transparent, effective and there is no risk of incur in misunderstandings.

How much is the percentage of your starting negotiations that end with an agreement? And of these, how many are those whose final result is similar to what you had hypothesized?

I do not have a precise figure, but it is about 85%. We usually prepare all different possible scenarios: best case, medium and worst case scenario. However, each of these represents a satisfactory result for us, finally even the worst possibility leaves a margin of satisfaction. Therefore we must always agree on one of these three possibilities to conclude a bargaining. Even with the worst case scenario we gain something, otherwise the negotiation cannot be successful.

Concerning “timing”, do you have any particular standard?

Timing depends on the area you are operating. For example, in the purchase area there are really tight time schedules because of the needed technical timing necessary to buy products as raw material and finished products. This department has tight time schedules and strict deadlines.

Where do buy raw material? Only in Asia?

No, we buy it also in Europe. It really depends on the type of raw materials. Many are Italian (i.e. leather), while synthetic fibers are more easy to find in the Far East. Each of these products come in the production department or in the warehouse in very narrow time and according to a predetermined time-table. If this did not happen, it would affect sales activity since our production is seasonal.
If, after signing a contract, delays occur, how do you behave?

To prevent problems related to our suppliers’ delays, our contracts impose sanctions for the supplier’s default based on the “weight” of the delay, such as the payment by the supplier of a quicker delivery system (which is normally freighter, instead of shipping) or the payment of penalties (sanctions that we deduct from our supplier’s payment). In this way, the damage is minimize because, from the retailer point of view, the fact that the product does not arrive at the store in the right time, causes a considerable loss.

A renowned Italian manufacturer of underwear has experienced some problems for their advertising campaigns in Arab countries. Do you have ever had problems similar to this? You referred several times to the fact that foreign laws can represent a problem, respecting them is therefore the most complicated thing to do to reach an agreement? What about the countries’ culture where you trade?

Yes, we experienced similar problems too. For instance, once one of our t-shirt had a particular design, and when we entered the Israeli market they sent it us back. For us there wasn’t anything wrong, but for them that design reminded to the shape of a swastika.

We also had problems with some Arab countries about showing or not one or more centimeters of model’s skin.

In our industry there can also be quite similar situations for instance with concerning harmful substances within products. We abide by the most rigorous standards, but there could be some countries that have different rules. We respect the European standards, we are certified by TUV³, which is the most important certification center in the world; its headquarters is located in Germany, but its subsidiaries are everywhere, even in the Far East countries where we operate. Another example could be the labeling process: there are countries that have peculiar laws regarding it. For example, in

³ TÜVs (Technischer Überwachungs-Verein) are German technical inspection associations which aim is to validate the safety of products to protect humans and the environment against hazards
France they claim all French-written labels, for that, in this case, we cannot standardize using English.

All these issues can lead us to specific adaptations to local regulations depending on the requirements that normally we are notified by our staff there (if we have a branch office) or from our local supplier.

**I think harmful products are a relevant issue for your company since your products are considered of high quality and components. How do you manage this issue? Do you have some examples?**

A very classic example concerns the footwear. In the skin tanning, a substance that is called *Hexavalent chromium* is naturally produced, and recently it turned out to be harmful. Nowadays tanneries have evolved a lot and are able to produce tanned leather with almost null content of *Hexavalent chromium*. There are standards rules defined by the European Union, which delineate maximum limits to the quantity of *Hexavalent chromium* in the leather and therefore in the shoe. We are absolutely below these limits, however there may be some countries outside the European Union that have higher limits concerning the quantity of this substance (Japan and USA are the only ones which could have more narrow standards of Europe). That never happened, but this a possible hypothesis.

Another example are shoes with little colored lights for children: for this product’s disposal, there are special rules in each country because it contains some electrical parts and batteries. Before selling it, we have made a very accurate analysis of each legal system and we have also registered our company in the disposal consortia of different countries.

Among all possible problems, they always refer to the legal system of the country and to negotiations’ management (negotiating team and strategy in the bargaining conduction).

**As of retailers, are there some peculiarities among these in Italy and abroad?**

In Geox there are two possibilities: franchising or multi-brand retailers of small and medium levels. Through the first type you create a much more narrow relationship, so the negotiation is strictly governed by our corporate and by the contractual structure.
we have developed and which constitutes our network. So if one wants to be our franchisee has to respect our "package" according to the Italian law, thanks to that he can decide in advance whether to join the proposal to open a store in franchising or not. This is a type of negotiation which is quite developed on fixed principles; everything is standardized throughout the world, although there may be some side agreement, those would not have huge relevance (i.e. discount on furniture if the customer is in the startup phase).

The second group are the multi-brand retailers of small and mid-level, to which we subscribe general conditions of sale which are approved at the moment of the final negotiation.

1.4 Geox managerial implications

From the contribution of the interviewed I can draw some relevant conclusions on which people have to care of when dealing in international contexts.
First of all, the necessity to understand cultural bases is fundamental in each business situation when dealing with people, because relations are based on the understanding and awareness of the other.

Thanks to this interview we understood that culture and negation are connected and inseparable. To develop international negotiations we must take into account several features that in a non-international environment would not affect the way of any bargaining. The first point to take into consideration is the difference in the develop of the negotiation process: it changes in relation with the negotiators’ countries of origin, one has to be aware of the traditions and habits of the different cultures to better perform during the deal. Another important point in an intercultural negotiation process is the final goal of the bargaining: some culture prefer to create relationships based on trust so that they can last for long time, while some other countries negotiate without thinking about this possibility, they do that just because they want to sign the contract and then close any relation with their counterpart.

Relevant is also the way in which parties deal with the negotiation process. It can be a collaborative win-win process or a negotiation based on win-loss approach. The personal negotiation style, that varies from culture to culture, (and surely from person to person), can be formal or informal.
Also the direct or indirect way people communicate depends on the cultural influence. Attitude towards time is not perceived by everyone at the same way: it also changes from culture to culture, in some countries time has a high relevance while others don’t consider it much valuable. Showing feelings and emotions is also connected with people’s cultural background.

Going in negotiating act’s details, some cultures prefer to define all peculiarities of the contract, while others are more prone to sign general agreements. Furthermore another big issue is how the negotiating team works, how it is organized and how it is managed: even in that, culture, has a huge influence.

One more point which came out is the importance of the legal system: this can be a big limit in those type of negotiations because, besides influencing the terms of the agreement, it also affect structure of the bargaining and the way in which people act.

2 THE RENAULT-NISSAN

2.1 The Alliance

In 1997 Renault had the four percent of the global market share in the automotive industry. It was one of the most important player in the European scenario, but the company realized that to be able to be competitive on a global scale they needed a foreign partner company.

After relevant market researches and after taking in consideration many companies, Nissan surfaced as a possible partner. The latter, that was in acute need of liquidity (due to the bursting of the economic bubble and the successive destabilization of the Japan’s financial industry), immediately seized the opportunity.

The alliance was perfect because the two companies together could increase their market share: Renault was one of the leader in the European scenario, while the Japanese carmaker was a global company with strong Asian and US market bases.

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4 The company started the merger process with the Swedish carmaker Volvo. The merger was perfect because the two companies together covered the whole European market (Renault in southern Europe and Volvo in northern Europe). However, some French government’s interventions turned Swedish public opinion against the merger and Volvo decided to break the starting deal.
Today we can affirm that Renault-Nissan Alliance is the longest-lasting cross-cultural combination among carmakers. Through the alliance, Renault and Nissan developed their competences and performances. Nowadays together, Renault and Nissan rank in the top three car groups globally.

2.2 The cross-cultural management

The keystone for the success between the two companies was the cross-cultural management. Precisely the agreement included the participation of a COO (Chief Operating Officer) by Renault to take charge of Nissan’s restructuring, he was Carlos Ghosn. Mostly thanks to his managerial competences deriving from an extremely international background, and a relevant experience in the car industry, the alliance between the corporations has been and still remains an amazing success. The commitment of this manager improved the global performance of the two companies joined together through a cross-shareholding agreement; he was able to make the agreement unexpectedly satisfactory for both companies. With his quote "You have to be careful that at the end of the day, by trying to do more in the short-term you don’t end up destroying what had been delivering so much result on the mid-term and long-term" his philosophy of work is easily comprehensible. In fact, the manager’s plan was not to destroy the two different corporate cultures, but to make them work together in an international context.

The goal of the alliance was to increase economies of scale for both Renault and Nissan without forcing one company's identity to be absorbed by the other. Renault decided very early that in its alliance with Nissan it would massively invest in cross-cultural training, team building and consultancy for managers at all levels of the company. The French corporation wanted to be sure that their mostly French staff had a good understanding of the cultural norms and expectations of their Japanese partners.

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5 Carlos Ghosn (1954) was born in Mexico from Lebanese parents. In his successful career he has been at the head of many relevant companies, such as Michelin North America, Renault in France and in Japan and of the Renault-Nissan Alliance.
2.2.1 What made Carlos Ghosn successful? How does he differ from the former management?

When Carlos Ghosn arrived at Nissan in 1999, he found a situation that he knew extremely well: lack or profitability, excessive penchant to market share, chaos, poor brand image and blurred responsibility. The company’s departments in fact did not share competencies and knowledge.

To solve every problem he just needed to think in a different dimension from what that has been done in the past.

The former management of Nissan, in Carlos’ opinion had lost its bearings and failed to implement measures needed to make profits a priority. While improving Nissan’s situation Carlos was able to find several recipes for success.

The current Japanese executives’ solution at that time was to cut cost in irrelevant areas (e.g. air conditioning, office materials, etc.) and to downsize the company’s R&D function that is one of the most important functions in the automotive industry. Due to high costs derived from the number of Nissan’s supplier, the Brazilian newcomer, thanks to his experience, decided to separate shareholding and purchaser-supplier relations and downsize the number of suppliers in order to take advantage of economies of scale.

Another problem that the former management was facing, was the lack of information exchange between the management and lower levels of the company. This lead to several issues such as: no sense of crisis and no clear long-term vision among employees, no common vision of Nissan’s future, lack of focus on consumers and disjointed operations within the company. According to Carlos, planning needed to be centralized while responsibilities had to be clearly formulated and assigned, this is why he created the Cross Functional Teams (CFTs). He set up nine CFTs at his arrival to cover business development, purchasing, manufacturing and logistics, research and development, sales and marketing, general and administrative, finance and cost, phase out of products and parts, complexity management and organization areas. The teams were composed of ten members and each CFT formed a set of sub-teams of around 10 members. These teams were a great source of plans and ideas for business development, cost reduction or profitability improvement. Creating CFTs allowed Nissan to use employees’ knowledge, while giving them motivation and sense of contribution to company’s activity. By implementing team’s
proposals, Carlos was able to reduce capacity but increase productivity, leading to greatly enhanced manufacturing efficiency.

The true recipe was the emphasis on importance of education, intercultural background and training. His capability to solve problems is tightly linked to his experiences. The blend of these factors result in ability to find, analyze, prioritize and solve problems. However, it's difficult to talk about an ultimate quick fix, as every solution must be adapted to a situation. Potential factors may include overall company strategy, cultural sensibility to certain issues, economic situation, HR policies and group dynamics within the company and industry.

The Nissan Revival Plan (NRP) was the main factor of Nissan’s success, accounting for the most important changes in the company. The NRP focused on cost reduction and optimization: reducing excessive staff, cutting excessive production capacity, reducing the number of car platforms, reducing purchasing costs, selling stakes in non-core subsidiaries and assets, and increasing annual investments. Looking closely at the NRP reveals that this reform was not only cost reductions but also changes of business vision and corporate culture. This created a long-term growth of Nissan.

When moving back to Paris, the manager noticed that most of optimization initiatives were already implemented in Renault. If he just replicated these recipes, the result would not be significant. However, the success of Nissan did not depend only on the Ghosn’s recipes but also on the Ghosn’s leadership. In fact, when he came back to Paris to be in charge of Renault, the company was allied deeply with Nissan to create a global carmaker. Ghosn benefited from the economies of scale, scope and the synergies of the two companies in R&D at the same time having to deal with new challenges, arising from tighter merging and communication.

2.2.2 Ghosh management in France

Ghosn’s method was really successful in Japan, but due to the completely different French cultural environment the manger raced some risks in applying it to the French company. The points that could have put into question the success of Ghosn’s method in France were the following.
2.2.2.1 Higher Power distance and Individualism in France

Using Hofstede’s four cultural dimensions, we noticed that France and Japan had at least two cultural differences that could have put into question the success of Ghosn’s method. Indeed, the higher individualism of France could limit the effectiveness of group work that Ghosn was fostering, whereas country’s higher power index could have prevented the circulation of information from the bottom of the organization to its higher levels.

2.2.2.2 A difference of brand image between Nissan and Renault

Even though Nissan has never been seen as the most luxurious brand, they are considered to be an innovative carmaker, which sell middle to high range car. Especially abroad, Nissan’s car is perceived as middle range car, in terms of technology and security, partly because it is a Japanese brand. Renault, on the other hand, has always been considered as a low to middle range car company. Its most famous model in the 90’s was the Renault Espace (not too expensive and very practical family car). This may be the reason why the higher niche 4x4 models, have been firstly sold only by Nissan, as it was more compatible to their image.

Ghosn’s strategy based on innovation could have been therefore difficult to implement, as consumers couldn’t have perceived Renault as an innovative brand.

2.2.2.3 Renault was a model company in the eyes of the French society

Renault had been a public company, and became fully private only in 1997. However, it still remained public in French collective mind, especially because the State used it several times to display the social progress of the country (Renault "vitrine social").

The cost reducing system of Carlos Ghosn could therefore have been difficult to implement, as reducing number of suppliers or laying off people could have had a negative effect on company’s perception by the French society.
2.3 International HR management

2.3.1 Recruitment - selecting appropriate people for particular positions

The case shows us that hiring adequate personnel is very beneficial for the company. If a person possesses necessary knowledge, experience and features it can be a very valuable resource. Carlos Ghosn is a good example of it. Nissan largely benefited from his work. When it comes to pilots of cross-functional teams, Carlos was personally interested in their selection: he wanted to be sure that appropriate people will occupy those very important positions and he also wanted to have a close look at the next generation.

2.3.2 Training - need and significance of development for the employees

Thanks to his experience, Carlos realized that the management wasn’t aware of employees’ needs and desire to develop. Providing such possibility to workers from every corporate level he could motivate them and create a stronger relationship between them and the organization. This could improve the quality of their work and contribute to personnel’s well-being.

If there’s no mechanism to train the personnel, companies sooner or later will have to face problems resulting from bad management or inefficiency.

2.3.3 Communication – flow of information within the company

Exchanging knowledge among units and spread information across the company is essential for an organization to be effective. Employees need to know what is happening in the organization and managers need to be aware if company’s strategy and their actions are producing desired results – in the beginning at Nissan operations were disjointed, managers didn’t know if their actions resulted in improvement.

Management should also listen to the employees in order to identify companies’ problems, as well as engage workers into sharing their ideas for overcoming them.
2.3.4 Combination of management styles

There’s no universal style of management that would be effective for every company. As each organization has its own culture and follows particular strategy and objectives, different management styles are applied. Carlos learnt that a combination of management styles was more useful and efficient than the application of one specific type. He had respect for each culture and did not find any culture superior over the other.

2.3.5 Idea of Cross Functional Teams

CFTs allow to discover different perspectives, when considering particular problems. Teams’ priority is creating a business development plan that helps overcome company’s problems and improve its situation. It is essential to involve appropriate personnel into the team in order to create and implement the best solutions. Keeping balance between the CFTs and management is very important. It enables these two forces to work successfully.

2.3.6 Clear strategy and priorities

There needs to be cooperation between company’s departments - their actions cannot be separated from each other. Planning should be centralized, while responsibilities should be clearly formulated and assigned. It’s important to make employees familiar with the strategy and objectives. Not only short-term profit, but also long-term development should be company’s priorities – in the beginning Nissan didn’t focus on profitability, departments didn’t collaborate, there was no vision for the future of the company.

2.4 International managerial implications

Renault decided to use a strategic partnership (cross-holding of shares) in order to develop itself internationally, and in this way to overcome the liability of foreignness by having local knowledge and experience of the market through Nissan.
Renault’s approach when deciding to expand globally by partnering up with Nissan was the **transnational approach** (Gelfand, Fulmer, Severance, 2011). The COO Carlos Ghosn based his approach of strategy development on **local responsiveness**, **knowledge sharing**, and **organizational innovation**. Indeed, Carlos could redefine what needed to stay local and what ideas could be imported from the Renault’s headquarter.

Another functional principle was the **local adaptation of global HR practices** (as opposed to global standardization): Renault’s headquarter decision was to do what they could to improve Nissan’s situation, but they did not impose their own practices on them, because of the different cultural aspects and work practices in Japan.

Also **operations were implemented** because the new alliance required a renovation in the habits, organization and management processes of the two corporations. In these cases in fact, one of the biggest issues is to be able to manage the new international dimension of the alliance.

Some examples of how they have been able to do that are:

- In Nissan there were organized **events on cultural diversity** where Japanese and non-Japanese employees could discuss and work together to find "win-win" solutions. Sharing their own ideas and experiences could develop creativity and increase the relations amongst people;
- Nissan’s proposed **cross-cultural e-learning programs** for Japanese employees about fundamental differences with other cultures and how to communicate both efficiently and effectively in a more globally-oriented business environment. Moreover it took place also an advanced course where case studies concerning how to do business in emerging countries were used, to help participants recognize cultural differences and learn specific English expressions. Both programs helped Nissan employees to broaden their understanding of the world as well as enhance their communication skills;
- Before benefiting of the joint synergies created, people in the companies must be able to **communicate** efficiently and to understand each other’s culture, especially at top levels. For that, for instance Renault made an effort to make English become the official language of the alliance through offering language courses for its employees;
- To have an international workforce able to be efficient at a global level, the **recruitment policy** changed. After the alliance both companies hired people
with bilingual skills, preferably English other than French, and with an international background. The new hired were subjected to an induction program, which focused on both Renault and Nissan corporate cultures, industrial and commercial operations;

- **New structures**, as divisions and departments, were set up within the two corporations to facilitate physical and information transfers and to provide support for the co-operation.

- It has been created a **stock option plan** by Renault, which allowed worldwide Renault top managers in participating in the ownership of the company. In this way they felt active part of the company and they were more prone in creating value for the Group, mostly because the plan was associated to their performances.

Even today “the success of Renault-Nissan alliance is in their run as separate companies but united through cross-shareholding and mutual self-interest: the Alliance business platform maximizes synergies without destroying brand identity. They have a shared focus on results-driven synergies, cross-cultural management and respect for individual brand and corporate identities”(Renault, 2013).

This is the current situation of the companies:

Exhibit 8: Curreent Situation Renault-Nissan Alliance
3 DISNEYLAND PARIS

3.1 Walt Disney company in Europe

The Walt Disney Company was one of the American organizations that at the end of the eighties started expanding abroad. Its first venture overseas, Tokyo Disneyland, has been so successful that the management of the company decided that going abroad was the right move to increase its outcomes. After moving to Asia, the second foreign destination of Walt Disney Company was Europe, more specifically France. The new venture named Disneyland Paris. The expectations for this adventure were really high, more than all the ones of Michael Eisner, the chairperson of the corporation.

Unfortunately Disneyland Paris did not prove to be the successful venture that it was expected to be. Since the beginning this subsidiary located outside Paris had to deal with many complications, most of all because the heads of the company were decided to endorse the company American values, without accurately investigate all aspects of the European environment.

Although many studies and planning about the new venture have been made, Walt Disney has ignored or hasn’t paid real attention to some relevant aspects from cultural, environmental and financial points of view. The management of the company started the European process with the idea that “it would be able to Americanize the European habits” (Wenhe, 2009). That created, for some aspects, a big, cultural clash.

3.2 Managerial failure of the American corporation in Europe

There has been many managerial aspects in Disneyland Paris's operations that didn’t fit the European model, which consequently didn’t help the initial success of the French venture.

When Americans opened their French branch they studied the market but they have been influenced by some clichés on the European habits. For instance concerning
the food service. In fact, Americans had huge initial problems related with restaurants inside the amusement park. First big issue, they applied the US policy of not serving alcohol also in the French venture. That created a enormous discontent and debate in France, that is the “wine motherland” and where drinking a glass of it is part of daily meals. To show how Walt Disney Company didn’t understand the European’s food culture I can make another example. Americans normally eat very fast or bring their lunch in their hands continuing walking around the park, while European have the tradition to benefit of meals as moments of break, so they often sat for a while and relax. American restaurants didn’t expect this behavior and weren’t ready to meet the demand of so many customers all concentrated in the same hours of the day. That, such as for breakfasts (Americans thought that Europeans did not eat a big breakfast, so they planned to seat only a small number of guests for that meal), created huge lines and dissatisfaction caused by the lack of staff and services.

Another wrong calculation has been done then regarding transports. Indeed, in opposition to Americans who preferred to ride or to use the parks’ transports, Europeans chose to walk leaving many new transports unused.

The last important aspect initially misunderstood by the Walt Disney management concerns the stay in the park: Disneyland Paris management assumed that, as in the US, guests would remain at the park for several days overnighting in its hotels (they supposed it also because French typically have longer holidays: five weeks’ vacation against the Americans’ three), but this wasn’t in the European style. European families in fact remained in the park just for few days. In addition, contrarily to the American thought, the majority of Europeans went to the park just during the school summer holidays: that pushed the management of the park towards a more seasonal vision.

Americans also didn’t take into account the French labor law, which bases its philosophy more on the public welfare than American do. Examples, such as requiring English as the official meetings’ language and Disney’s appearance code for the staff (limitations for makeup, hair, tattoos, etc.), triggered the fury of labor unions. This American way of dealing with French employees demoralized them instead of encourage them.
Another important and practical point that Disney didn’t pay attention to, is labor cost, in fact wages were extremely higher in France than in the US (from 24 till 40 percent higher).

We can say that Americans didn’t do all wrong, for instance they took in consideration climate differences: because of the French colder weather, Americans built covered waiting areas and sidewalks. The weather has been a big issue for Disneyland Paris: in France there are just few sunny months in the year, and, despite discounted were made for the long winter season, they weren’t enough to reach the affluence’s levels of American’s Disney parks.

3.3 France and the US: the comparison of cultures

At this point I will identify the cultural dissimilarities which initially made the deal go wrong between French and Americans. According to what I already explained concerning Hofstede’s and Trompenaars’ thought I will analyze and compare the two countries basing my assumption on the authors’ dimensions.

3.3.1 Hofstede’s Framework
**Power Distance**

The US score below the world average (40) and most importantly, their score is much lower than France’s (68), which implies that in contrast to the US, subordinates in French companies expect their superiors to be powerful, authoritarian leaders. This expectation is reflected in hierarchical, centralized organizational structures with dependency relationships between higher- and lower- level managers. The hierarchy should protect against uncertainty which the French people, as stated below, want to avoid at all costs. Hence, a strong position of labor unions, acting on behalf of the workers, should not have been a surprise for Disney.

**Individualism vs. Collectivism**

The US is the most individualistic country in the world (91). France scores above the world average, as well (71). In any case, imposing rules on French employees was perceived as an attack on their individuality and freedom to express themselves. The rules were based on American values which the French people do not share. Moreover, the law in France prohibits employers from restricting individual or collective liberties and French interpretation of the law evidently differed from the American assumptions.

**Masculinity vs. Femininity**

In this regard, there is a difference between France (43) and the US (62). Although the absolute difference is almost the same as in case of individuality, France is perceived as a more feminine society, whereas the US masculine, as the first scored below the world average and the latter above. This might have considerable implications. For example, the famous sécurité sociale in France might be a problem for the American companies. The French companies, to Disney’s surprise, expected special treatment. In the US, people strive for achievement and count on themselves, hence, rags-to-riches stories, like the one of Disney, are admired.
Uncertainty Avoidance

France has one of the highest scores in the world on this index (86), indeed, French people try to minimize ambiguous situations by creating institutions and rules. The Americans (score 46) accept uncertainty. That is why they are not afraid of going abroad and introducing their business concepts (Disney in Japan and France). The French, in turn, need red tape in order to feel secure. The hierarchy should also prevent from uncertainty. The employees and generally the French society, were afraid of the new attitudes and concepts brought by the Americans. Moreover, by means of commitment to traditions, the French try to mitigate the uncertainty; therefore, they opted for clause in the contract regarding respecting their culture.

3.3.2 Trompenaars’ cultural differences

Trompenaars’ research, to a wide extent, corresponds to Hofstede’s framework. However, as far as the Disney Case is concerned, it might explain some cultural differences in a more clear way.
As already mentioned, Trompenaars’ makes a distinction between universalistic cultures where people believe that rules can be applied to everyone, and particularistic ones where they are convinced that it depends on the context. The Americans, when expanding abroad assume that their rules and business concepts would apply in the target countries as well and therefore rely on rigid systems. That was the reason why Disney overstandardized in France by not adjusting to local conditions (i.e. the product identification and appearance code as a priority).
The French look at particular rules through lenses of relationships/independencies/hierarchy/situations/circumstances. Hence, the universal appearance code did not appeal to them.
The Specific vs. Diffuse dimension also might contribute to the understanding of Disney’s problems in France. Specific cultures have a small area of privacy which is clearly separated from public life. People from these countries are open and need/convey explicit information which simply means that it is not important to know a lot about the person or culture before an effective communication can take place. The US has a specific culture whereas France a diffuse one. Hence, in France the relationship with potential customer may be even more important than the product.
Moreover, in a diffuse culture public and private spaces are of similar size and work and private life are closely linked. Therefore, it was so hard for the French people to understand all rules imposed by Americans. They did not give space and conditions for socializing at work which plays an important role as far as the communication and employee satisfaction are concerned. In France people can’t work together without having a good relationship. According to Tropenaars’ research, there are cultures which value achievement more than ascription and vice versa. The Americans value performance regardless of person’s position, title, etc. In France, on the contrary, these issues matter which explains the hierarchical structure of French organizations. Again, the example of French firms which wanted to be treated exceptionally can be given. Concerning time, we can say that Americans like to do one thing at a time, and appointments are kept strictly. This is defined as sequential approach. They are also more future oriented than French, which give importance to present, past and future equally. French can also be identified as synchronous, meaning that have the ability of multi-tasking and appointments are approximate. In the Disney case the multi-tasking ability of workers come out, and they are willing to expand their work without having to deep strictly what planned. The last aspect that Trompeenars’ takes in consideration in his analysis is the environment: French people are less inner-directed than Americans, meaning that believe less in control of outcomes and partially let things take their own course. We saw that when Disneyland came to Europe trying to control every single action of their employees.

3.4 International managerial implications

The mistakes made by Disneyland Paris building and running their new attraction in the suburbs of Paris are mostly connected with a lack of understanding and adaptation to the entering culture. They extensively used an US approach, failing to understand the real differences between the US and France and to integrate in a proper way. The Disneyland Paris initial years have even been defined as a Cultural Chernobyl because of the big management failure; American headmen were seeing hostile to the French and European cultures, and Europeans felt the American management to
be insensitive and too forceful. Cultural problems raised because different cultures customers have different perceptions even on basic issues. Disney applied American HRM practices without having adapted them to local conditions. As a result, the company had difficulties to find a common language with its employees; they received a guide handbook instead of being asked about their opinion. Wrong is affirming that Disney just wanted to completely force the French culture, because they also tried to adapt, but unfortunately all hypothetical assumptions on European’s way of living were incorrect.

From observing the case, what is relevant to point out is that when you deal in an international context it is essential to analyze and accept different values. All players need to be committed to avoid conflicts or circumstances of misunderstandings related to cultural, environmental and financial problems. Essential is to understand the habits of the culture they are getting in touch with. People’s values and opinions are the most relevant aspects when dealing in a new context: cultural differences need to be tackled and not just suppose that the foreign country will adapt to the own habits and ideals. We learnt that the Walt Disney Corporation was wrong thinking that European automatically liked their American model.

Another essential point when dealing with international businesses is the comprehension and acceptance of different countries’ legal system. If not, the risk is, as it was for Disney, to waste large amounts of money and to create general discontent.

4 CREDIT SWISS: PROJECT COPERNICUS IN SINGAPORE

This case highlights the connection between the organizations’ structure and the cross-cultural management in Credit Suisse, thanks to the Project Copernicus’ case.

Credit Suisse Group AG is a Swiss financial services holding operating worldwide. The corporation operates through four divisions: Investment Banking, Private Banking, Asset Management and a Shared Services Group. Its headquarter is located in Zurich and at the beginning of the twentieth century it had a structure which portrayed the traditional notion of organizational structure. Managers within
those offices were for the most part Swiss and the bank represented the so called *Swiss-efficiency*.

In those years Credit Suisse’s interest in the Singapore’s offshore financial centre started. This location in fact was one of the most attractive *tax havens*, because of the high level of confidentiality that organizations had for their clients. This is one of the reasons why Credit Suisse Private Banking (CSPB) decided to improve and benefit more of its Singaporean branch and in 2001 this agency began offering a unique service to its clientele. This allowed them the clients to have access to its product range 24/24 hours. To develop the necessary facilities it has been established a dedicated project: the **Project Copernicus**.

4.1 The particularity of Project Copernicus’ team

The team of Project Copernicus consisted of one hundred and thirty professionals from twenty different nationalities.

The team was so composed to be the most competent and competitive possible in facing the increasingly competition emerging in those years. Extremely relevant and innovative was that each member of the multicultural work force was at the same level as others and there wasn’t any hierarchically order; the structure of the group was **flat**.

Though the Project was split on five areas of interest (Business Development, IT, E-Commerce Platform, Marketing and the Legal Compliance) there was a permanent collaboration and exchange of ideas in the group, but not through formal reporting systems. The only permanent and fixed element was the meeting of every Monday. In those meetings, all members met to report on their work, to speak about their goals, ideas, issues and proposal, but, most of all, those moments were useful to distribute the leadership that was systematically given to different individuals. The group was run by its own members through peer group pressure and there wasn’t a stable allocation of authority.

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**Exhibit 10: Project Copernicus’ Structure**

- 130 managers from 19 different nationalities
- Structure: loosely-coupled, continuously evolving and altering in response to members’ cultural background
- Structural anchor point: 3 hour long Monday Meetings
- Interaction effect of structure and group processes.
4.2 The multi-cultural environment

During the develop of Project Copernicus it has been verified that managers that during their lives considerably got in touch with more than one culture, had the capacity to adapt to multicultural context and to the flat structure of the group with much more ease than others who didn’t. This managerial practice permitted the development of relationships on a horizontal level and integration of information that otherwise wouldn’t be done. Thanks to this open environment, exchange and learning were naturally originated and developed.

One example of this inductive learning process was when a Chinese manager went at the leadership of the Project. During Monday Meetings he didn’t give any opinion or feedback: in this way, for all members of the group, the Chinese manager was supposed to agree with their proposals and operations. Therefore, during the week, they proceeded to do what was “previously agreed”; but, while they were performing those tasks the manager interrupted them because he did not agree with their proceedings. All other members were upset by that behavior and asked for explanations. The Chinese manager clearly highlighted that for the Chinese culture it is not accepted to criticize people in public. After having clarified the different points of view, the members of the Project worked together with the manager to make him understand their different optics for attaining a better overall performance.

This example is just one of many that make us understand how the international skills, competences and forma mentis of those people led towards the development of an innovative environment. There, working jointly to have successful results was possible. It is clear that people having those specific cultural background have the ability to adapt better to flat organizations and that leadership and membership are perceived differently according with their own culture.

4.3 International managerial implications

Thanks to this model I draw the conclusions that the shared leadership, the interactive group processes, the temporariness of the team and the creativity of
the work fit the cross-cultural management. In fact, this organizational structure plays a big role in ensuring the effective functioning of a multicultural workforce. Normally tall hierarchical structures are more efficient when dealing with people from countries where the power distance is high, while flat structures fit better where power distance is low. In mixed situations such as Project Copernicus, where group’s members have completely different cultures, a flexible organization with flat specificities is better adaptable to each kind of culture. Indeed this permits the development and adoption of practices which are specific of managers from different cultures. This continues evolution in the structure and in the relationship among people is a major factor in value creation.

So even in “traditional businesses” such as banks, cross-border teams provide competences and skills for being competitive. In Project Copernicus, managers from different cultures, worked in direct contact to reach common goals. Nothing is imposed and different cultural features are mixed together in a meaningful mode. From the analysis of the case comes out that such types of teams are suitable to support dynamic environments, indeed they push towards the merger of two or more culture’s management attitudes. In this way all significant different management’s aspects of each culture are devolved toward a joint skillful solution, eliminating useless features for that specific purpose.

As mentioned before, one of the most important aspects concerns the fact that “traditional structure of organizations” are not suitable for the management of diversity. The latter has to be taken into consideration regarding the different interaction that members have within the group. In fact people with different backgrounds could experience problems when interacting, that could push them in changing or adapting their behaviors for the group’s well-being.
CONCLUSION AND MANAGERIAL IMPLICATIONS OF THE RESEARCH

This section will go through a review of objectives, findings and contributions of the paper. Then managerial implications and personal advices will be presented.

In the first part of this work I provided a global overview of the roles, styles, features and techniques of negotiations in domestic and from an international point of view.

At the beginning I defined the different styles, modes, behaviors and risks of negotiations, with a specific focus on the process of value creation. Afterwards I sharpened the attention on the international negotiation process. In that part I analyzed risks and opportunities deriving from these typology of negotiations, defining one of the most important innate aspect in them: the cultural diversity. There are many aspects on which negotiators have to take care of when dealing with people from different nationalities, such as the communication process, behaviors, attitudes, gestures, decision-making styles and the dominant system of values.

Later on, I concentrate on a particular typology of negotiation: M&As. These processes are particularly complex because their structure and development are not standard and largely applicable. Indeed they are based on the specific companies environment, each situation differ from others. Moreover I explored the context of cross-border mergers and acquisitions, and I can strongly affirm that their complexity is much more evident than in domestic M&As: the influence of different nationalities, and therefore different cultures, in the bargaining is a component that give a huge value to the negotiation, but that also implied a relevant managerial commitment.

The literary review indeed is the main topic of the second chapter, I decided to focus on it for a whole section because I believe this is an essential tool to better analyze and enforce my thesis.
The comparison between cultures is not an easy task to undertake. Many authors based their researches on this topic and I benefited of their results to highlight which are the differences and similarities among cultures and how people with different nationalities behave in specific situations.

Starting with the most well-known Hofstede’s and Trompenaars’ frameworks and proceeding with more specific theories such as Pinto’s and Hall’s theories, I took in consideration some dimensions and general cultural characteristics that drive people of each country to behave and think differently.

Those studies have been really useful in my research: thanks to them I was able to explain how people with different cultural backgrounds work together in a business environment and specifically in the negotiation’s context. Through the comparison of those aspects, in this chapter, and most of all in the next, I could in fact highlight the managerial implications which are then implemented as a result of those situations.

As already mentioned, the last chapter is more practical than the others. Here I brought some case studies to underline how effectively international negotiations and M&As work. The four cases perfectly complete my research because each of them deal specifically with some relevant topics I earlier focused on from a theoretical perspective. Thanks to the literary review then I could compare and observe each of those situations with a more critical approach using some of the frameworks before analyzed.

The managerial implications that came to light with the analysis of facts are the most relevant aspects of the last chapter. Indeed I brought those examples to show how negotiations are ruled in an international business context and what successful managers have to care of when they work in those situations.

As already put in evidence in the other two chapters, managerial implications of those context are not of marginal importance. When operating in international context, managers have the huge role to think, not only to their mere business issues, but also to the influence people have on it. Different approaches to life are innate in each culture, and those project in the conduction of negotiations.

Which will be therefore the practical impact on companies’ operations?

Have a clear idea of the cultural situation (the general cultural environment, but also the company culture) is very important for a firm especially because the business
system is also affected by cultural factors. In a country where business is conducted in a certain way, the "interference" of a new culture has a huge influence. It is well-known that one of the main reasons behind the failed negotiation or merger between two companies lies in the contrast between the different companies’ cultures involved. It may be, therefore, that the operational way of a company shall clashes with the usual modus operandi of the other.

However, what came out from my research is that, merging of two organizational cultures of similar kind in a domestic relation tend to be less successful, than the well prepared cross-border transactions. In negotiations and cross-border M&As people are more aware of the possible challenges and conflicts than in domestic negotiations and M&As, due to their cultural openness and sensibility. In fact it has been proved that, due to different cultural backgrounds, synergies arising from the cooperation between people of different nationalities bring advantages in the negotiation process if managed in the correct way.

My personal contribution can be synthesized in four key stages necessary for people to develop cross-cultural awareness and therefore to profitably deal with international negotiation processes.

Firstly, you need to know yourself: you have to be aware of your points of strength and weakness; you also have to be conscious that your cultural background has a direct effect on the process you are about to undertake. Next, you need to understand the other: factors that cause your counterparts behavior and what in different countries regard as the norm. In addition to general values and forma mentis of the interlocutor (based on legal norms), in particular direct attention should be given towards attitudes which you and others are likely to take about communication, time, risks and relationships.

Third step of handling cross-cultural differences is to know how others see you. It is essential you develop an awareness of how people from other cultures perceive you and your own culture.

The fourth step is to learn to adapt, while sticking to true to your own values.
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Déclaration sur l’honneur

Je, soussignée, ………Sara Salem………………, certifie sur l’honneur que je n’ai rien plagié dans le travail ci-joint, ce qui signifie que je suis le seul auteur de toutes les phrases dont le texte est composé. Toute phrase ayant un autre auteur que moi a été mise entre guillemets, avec indication explicite de sa source. Je suis conscient(e) qu’en contrevenant à la présente règle je transgresse les principes académiques reconnus et m’expose aux sanctions qui seront prononcées par le conseil de discipline.

J’atteste également que ce travail n’a jamais été présenté dans le cadre d’études antérieures à ESCP Europe.
S’il s’agit d’un travail réalisé dans le cadre d’études effectuées en parallèle, je dois le préciser.

Les propos tenus dans ce mémoire n’engagent que moi-même.

Fait à Paris le 13/05/2013
Affidavit

I the undersigned, …..Sara Salem………….., certify on the honor that I have not plagiarized the paper enclosed, which means that I am the only author of all the sentences this text is composed of. Any sentence from a different author than me was written in quotation marks, with explicit indication of its source. I am aware that by contravening to the present rule, I break the recognised academic principles and I expose myself to the sanctions the disciplinary committee will decide on.
I also confirm this work has never been submitted during studies prior to ESCP Europe. If this work has been written during studies conducted in parallel, I must precise it.

The remarks written in those pages only commit me.

Paris, 13/05/2013