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JOINT VENTURE ONGOING NEGOTIATION: APPROACHES,
RELATIONAL ANTECEDENTS, AND INFLUENCE
OF NATIONAL CULTURE

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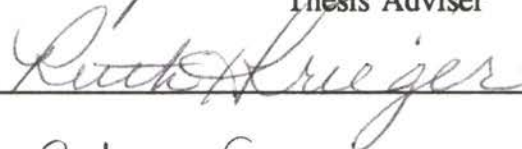
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CHAPTER I

INTRODUCTION

Strategic alliances have become important as inter-organizational cooperative arrangements. This is especially the case for multinational corporations. As claimed by Contractor and Lorange (1988):

Until relatively recently, the study of international business management was substantially devoted to the problems of the multinational enterprise as a self-contained and internally controlled administrative system. The standard operating paradigm was globally optimizing parent supervising a constellation of controlled or fully owned foreign affiliates. ... There is a growing recognition, however, of the alternative modes of international business operations involving negotiated arrangements between two or more firms. In this mode, companies cooperate by sharing control, technology, management, financial resources and markets. ... Yet, the firms chose cooperation over competition (p.xxv-xxvi).

For instance, until 15 years ago, many U.S. multinational companies shunned joint ventures in fear of loss of control (Gomes-Casseres 1989); but recently, international joint ventures (IJVs) along with other forms of contractual arrangements have outnumbered the wholly-owned subsidiaries among U.S.-based multinational enterprises by 4 to 1 (Contractor and Lorange 1988). Even top American antitrust officials now believe that cooperative alliances will play a vital role in promoting the international competitiveness of the U.S. economy (McGrath 1984).

Take IJVs as an example. As a typical form of international strategic alliance,

joint ventures involve the creation of a new, separate, organizational entity jointly owned and controlled by the parent organizations (Pfeffer and Nowak 1976).

Although joint ventures have long been known as a major foreign market entry mode for large multinationals in the developing or regulated economies, often under external mandates such as government investment laws, they have been increasingly used for broader strategic objectives, been wider in territorial scope and involved more varied partners in terms of size, type, and national origin (Contractor and Lorange 1988). The proliferation of new ventures reflects the growing recognition that the competition is increasing to the point where joint venturing yields strategic benefits which are otherwise unavailable (Arndt 1979).

Strategic alliances are by no means limited to the international arena. It has been increasingly realized that most of business-to-business exchange processes involve long-term relationships, and such interfirm relationships are important in the maintenance of sustainable competitive advantages (Dwyer, Schurr, and Oh 1987; Webster 1992; Powell 1990; Day 1990). Indeed, the trend toward strategic alliances has recently accelerated so dramatically that it is considered as a genuine paradigm shift by marketing scholars (Kotler 1991; Webster 1992; Morgan and Hunt 1994).

Ongoing Negotiation in Strategic Alliance

Despite their popularity, the success of strategic alliances tends to be problematic and have a high failure rate (Sherman 1992; Killing 1983; Beamish 1988). Traditionally, academicians concentrate on formal control mechanisms for

explanation and remedy, with share of equity participation being a central concern. While formal structure and partner selection are important, disagreements or conflicts that occur during day-to-day interactions may lead to deterioration of the relationship (Dabholka, Johnston, and Cathey 1994; Lane and Beamish 1990; Ring and Van de Ven 1994). In other words, a successful cooperation may not so much depend on the degree of equity participation as on the partners' daily interactions, since the process of collaborative exchange takes place at operating levels and conflict tends to occur in seemingly routine aspects of interaction between partners (Meyer 1993; Hamel 1991; Friedmann and Beguin 1971). Increasingly, alliance management has been criticized for its emphasis of the initial alliance structure and formation while giving little attention to the ongoing negotiation after an alliance has started operation.

The timeliness of negotiation research has resulted from recent shifts in marketing theory from a focus on discrete transactions to relational exchange (Dwyer, Schurr, and Oh 1987). Relational exchange denotes long-term, continuous, and complex relationships in which the individual transactions are of relatively little importance compared to the relationship itself (MacNeil 1980). Since exchange relationships evolve and inevitably entail disagreements over time, effective handling of ongoing negotiation becomes central to managing such associations (Ring and Van de Ven 1994). As a unique mode for resolving disagreements, negotiation differs from other conflict management approaches (dissolution of the relationship, third party mandates, etc.) in that participants tend to bear an explicit intent to reach an agreement (Pruitt and Carnevale 1993). Therefore, it is more likely to be adopted by

parties involved in long-term relationships, given the belief that the ongoing relationship must be safeguarded.

Although relational exchange is believed to subscribe partners to certain types of negotiation behavior, rather different approaches are actually adopted by alliance partners, which in turn have critical organizational consequences. In general, an amicable resolution may increase productivity and level of satisfaction in the working partnership (Anderson and Narus 1990), while a hostile negotiation approach may lead to relationship dissolution (Morgan and Hunt 1994). Negotiation's impact is so overwhelming that some scholars use it to model the entire evolution process of long-term exchange relationships (Dabholkar, Johnston, and Cathey 1994).

Joint Venture Partners' Use of Negotiation Approaches

Joint venture success is inherently problematic since a joint venture involves two (or more) parent companies with divergent goals and interests (Friedmann and Beguin 1971; Killing 1983). Because of this, joint venture operations are actually series of face-to-face negotiation (Adler and Graham 1989). Indeed, negotiation is a more critical component of joint venture operation than of nonequity-based strategic alliances, since joint venture partners are usually unable to eliminate conflicts by leaving the relationship (Arndt 1979). In other words, as long as a joint venture partnership is considered worth the effort to sustain, partners would prefer negotiation activities that are more integrative in nature than other conflict resolution strategies.

A review of the joint venture literature, supplemented with the findings from

the field interviews with managers in Sino-foreign joint ventures, reveals four negotiation approaches that are used by joint venture partners. These four negotiation approaches -- *Problem-Solving*, *Compromising*, *Forcing*, and *Legal Recourse* -- are examined in this study.

Problem-Solving is evident when the participants openly exchange information about goals and priorities and continually propose new alternatives (Pruitt 1981). With such an integrative approach, the intent is to search for a solution acceptable to both parties, while the tone tends to be persuasive or argumentative.

Compromising refers to the negotiation approach that seeks a middle ground between the initial positions of both parties (Froman and Cohen 1970). Although such a strategy tends to stop short of fully exploring the best available alternative (Pruitt and Lewis 1977), the intent to reach an agreement equally acceptable to both parties is more recognizable than with the problem-solving approach. Many joint venture partners, in fact, simply refer to the compromising approach as cooperation.

Forcing is the strategy when power is used to make the other party comply (Blake and Mouton 1964). In a joint venture context, a major way of forcing is to win one's own concerns with voting rights based on majority ownership. Other sources of power in joint ventures include management responsibilities, technology expertise, and backups from a partner's government (Friedmann and Beguin 1971).

Legal Recourse is observed where a party appeals to a formal legal agreement to gain compliance (Frazier and Summers 1984). Given a joint venture's high degree

of contractual formality, legal documents provide a unique basis upon which joint venture partners carry out ongoing negotiation.

Joint ventures involve divergent goals and interests. At any negotiation table, parties have a tendency to search for resolutions which best serve their own interests, the tendency leading to assertive behavior in negotiation. However, joint venture partners also share a common or complementary objective such that the concerns about "common good" outcomes will result in an integrative or cooperative tendency toward negotiation. While each partner has reasons to pursue its own objectives, the joint venture partnership will be endangered if the partners are only concerned about their own organizations.

Given the significance of negotiation processes in the maintenance and development of long-term relationships, if critical antecedents to partner negotiation approaches can be identified, remedies for preventing strategic alliances from failing may be proposed.

Antecedents to Negotiation Behavior

To fully understand partner negotiation behavior in joint ventures, a systematic, integrated model identifying the antecedents to the selection of negotiation approaches is needed. The objective of the present study is to better understand such linkages. The research will draw on the existing literature and managerial observations to suggest a set of critical relational factors that have a bearing on the use of different negotiation approaches and to examine them empirically.

The literature in marketing and related disciplines identifies three relationship characteristics that have significant influence on negotiation behavior: relationship commitment, trust, and relative power. This study will examine these variables as antecedents of various negotiation approaches used in the joint venture context. The three variables are briefly discussed below.

Relationship Commitment

Relationship commitment is "an enduring desire to maintain a valued relationship" (Moorman, Zaltman, and Deshpande 1992, p.316). As an attitudinal variable, relationship commitment denotes the willingness to implicitly or explicitly pledge relationship continuity between exchange partners (Dwyer, Schurr, and Oh 1987). A committed party will exhibit an explicit long-term orientation, that is, a willingness to make short-term sacrifice to maintain the relationship (Ganesan 1993).

Relationship commitment is an important variable when studying negotiation approaches adopted by alliance partners. Considered as a sense of duty to the venture and the other partner, it provides a basis on which problems are addressed and solved. For instance, while information exchange and problem-solving are more likely to be initiated by a committed party, the forceful, dominant approach tends to be practiced by a partner who commits little to maintaining and nourishing the relationship (Lane and Beamish 1990).

Trust

Trust refers to the belief that a party's word or promise is reliable and a party will fulfil his/her obligations in an exchange relationship (Blau 1964; Rotter 1967; Schurr and Ozanne 1985). While trust has long been important in the marketing channel domain, it is considered as key to a successful strategic alliance (Spekman 1988; Ganesan 1993; Moorman, Deshpande, and Zaltman 1993).

Trust is seen as being supportive of certain negotiation approaches. Given strong trust in a relationship, partners "are more likely to work out their disagreements amicably" (Anderson and Narus 1990, p.45). For instance, trusting relationships are more likely to lead to problem-solving and exchange of information (Pruitt 1981). Trust may also impact the extent to which a partner relies on formal legal documents as tools for conflict resolution purpose. When each party has confidence that the other party will interpret the uncertain future in a cooperative manner, working out of all contingencies into contract form becomes unnecessary (Ouchi 1980; Dwyer, Schurr, and Oh 1987; Ring and Van de Ven 1994). Based on such reasoning, use of a legalistic approach should be less likely between trusting partners.

Relative Power

Power, defined as a potential for influence on another's beliefs and behavior (El-Ansary and Stern 1972), has been consistently treated as an important variable affecting negotiation behavior (Kahn et al. 1964; Deutsch 1973). Relative power, the

extent to which one party is more powerful than the other, results from the comparative levels of resources brought into the alliance by a partner. The resources may be direct financial investments by the parties or other resources such as exclusive import rights held by an in-country partner. It is suggested that unbalanced power encourages the powerful party to engage in more demanding or threatening behavior and less concession-making (Dwyer and Walker 1981; Dwyer and Oh 1987), whereas a balance of power leads to coordinative approaches from both parties, especially when switching costs are high (Dabholkar, Johnston, and Cathy 1994).

Power -- or its reciprocal, dependency -- has long been considered as influential in marketing negotiation (Dwyer and Walker 1981; Frazier, Gill, and Kale 1989). While, under more enduring relational exchange, relationship commitment and trust may be key to maintain successful partnership, power asymmetries and their influence on negotiation processes remain a facet of life (Harrigan and Newman 1990). To reveal the interrelationships between power and various negotiation approaches, the present study includes it as one of the three independent variables that constitute the relationship context of negotiation behavior.

National Culture

A concept quite important to international strategic alliances is that of national culture. When partners come from different countries, they often bring to the negotiation table different cultural dispositions with which to interact. Studies have found that culture influences the negotiation's outcomes and processes as well as

perceptions held by partners of strategic alliances (Parkhe 1991, 1993; Tse, Francis, and Walls 1994; Gundlach and Murphy 1993). National culture's impact on negotiation activity can be examined from different perspectives. In the present study, it will be analyzed for its possible moderating influence on the proposed linkages between three relationship elements and choice of negotiation approaches. For example, a hypothesized negative relationship between trust and legal recourse may be stronger for one national group than for another, due to difference in some underlying cultural dimension(s).

National culture consists of some fundamental values. With respect to negotiation behavior, four dimensions of national culture appear to have a bearing on the preference for negotiation approaches. These dimensions are *Collectivism*, *Ambiguity Tolerance*, *Humanism*, and *Long-term Orientation*. In this study, national culture is operationalized by the respondent's native culture, i.e., American culture and Chinese culture. The information available in anecdotal and scholarly literature suggests that the American culture and Chinese culture provide substantive differences over the four culture dimensions.

Collectivism concerns the relationship between the individual and his/her group. Depending on whether people belong to a collectivist culture or its antithesis, an individualistic culture, they will exhibit variance in the sense of interdependency, concerns with relational harmony, etc. Strong evidence in the literature shows that the cultural dimension of collectivism versus individualism relates to negotiation behavior (Gudykunst 1988; Ting-Toomey 1988).

Ambiguity Tolerance indicates the extent to which a culture programs its members to feel comfortable in unstructured situations (Hofstede and Bond 1988, p.11). Cultural orientations regarding ambiguity determine people's attitude toward principles and rules, ideas, and interpersonal relations. Tolerance or avoidance of ambiguity has been found to impact communication and negotiation styles (Hall 1976; Levine 1985).

Humanism denotes the extent to which human contexts are concerned in social processes (Yum 1988). A culture of humanism pursues trusting human relationships, relies on human affection in decision-making, and emphasizes social aspects in exchange processes. On the other hand, a culture of human-neutrality endorses rationality, concerns about task objectives, and refutes the interference of human affection in the accomplishment of goals. A prominent example of the affect of cultural variance in humanism on negotiation is found in U.S.-Japanese joint ventures, in which American and Japanese managers hold different perceptions on the use of a legalistic approach in resolving disagreements (Sullivan et al. 1981).

Long-term Orientation, as defined in the present study, refers to the cultural disposition toward shorter or longer time horizons within which gratification and reciprocity are allowed to be deferred. Since partnership has a time dimension, a partner's time orientation may influence his/her behavior pattern at the negotiation table. The use of compromising approaches, for instance, requires a partner to accept short run imbalanced reciprocity in light of future collaborative benefits (Anderson and Narus 1990).

The present study will thoroughly examine the influence of each of these cultural dimensions on negotiation behavior. National differences along these cultural dimensions will be discussed, particularly with respect to the national groups involved in the current study.

Fundamental Questions

In light of the timeliness of the research into relational exchange and the long-due task of incorporating national culture into the negotiation process, this study will specifically address the research questions: (1) how do relational variables influence partners' use of varying negotiation approaches? and (2) how does national culture moderate the above relationships between relational contexts and choice of negotiation approaches?

Negotiation behavior is a function of many contextual variables. This study will be confined to examining three relational factors -- relationship commitment, trust, and relative power. To empirically investigate the effect of national culture on negotiation behavior, the study will identify specific cultural dimensions of direct relevance. Assuming relational antecedents are of greater importance than cultural ones, however, the present study takes national culture as a moderating variable. The study will:

1. Examine a set of critical relational antecedents to partner negotiation approaches;
2. Examine the cultural dimensions that influence partner negotiation behavior;

3. Empirically examine the conceptualized associations among negotiation approaches, their relational antecedents, and national culture.

The conceptual model to be tested in the present study is portrayed in Figure

1.

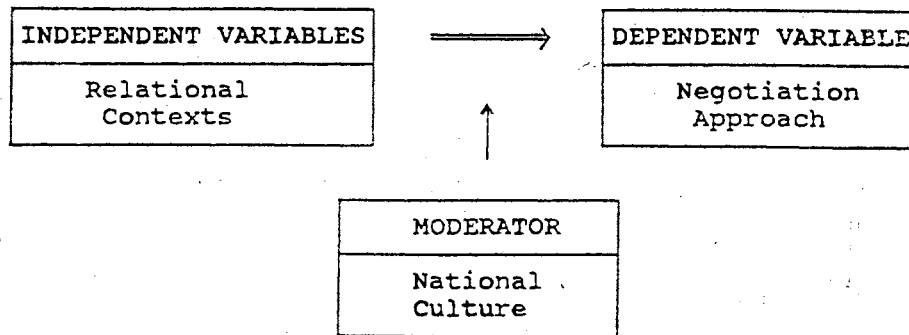


Figure 1. Proposed Model of IJV Negotiation Behavior

Study Design

A survey research methodology will be used for the present study. It will include key informants from within IJVs in order to obtain information on relational contexts and negotiation strategies used by the joint venture partners. The unit of analysis will be the joint venture as represented by joint venture managers.

The study will be limited to joint ventures involving U.S. and Chinese firms and operating within the People's Republic of China (hereafter China). These U.S.-Chinese joint ventures are chosen as the research setting for several reasons. During the past decade, more joint ventures have been formed in China than in any other countries (Beamish 1993). By the end of last year, China had approved U.S. investments in 16,221 projects, which involved a total contractual overseas investment of \$18.3 billion. More importantly, Chinese-foreign joint ventures have passed the initial experimental phase (Shaw and Meier 1993), so as to assure more consistent research findings. Finally, China, the cradle of Confucianism, represents a cultural system far different from that of the Western world that is ideal for national culture comparison purposes.

Measures within the study have been adapted from prior research studies. The criterion variable, negotiation approach, will be measured using a scale adapted from Rahim (1983), Boyle *et al.* (1992), and Ganesan (1993). Measures of relationship commitment, trust, and relative power are adapted from several existing scales in the marketing literature (Moorman, Deshpande, and Zaltman 1993; Morgan and Hunt 1994; Ganesan 1993). Instead of directly measuring national culture, the present study will use Chinese and American managers as key informants to represent two different cultural groups, based on the identified cultural dimensions which are appropriate to distinguishing the Chinese and American cultures.

Factor analysis, correlation analysis, and other statistical methods will be used

to purify the measurement scales. The research hypotheses will be tested using multiple regression techniques.

Substantive Contributions

The present study will make several contributions to existing literature. For an important but largely unexplored topic -- negotiation behavior in cross-cultural strategic alliances -- existing theorizing and managerial observations are synthesized, conceptual relationships are formally integrated, and a major step is made in rigorous empirical testing of hypothesized relationships.

To Joint Venture Studies

While numerous in volume, previous research on international joint ventures has largely been built upon economic models and pays little attention to behavioral mechanisms of ongoing negotiation. Admittedly, cost-benefit analysis and control mechanisms based on ownership are important. However, the actual processes of negotiation for ongoing issues are equally critical to effectiveness of joint ventures (Lane and Beamish 1990; Grandori and Soda 1995).

To date, marketing scholars have paid little attention to interfirm relationships in joint ventures (Habib and Burnett 1989). Distinguishing joint venture partnership from those that do not involve pooling of equity interests, researchers tend to consider the latter (e.g., Heide and John 1990). By exploring joint venture processes from a negotiation perspective using existing concepts and models in marketing, the present

study provides a strong case for how marketing can contribute to the understanding of joint ventures as complex marketing institutions.

To Relational Marketing Literature

According to Dwyer, Schurr, and Oh (1987, p.22), negotiation provides an excellent framework for research on relational exchange because of its rich traditions. The present study seeks to make contributions to the emerging research on relational marketing in two ways. First, it attempts to integrate two sets of critical relational factors in the study of relational exchange processes. When shifting focus from discrete to relational exchanges, some marketing scholars are challenging the central position of the power construct in research, in favor of cooperation-centered concepts such as relationship commitment and trust (Morgan and Hunt 1994). While recognizing the "lubricant" functions of the latter factors in relational exchange, the present study warns against the tendency of underestimating the critical role of power in inter-organizational relationships. In this study, relationship commitment, trust, and power are considered simultaneously as contextual antecedents to negotiation behavior in light of their "relational relevance". Their individual and joint effects will be empirically investigated in the joint venture context.

Secondly, the present study examines the validity of some existing conceptualizations in marketing by incorporating national culture as a theoretical variable, responding to the call by scholars of relationship marketing (Webster 1992; Gundlach and Murphy 1993; Anderson and Weitz 1989). It has long been a concern

that marketing concepts and models developed in the United States and other developed countries might be context-specific (Cunningham and Green 1984; Frazier, Gill, and Kale 1989). For example, does the trust-negotiation linkage as proposed in prior research hold true across different settings, or is it specific to a certain societal context? This study is based on the premise that critical variables in relationship marketing, such as trust, can be better examined in a cross-cultural context and that IJVs offer a testing ground for theory-building in this domain (Buckley 1991).

To Sister Disciplines

Marketing has been criticized as if it has only borrowed from, but seldom contributed to, other disciplines (Sheth 1992). The findings of the present study will contribute to the understanding of cross-cultural communication and negotiation styles, issues that are of lasting interest to scholars in social psychology and other behavioral sciences.

A major flaw of social psychology studies of cross-cultural negotiation behavior is that they tend to treat national culture as an independent variable without fully considering other contextual factors that may be of greater importance to the preference for varying negotiation approaches. Another flaw of this literature is that scholars often stop short of identifying all relevant cultural dimensions other than that of collectivism-individualism. In contrast, the current study examines culture's effect on negotiation behavior within critical relational contexts (commitment, trust, and power). In so doing, it makes a major effort to identify those other (than

collectivism-individualism) cultural dimensions that have a bearing on negotiation behavior.

To Marketing Practitioners

The present study is built on the presumption that strategic alliances' high failure rates can be partially explained by partners' mishandling of ongoing negotiation and that such a managerial problem is potentially controllable (Niederkofler 1991). By specifically examining those relational factors that lead to different negotiation strategies, the study charges the international marketer with due attention to day-to-day interaction after the alliances are formally structured.

The study investigates national culture's impact on partners' choice of negotiation strategies in a U.S.-Chinese joint venture context. As the world business has shifted focus from the Atlantic to the Pacific Rim, U.S. firms have more and more encountered oriental counterparts, not only as competitors but also as collaborators. Understanding the other party's culture will enable the marketer to implement effective negotiation strategies, to reduce errors in communications, and to take more of an adaptive stance in ongoing negotiation so as to manage the relational exchange effectively (Tse et al. 1988; Tse, Francis, and Walls 1994; McKenna 1995).

Outline of the Dissertation

This dissertation is organized into five chapters. The first chapter provides an introduction to the dissertation. Chapter II reviews existing literature to build a

foundation for the present study. The construct of negotiation will be defined and prior research in the realm of negotiation will be consolidated. In examining contextual antecedents of negotiation approaches, a detailed discussion will be devoted to variables that constitute the relational context of negotiation process. Then, a major effort will be made to identify cultural dimensions that are particularly relevant to negotiation behavior. The following chapter introduces the research design and methodology used in the study and lays out research hypotheses for empirical testing. In Chapter IV, the research results and tests of hypotheses will be presented. A comprehensive overview of the findings and limitations of the present study and directions for future research are offered in the last chapter.

CHAPTER II

LITERATURE REVIEW

Strategic alliances¹ are gaining popularity as important marketing institutions. U.S. firms, which were known for refusing to enter such inter-organizational arrangements in the past (Friedmann and Kalmanoff 1961), are increasingly forming domestic and international strategic alliances. The primary increases have been in the international arena, where accelerated globalization is making alliances a *sine qua non* condition for corporate survival (Ohmae 1989).

Despite their spreading popularity and importance, strategic alliances have a high overall failure rate, largely resulting from unsolved conflicts among alliance partners (Lorange and Roos 1991). For example, roughly one-third of the strategic alliances are outright failures and the failure rate in developing countries can be as high as 50% (Sherman 1992; Beamish 1985).

Traditionally, academicians have concentrated on formal control mechanisms for conflict management, with structure of equity participation being a focal point of inquiry (Tallman and Shenkar 1994). It is suggested, for example, that a joint

¹. A detailed discussion on prior conceptualizations of strategic alliances is beyond the scope of the current study. In concert with Berg, Duncan, and Friedman (1982), we consider strategic alliances as including all inter-organizational arrangements among independent firms that work together to attain some strategic objective.

venture is most likely to be stable when one partner plays a dominant role based on majority share (Killing 1982, 1983). Reflecting on such a focus, previous research has largely been done around the structural aspects of strategic alliances and the initial negotiations leading to the formation of the alliances.

However, alliance success may not so much depend on the formal structure as on the partners' day-to-day interaction, since the exchange process takes place at operating levels and conflict tends to occur in seemingly routine aspects of interaction (Meyer 1993; Hamel 1991; Lyons 1991). Indeed, strategic alliances should be managed as a process, whereby ongoing negotiations unfold and modify an inter-organizational relationship over time (e.g., Dabholkar, Johnston, and Cathy 1994; Hamel, Doz, and Prahalad 1989). Such a process perspective is summarized in the following statement:

Process, however, is central to managing IORs (note: IORs denote long-term interorganizational relationships). As agents for their firms, managers need to know more than the input conditions, investments, and types of governance structures required for a relationship. These process issues also have important temporal implications for performance. The ways in which agents negotiate, execute, and modify the terms of an IOR strongly influence the degree to which parties judge it to be equitable and efficient also influence motivations to continue in, or terminate, the relationship over time may cast a positive, neutral, or negative overtone to the relationship, influencing the degree to which parties settle disputes arising out of the IOR (Ring and Van de Ven 1994, p.91).

Compared with non-equity alliances, joint ventures² rely more on the negotiation process for conflict resolution, since the partners are less able to solve

² Equity alliances refer to those involving equity pooling, represented by equity joint ventures, whereas non-equity alliances, sometimes called contractual joint ventures, refer to those without such equity participation (Teagarden and Glinow 1990). Throughout this manuscript, the term joint ventures will be equivalent to equity joint ventures.

conflict by leaving the relationship (Arndt 1979). A defining characteristic of joint ventures is that a new, separate entity is created, jointly owned by the parent organizations (Pfeffer and Nowak 1976). In general, investments made by joint venture partners are more substantial than those made by partners of non-equity alliances. Such equity participation is used as a bonding tie that makes it more difficult for partners to exit the relationship. With such a concern, a win-win condition often is perceivably in the interest of involving parties (Lyons 1991). In addition, since joint ventures involve joint management, ongoing interactions tend to be more intense, in comparison with some non-equity alliances such as licensing agreements (Killing 1980). In short, negotiation should be a most viable tool for joint venture partners to resolve disagreements in maintaining beneficial relationships.

Although strategic alliances do not necessarily involve participants from different countries, cross-cultural alliances are a more prominent manifestation of the phenomenon. As such, national culture has been identified as an important factor that influences the processes of conflict and negotiation within strategic alliances (e.g., Tse, Francis, and Walls 1994; Lane and Beamish 1990). Indeed, cultural differences in perceived functionality of conflict and in preferred approaches to conflict resolution are considered to be an area that calls for serious examination of the context-specific applicability of conventional theorizing on inter-organizational relationships (Parkhe 1993).

While research that specifically addresses the issues of ongoing negotiation within cross-cultural strategic alliances has been scant, there are two streams of

literature that can be used in laying a foundation for studies in this realm of inquiry: (1) the negotiation literature from multiple research traditions; and (2) the literature on national culture. This chapter reviews and consolidates important findings from these two streams of research. Since strategic alliances are chosen as the research setting of the current study, the review will make reference to the processes of strategic alliances.

Conceptualizations in Negotiation Literature

While the study of negotiation has been a multidisciplinary endeavor, its theoretical foundations have largely dwelled on the tradition of social psychology represented by such prominent scholars as Schelling (1960), Deutsch (1973), Rubin and Brown (1975), Thomas (1976), and Pruitt (1981). This research tradition expresses attempts to analyze aspects of negotiation with tools of behavioral science. Using a variety of methodological tools, pioneering scholars have widely explored the nature, scope, and basic tenets of negotiation as a complex interaction process. Thanks to their effort, a subdiscipline -- "social psychology of negotiation" has been established (Druckman 1977, p.15). Although some later studies intend to offer more sophisticated conceptualizations, the breadth and profundity of aforementioned foundation work have rarely been challenged.

The importance of management of long-term relationships, as reflected in multiple forms of strategic alliances, has been recognized for some time. Not until recently, however, have academicians realized the critical importance of ongoing

negotiation in these interfirm arrangements, reflecting on the inability of structural economic frameworks in explaining the high failure rate of strategic alliances (Dabholkar, Johnston, and Cathey 1994; Ring and Van de Ven 1994). In addition to describing inter-organizational relationships as a developmental process, scholars in marketing as well as in management and international business put special emphasis on the crucial elements that determine partners' interaction behavior under such collaborative arrangements (Achrol 1991; Morgan and Hunt 1994; Gundlach 1994; Niederkofler 1990; Buckley and Casson 1988; Gulati 1995). To obtain a more fruitful understanding of ongoing negotiations in strategic alliances, consolidating this emerging but rather scattered literature is an essential first step.

Prior research in anthropology, sociology, and comparative management has produced a sizable body of knowledge about national culture and its influence on human behavior. For instance, anthropologists' contributions to negotiation research have been to widen the conceptual focus of the field by viewing negotiation as problem-solving processes involving all kinds of social relationships (Gulliver 1988). Recent effort has been made by a group of scholars of so-called cross-cultural psychology/communications, who use national culture as an explanatory tool in the studies of negotiation and conflict behavior (Leung and Wu 1990). With further elaboration of specific cultural dimensions, this body of research can help lay a foundation for investigations of cross-cultural negotiation process.

Negotiation Defined

The term negotiation merits explanation. As the study of negotiation has been an interdisciplinary endeavor, existing definitions of negotiation are not consistent. In general, researchers have approached the term from two perspectives: the mini-processes view and the macro-processes view. The mini-processes view focuses on discrete actions leading to the resolutions of some issue. A dictionary definition exemplifies such a perspective: negotiation is to deal or bargain with another or to confer with another so as to arrive at the settlement of some matter (Rubin and Brown 1975, p.2).

Admittedly, negotiations for discrete transactions are important. However, many prominent scholars in various research domains have taken a macro-processes view of negotiation. According to this view, negotiation is an ongoing process of complex interactions. In contrast to the discrete bargaining between individuals over some sale or purchase, such a view takes into account interactive processes covering wide-range social contexts, such as conflict resolution and problem-solving, involving complex social units and longitudinal process (Rubin and Brown 1975; Guetzkow 1977; Gulliver 1979; Stern, Bagozzi, and Dholakia 1977).

Framing negotiation in a broad social context has had important effects. Most significantly, negotiation as an interaction process is considered not exclusively restricted to the management of specific disputes, but involves "anything that bears on the establishment or servicing of human relationships" (Rosen 1984, p.182). As explicated by Gulliver (1988):

In this perspective, particular interpersonal or intergroup relationships, indeed, whole social orders, institutions and organizations, can be perceived as being in more or less a continual state of negotiation and are, in a significant sense, the product of those negotiations (p.250).

The macro-processes view of negotiation may provide a promising research avenue for the study of business-to-business relationships by supporting the view of marketing as exchange (Alderson 1965; Houston and Gassenheimer 1987).

Negotiation traditionally is considered as a major component of comprehensive models of industrial buyer-seller relationships (Bonoma and Johnston 1978) and interchangeably is used to term the process of conflict resolution (Purdue, Day, and Michaels 1986; Ganesan 1993). As marketing scholars shift their focus to long-term exchange relationships, which are governed by negotiated agreements (Dwyer, Schurr, and Oh 1987), the processes of relationship formation, maintenance, and evolution can be examined as a longitudinal dyadic negotiation process, with the exchange relationships as a sequence of negotiation outcomes (Dabholkar, Johnston, and Cathey 1994).

In keeping with the macro-processes view, the present study defines negotiation as a unique mode of interaction between participants with divergent interests and an explicit intent to reach an agreement. Also, conceptualizing divergence in interests as a generic term for conflict, negotiation is considered one of many mechanisms for resolving social conflicts (Ganesan 1993).

Divergent Interests and Conflict

The precondition of negotiation is the existence of divergent interests between

participants. Divergence in interests is evident when participants' original positions regarding the issues are different. Such different original positions are major causes for social units to interact with one another, no matter whether the case involves family members holding various preferences among a set of consumption options or concerns small-scale disputes between labor and management. As exemplified by these situations, participants' differences on original positions do not necessarily appear as overt behavior, but as latent attitude, perception, or affection between participants. Since all this divergence can be defined as conflict (Pondy 1967), negotiation should be considered as one way to resolve social conflicts (Ganesan 1993).

Negotiation as Interaction Mode

Negotiation is only one of the many ways to resolve conflict. In terms of the extent to which a resolution process is structured, negotiation may be distinguished from institutional mechanisms. Institutional mechanisms include such inter-organizational arrangements as joint membership, exchange of persons, and co-optation, which provide an institutionalized framework for resolving disagreements and even preventing them from occurring. In contrast, negotiation is an interactive mechanism, which is carried out within or outside the scope of existing institutionalized resolution mechanisms (Dant and Schul 1992; Ganesan 1993).

As an interaction mode, negotiation entails joint actions. In other words, negotiation differs from other mechanisms of conflict resolution in its bilateral nature.

Pruitt and Carnevale (1993) describe three broad classes of conflict resolution procedures: joint decision making (negotiation and mediation), separate action (struggle, tacit coordination, retreat), and third party decision making (decision by judges, arbitrators, higher executives). In general, participants in a negotiation attempt to find resolutions that are mutually beneficial through a joint decision on matters of common concern (Gulliver 1979).

The interactive nature of negotiation results in three important consequences: (1) relatively high likelihood of win-win resolution; (2) significant role of shared rules and norms in negotiation process; and (3) critical function of communication and exchange of information.

Likelihood of Win-Win Resolution. In contrast to unilateral actions in conflict resolution processes such as retreat, negotiation is more likely to lead to a convergence. That is, at least one party, but usually both, must move toward the other. As such, the best possible alternative which requires one party to change altogether his/her original position or represents some new and integrative solutions is more likely (Gulliver 1979). Negotiation can also be contrasted to third party decision making such as arbitration, which often is more costly to the participants (Ury, Brett, and Glodberg 1988). In sum, since participants of negotiation aim at escaping social conflict by locating some mutually acceptable outcome, it becomes "the main route to win-win solutions" (Pruitt and Carnevale 1993, p.xv).

Shared Rules of Game and Norms. Negotiation is a nonviolent type of conflict

resolution process (Pruitt 1981). Negotiators compete with each other, but, ironically, in an integrative manner. In order to do so, "participants develop mutually shared rules and then cooperate within those rules to gain a competitive advantage over their opponents" (Schelling 1960). In other words, negotiation prerequisites certain governing principles acknowledged by the participants; some rules of game used to determined the correct behavior in a negotiation setting (Deutsch 1975).

Since negotiation involves joint actions, negotiators have to act on certain social norms that prescribe appropriate behavior in this social encounter (Pruitt 1981). In effect, the regulation of social conflict may be a major reason for norm formation in the sense that norms not only regulate the way conflict is resolved, but may provide direct solutions to certain conflict situations (Thibaut and Kelley 1959). Fairness principles (equality, equity, and needs rules), for instance, are viewed as most important norms in negotiation (Deutsch 1975).

Communication and Information Exchange. Rubin and Brown (1975) consider communication as a primary ingredient of negotiation. Since joint decision-making naturally involves exchange of information, negotiation indeed are two-way communications (Gulliver 1979; Walton and McKersie 1965). In marketing literature, negotiation strategies are examined in their communication forms (Boyle and Dwyer 1995). For example, for parties involving long-term relationships, intensive two-way communication concerning expectations, goals, and performance evaluations is critical for resolving disputes (Arndt 1979). It is speculated that the level of information exchanged determines the extent to which conflict is likely to be

resolved (Pruitt and Carnevale 1993). In fact, different negotiation approaches may be distinguished from one another by the extent to which information is shared between participants. For instance, hard bargaining involves minimal informational exchange, whereas problem-solving is characterized with self-disclosure and open discussion (Pruitt 1981).

Modeling Negotiation

For years, students of negotiation have made efforts to identify variables that are associated with certain types of negotiation behavior and outcomes. These factors are relatively stable, constituting pressures or constraints upon negotiators and determining the direction and magnitude of resolution. In other words, researchers attempt to provide structural models of negotiation (Thomas 1976). Viewing negotiation as interaction over time, scholars have also attempted to understand the whole game of negotiation by examining the various stages that lead to the end-game. The results of this research stream are process models of negotiation (Gulliver 1988).

Structural Models. Figure 2 schematizes a structural model of negotiation. As presented in the figure, structural models of negotiation focus on the conditions underlying the attitudinal and behavioral tendencies of the participants. Since these conditions are perceived as relatively stable, these models represent a structural perspective (Thomas 1976). For example, Rubin and Brown (1975) consider three sets of independent variables that affect bargaining processes: (1) structural context (social, physical, and temporal); (2) behavioral predispositions of bargainers

(individual difference, personality); and (3) interdependence of bargainers. In Thomas' (1976) structural model of negotiation, the behavioral tendencies of the participants are seen as shaped by four types of structural variables: (1) behavioral predispositions; (2) social pressures; (3) incentive structure (e.g., stakes in the relationship); and (4) rules and procedures which constrain participants' behavior.

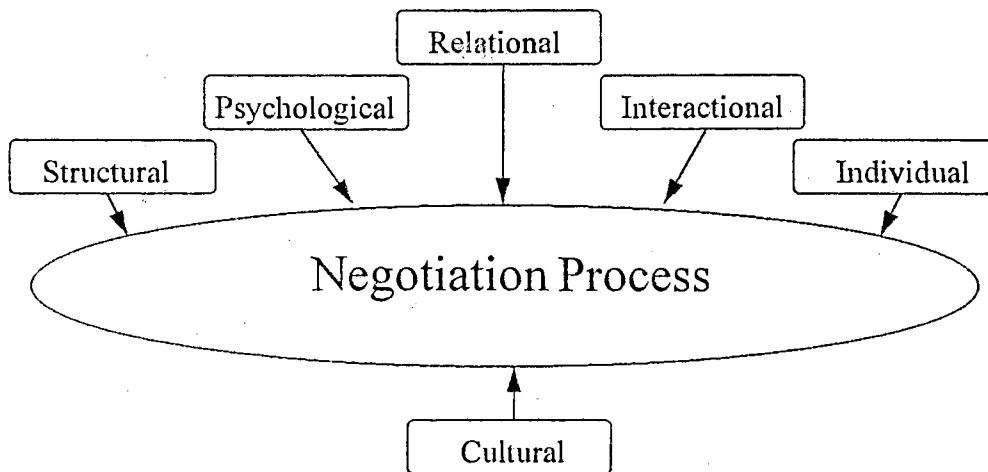


Figure 2. Structural Model of Negotiation

Marketing scholars have also examined various sets of contextual factors that determine the use of different negotiation strategies. Stimulated by growing interests in long-term strategic alliances, they have paid increasing attention to those variables that constitute the relational contexts of negotiation (e.g., Ganesan 1993; Dant and Schul 1992; Boyle *et al.* 1992).

Process Models. Process models consider negotiation as a process consisting of episodes or series of episodes, with each episode being a given conflict cycle (Pondy 1967). Figure 3 is a schematized process model of negotiation.

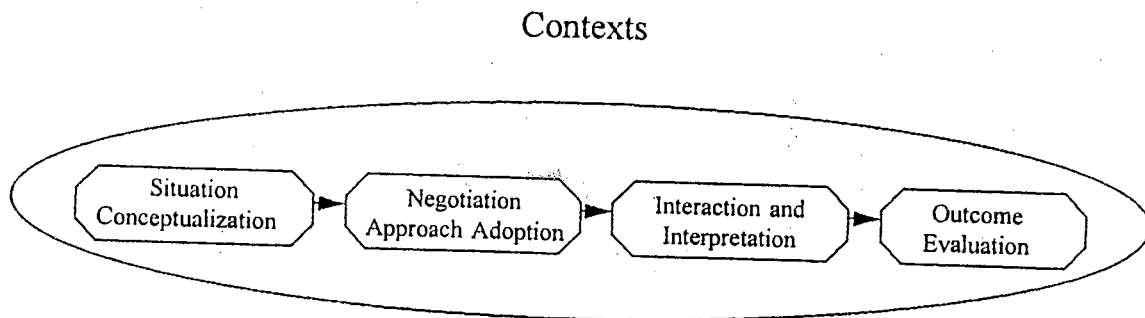


Figure 3. Process Model of Negotiation

For example, Thomas (1976) developed a process model which, from one participant's view, depicted five main events within an episode: frustration; conceptualization; behavior; other's reaction; and outcome. An episode of negotiation is over when some sort of outcome has occurred. In turn, this outcome may set the stage for subsequent episodes of interaction between the participants (p.895).

In Gulliver's (1979) "developmental model", negotiation is described as a series of eight successive phases in each of which there is a particular focus of attention and concern by the participants. These phases are: search for an arena; composition of agenda, and definition of issues; establishing maximal limits to issues

in dispute; narrowing the differences; preliminaries to final bargaining; final bargaining; ritual affirmation; and execution of the agreement. The author emphasizes that the development of a given negotiation is not linear and chronological. That is, it allows for two or more phases to overlap in time and for participants to return to an earlier phase (p.121).

An Integrative Model. It is argued that both process and structural models are needed for a thorough investigating of negotiation. While the process models are helpful in understanding negotiation as an ongoing system, the structural models elaborate variables that constrain and shape the process dynamics and therefore may be useful for suggesting systemic changes (Thomas 1976). Figure 4 presents an integrative model of negotiation process that incorporates both process and structural variables, which are identified in the existing literature.

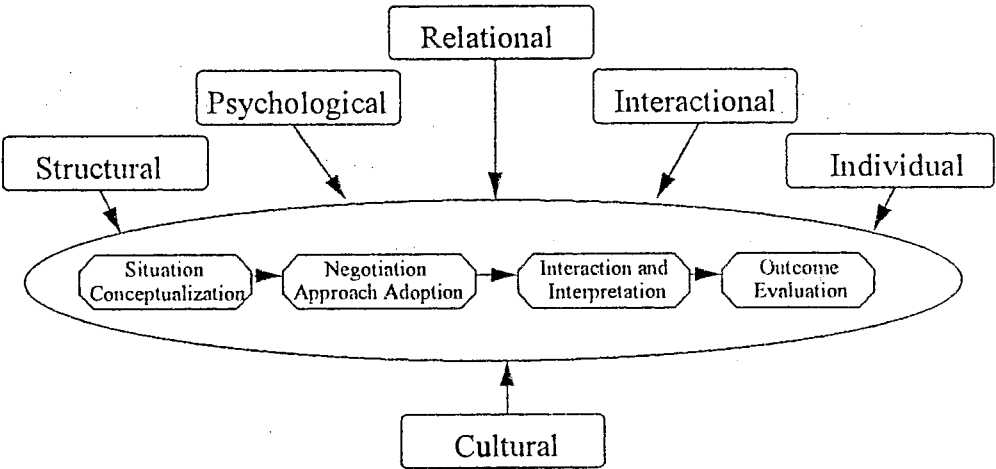


Figure 4. Integrative Model of Negotiation

As shown in the figure, negotiation comprises four stages and six sets of contextual variables. The four stages are: (1) Conceptualization of the Situation; (2) Adoption of Negotiation Approaches; (3) Interaction, including Interpretation of the other party's action; and (4) Evaluation of Outcomes. The four stages constitute a complete cycle of negotiation. Within a relationship, each cycle is partially shaped by the results of the previous cycle and in turn lays groundwork for future cycles (Thomas 1976). The contextual variables, categorized as situational, psychological, relational, interactional, individual, and cultural, exert influences on each of the four stages of negotiation process. While additional variables may be identified, the six categories in Figure 4 have received consistent attention in prior research.

Although all the four stages of negotiation process are important, the current study will only examine partners' adoption of different negotiation approaches. As such, the following sections discuss previous research on negotiation approaches and major contextual variables.

Negotiation Approaches

Conceptualizing negotiation as a unique mode of interaction for resolving disagreement, as presented earlier, requires the inclusion of several different research traditions, with careful attention to the different terminologies used. For example, in addition to conflict handling modes/orientations/styles (Blake and Mouton 1964; Thomas 1976; Rahim 1983), another behavioral mechanism can also be included in our discussion of negotiation strategy, that is, the influence strategies -- "The content

and structure of the communications utilized by a source firm's personnel in their influence attempts with target firms" (Frazier and Summers 1984, p.43). While the terminologies are different, a closer look at the conceptualizations of negotiation strategy and influence strategy each reveals that to a great extent they overlap one another. Indeed, the term negotiation is no more than another expression of the influence processes. As maintained by Gulliver (1979), negotiations are the processes whereby parties both bring influence and experience from influence from the other sources (p.79). It is not surprising, therefore, that critical antecedents and behavioral manifestations of negotiation and influence process are largely identical.

Categorizing Negotiation Approaches. The existing schemes of negotiation approaches are summarized in Table 1. Although different terminologies are used, a further examination reveals a great degree of consensus regarding the connotations of each negotiation approach. This is not surprising, since the basic dimensional models used by the authors in classifying the negotiation approaches are relatively consistent. For instance, Blake and Mouton (1964), Thomas (1976), and Rahim (1983) use identical two-dimensional models to differentiate varying negotiation approaches. The two dimensions are (1) concern for self; and (2) concern for others. For illustration, Figure 5 reproduces Thomas' (1976, p.900) scheme.

TABLE 1
CATEGORIZATIONS OF NEGOTIATION APPROACHES

Source	Dimension	Description
March & Simon (1958)	Problem solving	Shared goals; mutual satisfying solution; information change
	Persuasion	Attempt to alter other's perspective; moderate information exchange
	Bargaining	Divergent objectives; Zero-sum orientation; gamesmanship
	Politicking	Signal of failure of interpersonal means: third party intervention
Blake & Mouton (1964)	Problem solving	Search alternatives acceptable to both by information exchange
	Smoothing	Attempt to lessen degree of disagreements to prevent confrontation.
	Forcing	Use power to make the other party comply.
	Withdrawal	Avoid conflict by leaving the relationship.
	Sharing	Give and lose by identifying a middle ground.
Filley (1975)	Win-Lose	Exercise of authority, power, majority rules, etc.
	Lose-Lose	Compromise, arbitration, etc.
	Win-Win	Consensus, integrative decision-making
Thomas (1976)	Competitive	Implicit or explicit use of threats and persuasion arguments
	Collaborative	Develop solutions that integrate requirements of both parties
	Sharing	Develop a middle ground between initial positions of both parties
	Avoidant	Ignore the existence of conflicts
	Accommodative	Make adjustments to the other party's position
Frazier & Summers (1984)	Promise	Certify to extend specified reward contingent on target's compliance
	Threat	Inform target that failure to comply will result in negative sanctions
	Legalistic Plea	Contend that target compliance is required by formal agreement
	Request	Ask target to act without mention of subsequent sanction
	Infor. Exchange	Supply information with no specific action requested
	Recommend	Stress that specific action is needed
Pruitt & Carnevale (1993)	Concession	Reduce one's goals, demands, or offers
	Contending	Persuade the other to concede or resist similar efforts by the other
	Prob. Solving	Try to locate and adopt options that satisfy both parties' goals
	Inaction	Do nothing or as little as possible
	Withdrawal	Drop out of the negotiation.

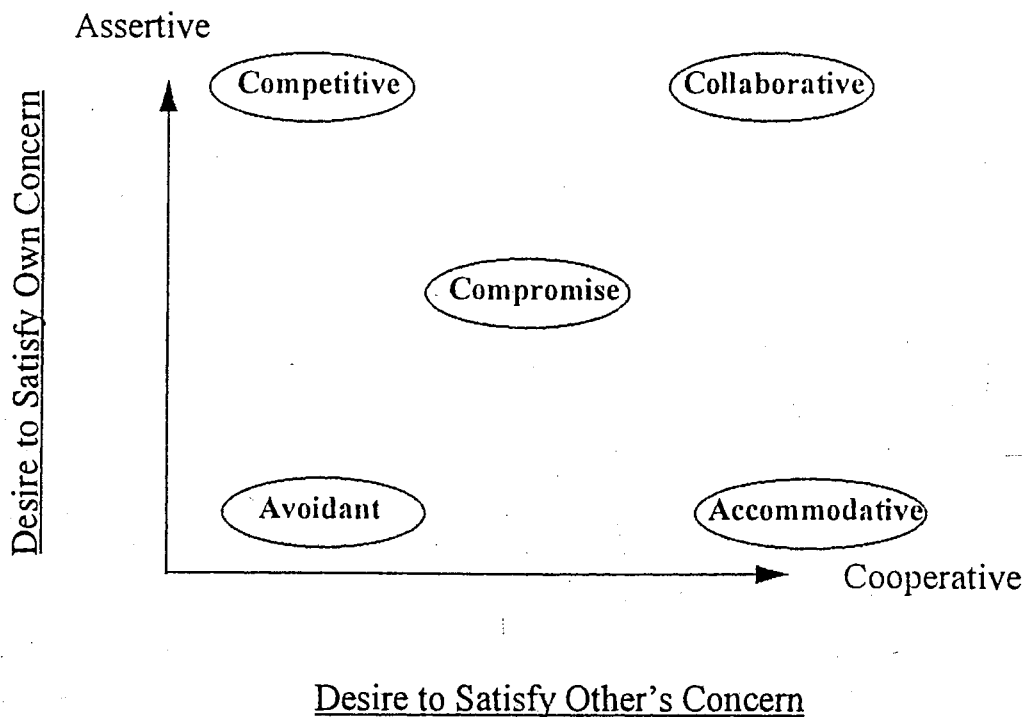


Figure 5. Thomas Scheme of Negotiation Approaches

The scheme plots five negotiation approaches in a "joint outcome space" along two dimensions -- the degree to which one would like to satisfy his own concern ("assertive") and the degree to which he would like to satisfy the concern of the other ("cooperative"). For example, the competitive approach involves high concern for self and low concern for the other party, while the collaborative approach involves high concern for self as well as the other party.

Competitive approach demonstrates a win-lose orientation, whereby one party's domination must be accompanied by the other's compliance (Filley 1975). Adoption of competitive approach is evident when power is used to make the other comply. In Blake and Mouton's (1964) terminology, therefore, this negotiation approach is named as forcing. Since a competitive stance is likely to be expressed as non-concessionary behavior and gamesmanship, this negotiation approach sometimes is simply referred to as bargaining (March and Simon 1958).

Collaborative approach "represents a desire to *fully* satisfy the concerns of both parties -- to integrate their concerns" (Thomas 1976, p.901). With this approach, parties would exhibit such behaviors as open exchange of information regarding goals and priorities and continual evoking of new alternatives. Accordingly, it is widely known as problem-solving (March and Simon 1958; Blake and Mouton 1964; Pruitt and Carnevale 1993).

Compromise approach reflects "a preference for moderate but incomplete satisfaction for both parties" (Thomas 1976, p.901). That is, parties seek a resolution of disagreement by developing a middle ground based on the initial positions of both parties (Froman and Cohen 1970). Interestingly, Filley (1975) considered compromising as a lose-lose method, Since "each side only gets part of what it wants" (p.23).

Avoidant approach, also referred to as withdrawal, is expected when parties seem indifferent to the concerns of the other party (Thomas 1976, p.901). As such, participants are ready to drop out of the negotiation (Pruitt and Carnevale 1993). The

avoiding party may diplomatically sidestep an issue, postpone an issue until a more opportune time, or withdrawal from a threatening situation (Day, Michaels, and Perdue 1988).

Accommodating represents attempts to satisfy the other's concerns without attending to one's own. "Under such an orientation, a party may be generous or self-sacrificing for the sake of their relationship" (Thomas 1976, p.901). The accommodative approach is considered as cooperative-oriented, since the party's "long-run motives center around the desire for agreement" (Donnelly 1971, p.373).

Influence Strategies. The taxonomy of influence strategies proposed by Frazier and his colleagues (Frazier and Summers 1984; Frazier and Sheth 1985) deserves special attention for the purpose of the present study. Drawing on findings from social psychology literature, this taxonomy distinguishes two general approaches in attempting to influence other party's decision-making process in a channel context: (1) noncoercive strategies, based on altering the target's perceptions regarding intended behavior; and (2) coercive strategies, not based on such perceptual change. The noncoercive strategies include information exchange and recommendations, whereas coercive strategies include promises, threats, and legalistic pleas. Perceivably, there are overlaps between this and other negotiation schemes presented in Table 1. For example, noncoercive strategies approximate the problem-solving approach, since the latter implies openness in expressing one's own concerns and evoking alternatives (Schurr and Ozanne 1985), which can be properly summarized as information exchange and recommendations.

The taxonomy of influence strategies has been most popular among marketing scholars largely because of its specification of various tactics used in influence attempts. One example is so-called legalistic strategy, referring to those situations in which legal contracts and informal binding agreements are used to obtain compliance. Since modern exchange relationships are likely to take on contractual forms, legal mechanisms provide one basis through which participants can engage in ongoing interactions (Gundlach 1994). Indeed, strategic alliances are contractual forms of long-term inter-organizational relationships, many of which are characterized by high degree of contractual formality, such as joint ventures (Harrigan 1985). Presumably, legalistic approach should be found important in such cooperative alliances.

Contextual Relevance of Negotiation Approaches. While the aforementioned schemes adequately conceptualize the negotiation approaches that are possibly used in different social settings, scholars caution that attention should be given to the specific contexts of interaction (Frazier and Rody 1991). Some of the approaches may be consistently identified across different settings, whereas others may not logically be used under certain circumstances. For instance, research in industrial purchase negotiations (Perdue, Day, and Michaels 1986; Day, Michaels, and Perdue 1988) found that a majority of the purchasing agents used only three approaches when dealing with salespersons -- problem-solving, compromising, and competitive, whereas the other two approaches in Thomas' (1976) scheme -- accommodating and avoiding -- had little relevance to industrial purchase negotiations. As explained by these authors, the specific role-set or norms of industrial buyers may largely

determine which approaches should be used and which should not. Accordingly, a more appropriate research strategy probably is to develop topologies that are specific to particular negotiation settings (Perdue, Day, and Michaels 1986; Day, Michaels, and Perdue 1988; Perdue and Summers 1991). In keeping with this line of thinking, Ganesan (1993) considered only three negotiation approaches -- problem-solving, compromising, and competitive (aggressive) strategies in a study involving retailer negotiators, assuming the irrelevance of avoiding and accommodating strategies.

Consequences of Negotiation

The consequences, or the culmination of negotiation processes have been examined in different ways. One perspective is based upon how long the effect of negotiation will last. For example, Thomas (1976) distinguishes between "conflict aftermath" and "long-term effects" (p.909). The conflict aftermath or immediate consequence of the negotiation may be some type of agreement or no agreement at all. The agreement, again, might be an agreement on all the issues in dispute, or it deals with only some of the issues in dispute as if the negotiation has been cut short (Gulliver 1979). In terms of outcome allocation, three situations are possible: (1) victory for one of the parties; (2) a simple compromise; and (3) a win-win agreement (Pruitt and Canevale 1993).

Negotiation has various long-term effects. In most cases, the immediate outcome of a negotiation process will affect the future relations of the parties and their attitudes about each other, that is, "leave the parties with positive or negative

changes in resources and with attendant feelings which are also positive or negative" (Filley 1975, p.17-18). The process and outcomes of individual negotiations may well define the action course for later interaction between the parties. For instance, the use of certain negotiation strategies can be reinforced and distrust may be developed between parties (Thomas 1976). In a long-term relationship, each negotiation episode can be seen as one of a sequence of episodes that constitute the relationship between the participants (Ganesan 1993). Since negotiation experiences typically are not one-shot transactions with strangers, the ongoing relationship often is the outcome of greatest importance to participants (Greenhalgh and Chapman 1995).

An important measure of negotiation consequences is the level of negotiator satisfaction, defined as a positive affective state based on an appraisal of all aspects of the negotiation (Ganesan 1993). A party's satisfaction is related to the immediate outcomes of the negotiation such as the concessions made by the other party (Kelley and Thibaut 1978; Thomas 1976) as well as to the negotiation process itself, that is, the way the negotiation is carried out and the other party's behavior in the negotiation (Scheer and Stern 1992; Keith, Jackson, and Crosby 1990; Brown and Frazier 1978). In business-to-business interaction, for example, satisfaction would be reduced if each participant knows that both are withholding information that could allow better outcomes (Dabholkar, Johnston, and Cathey 1994).

Antecedents of Negotiation Approach

Since participants may choose different negotiation approaches, which in turn

will lead to rather different consequences, the researcher must answer the question: What are the conditions that affect the choice people make among the various approaches available to them in negotiation? Scholars in the fields of social psychology, communications, political science, organizational behavior, economics, law, and marketing have identified several sets of antecedent factors of different negotiation approaches, as summarized in Table 2.

TABLE 2
ANTECEDENTS OF NEGOTIATION APPROACHES

Categories	Sample Variables
Situational	Issues
Psychological	Motivation; Cognition
Individual	Personality; Interpersonal attraction; Gender
Interactive	Reciprocity
Relational	Nature of relationship; Relational Norms; Commitment; Power; Trust
Cultural	Value orientations; Cultural distance

These antecedents are contextual variables influencing participants throughout the entire negotiation process. However, not all these variables assert equal influence as circumstances change. As in the present study, which investigates ongoing negotiation in an inter-organizational setting, relational variables are perceivably more critical than those derived from individual properties and psychological states. To begin, I will briefly examine four sets of contextual variables that have received much attention in previous studies -- situational, psychological, individual, and interactive.

Then, a detailed review will be devoted to variables that constitute the relational contexts of negotiation process. Although national culture's role has been recognized in prior negotiation research, systematic treatment of national culture as a theoretical variable is lacking. The discussion of national culture as context for negotiation deserves a separate section.

Situational. When participants enter a problem area, conceptualization of the situation is the first step for them to decide on the approach(es) to be taken. In other words, negotiators need first to define the issues of disagreement. Since negotiations are always around some issue(s), conflict management is indeed a form of "issue management" (Fisher 1964). Issues can be defined in terms of their size; for instance, large issues are more difficult to be resolved than smaller issues. The second aspect of issue definition pertains to the importance attached to issues (Dant and Schul 1992). Policies and procedures in channel management, for instance, are considered as different in their significance to the channel members (Stern and Gorman 1969). Another aspect of issue definition is discussed in terms of level of conflict, that is, how intense the disagreement is felt by the participants (Ganesan 1993). A study involving 22 buying centers across three buying stages, for example, found that more confrontational modes of resolution were used as the level of conflict increased (Lambert, Boughton, and Banville 1986). Issue characteristics are often examined simultaneously. For example, a recent study examined three issue characteristics: issue size; issue stakes; and issue complexity. Although there is an overall high incidence of integrative problem-solving approach, third-party

intervention may be preferred when the dispute issues involve high stakes, complexity, and policy connotations (Dant and Schul 1992).

Psychological. The traditional, dominant theoretical paradigm in negotiation research originates from psychology, whereby negotiation approaches are considered as resulting from certain psychological states (Pruitt and Carnevale 1993). The psychologists, however, are divided by contrasting views on the role of motives and cognition.

According to the motivational explanation of negotiation behavior, negotiation is a contest between two rivals with conflicting motives such that the task of a negotiator is to detect the intentions of the other parties with regard to their preferred distribution of outcomes (McClintock 1977). Such a motivation orientation has led to a large body of experimental and prescriptive studies, best represented by game studies. In a variety of games (e.g., prisoner's dilemma; resource dilemma), the negotiators are observed as if they employ various strategies to achieve optimal outcomes/utilities under a set of rules (Thorngate 1973).

Another psychological orientation derives negotiation behavior from cognitive properties. Without denying the role of motivational factors in conflict and negotiation, a group of cognitive psychologists argue that the cognitive aspects of interpersonal conflict should be given due consideration. According to social judgment theory (Hammond et al. 1975), for example, disagreements may be conceptualized as cognitive conflict since the real causes often result from participants' different interpretations of the situations (Brehmer and Hammond 1973).

Researchers have identified a variety of cognitive effects and their underlying mechanisms, including the fixed-pie assumption, illusory conflict, reactive devaluation, anchoring, framing, and mood states (see Pruitt and Carnevale 1993 for a review). Empirical evidence has been provided for the cognitive explanation of negotiation behavior both in and outside the laboratory.

While psychological perspectives of negotiation behavior are rich in conceptualization and laboratory evidence, their application in research has been criticized as overly simplistic (Pruitt and Carnevale 1993). For example, the role of the cognition of individual participants, that may be significant in interpersonal negotiations but should not be overestimated in inter-organizational negotiation settings. Recent studies have also challenged the basic assumption of the motivational orientation that negotiator are always trying to maximize self-interest. For instance, the dual concern models (Blake and Mouton 1964; Thomas 1976; Rahim 1986) make better predictions about negotiation strategy preference since, in reality, the participants may also bear a concern about the other's interests (Filley 1975).

Individual. It is suggested that individuals have tendencies to behave consistently across different conflict situations (Thomas 1976). Blake and Mouton (1978) refer to such consistency as individuals' dominant styles of behavior. However, there has been strong disagreement on the impact of individual differences on preference for negotiation strategies. Some social psychologists view personalities of the negotiators as a background variable that influences negotiation behavior. Terhune (1970), for example, argued that personality has an effect on initial behavior

and subsequent interactive (reaction) behavior in negotiations. In reviewing extant empirical findings, Hermann and Kogan (1977) isolated the independent and interactive effects of eight personality variables on behavior in the prisoner's dilemma game. These personality variables are: anxiety, authoritarianism, cognitive complexity, tendency toward conciliation, dogmatism, risk-avoidance, self-esteem, and suspiciousness. While these studies suggest the inclusion of personality variables in negotiation research, the overall effort has yielded confusing and inconsistent findings (Pruitt 1981; Rubin and Brown 1975). Even Hermann and Kogan (1977), the advocates of a personality perspective, realize that subtle effects of personality variables can be observed only if a large number of personality variables are incorporated into a study.

Previous studies have also examined other individual factors that might influence preference for various negotiation approaches, such as interpersonal attraction/similarity (Apfelbaum 1974) and gender (Lim and Carnevale 1990; Kimmel *et al.* 1980). As in the case of personality variables, the influence of these individual factors may be better detected in their interactions with other contextual variables (Pruitt and Carnevale 1993).

Interactive. Negotiators are constantly reacting to one another's behavior, a phenomenon termed as reciprocity in negotiation literature (Pruitt and Carnevale 1993). According to reciprocal action theory, the actions taken by one party will be responded to by the other party in an exchange relationship (Gouldner 1960; Kelley 1983). It is even argued that each participant will take into account the anticipated

response of another before acting in a negotiation (Apfelbaum 1974). For example, matching of concession, contending, and problem solving is well documented in negotiation literature (e.g., Pruitt and Lewis 1975; Yukl 1974). Matching means that one party's action receives reciprocal action from the other party.

Several marketing scholars have examined the reciprocal behavior in the channel relationship context (e.g., Lusch 1976; Frazier and Summers 1986; Stern and Gorman 1969; Frazier, Gill, and Kale 1989; Frazier and Rody 1991). It is widely thought, for example, that if one party uses coercive actions, the other party will elicit coercive action in response (Stern and Gorman 1969).

Relational Antecedents to Negotiation Approach

Negotiation approaches are heavily influenced by the characteristics of the relationship between participants (Greenhalgh and Chapman 1995; Pruitt and Carnevale 1993). While much of the laboratory-based work has reduced negotiations to close encounters between strangers, real-world negotiations are more commonly embedded in ongoing interpersonal and inter-group relationships (Kramer and Messick 1995). Given the fact that negotiation is a voluntary relationship, the participant is often self-constrained against driving the other away from the relationship and terminating the very process in which both chose to participate in the first place (Rubin and Brown 1975). Indeed, the relationship between the parties provides a fundamental "context" in which conflict and negotiation occur and therefore should be

treated as the central explanatory concept for understanding negotiation (Greenhalgh and Chapman 1995).

Relational contexts of negotiation have received considerable attention among marketing scholars. For example, relative power or dependency has long been accepted as a definitive contextual variable in channel interaction. Recently, students of relationship marketing have devoted increasing research attention to relational norms, i.e., expected patterns of behavior in long-term exchange relationships. For the purpose of the present study, this section examines five critical relational antecedents of negotiation approaches: nature of relationship, relational norms, relational commitment, relative power, and trust.

Relationship Longevity. Inter-organizational exchange has a temporal dimension. That is, some exchange processes are simply discrete transactions, whereas others have a more enduring nature. According to social contract theory, relational exchanges involve joint actions between parties; the relationship has a long-term orientation; and interdependence is high. Discrete exchanges, in contrast, focus on individual transactions; the parties tend to be short-term oriented; and interdependence is low (MacNeil 1980). Marketing scholars have long acknowledged that negotiation patterns may differ according to varying channel structures ranging from a loose coalition of independently owned firms to a system integrated by ownership (Grabner and Rosenberg 1969). In parallel with a theoretical recognition of marketing as exchange, the realization is growing that exchange processes often involve relationships over time (Dwyer, Schurr, and Oh 1987).

Because expected future interaction is a defining feature of relationships, parties may explicitly take into account a temporal dimension in negotiation (Polzer, Mannix, and Neale 1995). Individuals involved in long-term relationships are found to take different approaches toward conflicts from individuals in short-term relationships (e.g., Ben-Yoav and Pruitt 1984). In a long-term relationship, participants are more likely to focus on achieving future goals, since a future interaction is expected between the participants (Noordewier, John, and Nevin 1990). To the extent that a long-term relationship is sought, participants tend to search for mutually beneficial agreements (Walton and McKersie 1965). Several empirical studies support the view that successive relational exchanges are expected to promote the use of more integrative mechanisms for conflict resolution (Kaufmann and Stern 1988; Dant and Schul 1992; Ganesan 1993).

Relational Norms. Norms are shared expectations regarding behavior (Thibaut and Kelley 1959). Negotiation, like most human enterprises, is heavily influenced by social norms (Pruitt and Carnevale 1993). Norms regarding negotiation behavior, however, can differ greatly from one context to another (Thibaut and Kelley 1959). A critical contextual factor is the nature of relationship as discussed earlier. According to MacNeil (1980), various exchange types were distinguished in terms of the discrete or relational manifestations of the common contracting norms. Drawing on MacNeil's theory of relational exchange, Kaufmann and Stern (1988) formulated a model of conflict in commercial exchange relationships, focusing on the ways norms affect perceptions of unfair treatment during serious disputes. It was found, for

instance, that the contracting norm of solidarity caused parties to rely on trust and future cooperative intent, since this norm implied a continuous exchange relationship. Further in this line of thinking, Dant and Schul (1992) proposed and confirmed the hypothesized relationships between relational norms and choice of conflict resolution strategies in a field study involving franchisees in the fast food restaurant industry.

In recognition that relational norms or relationalism may be manifested in several different, though related, domains (Noordewier, John, and Nevin 1990), marketing scholars have recently examined the following relational norms: solidarity, role integrity, mutuality, relational focus, flexibility, restraint, information exchange, harmonization with the social matrix (Kaufmann and Stern 1988; Kaufmann and Dant 1992; Heide and John 1992). Several of these relational norms such as flexibility have been considered as an alternative to legal forms of organizing transactions (Gundlach and Achrol 1993).

Relationship Commitment. For the purpose of the current study, relationship commitment is defined as "an enduring desire to maintain a valued relationship" (Moorman, Zaltman, and Deshpande 1992, p.316). When exchange partners are willing to continue their relationship, they will likely exhibit an explicit long-term orientation so that short-term sacrifice may be made to maintain the relationship (Dwyer, Schurr, and Oh 1987).

The term commitment has been used in different ways. Consolidating prior conceptualizations, Gundlach, Achrol, and Mentzer (1995) proposed a model of commitment consisting of three components: (1) input or instrumental component,

affirmative actions such as idiosyncratic investments; (2) an attitudinal component; and (3) a temporal dimension, highlighting a consistent intention over time.

Relationship commitment, as defined in the present study, corresponds to the prior authors' attitudinal component, denoting a partner's willingness to maintain and enhance the relationship.

While relationship commitment is fairly new to inter-organizational study (Morgan and Hunt 1994), there has been evidence of its effect on inter-partner interaction and negotiation behavior. For instance, as commitment provides a foundation for the development of social norms of governance, committed parties tend to reach mutually satisfactory compromises and eschew resorting to formal procedures and third-party intervention in conflict resolution (Kaufmann and Stern 1988). Importantly, committed parties in the long-term, purposefully designed strategic alliances have to adopt negotiation approaches compatible with the nature of relationship (Gundlach, Achrol, and Mentzer 1995). For example, since relationship commitment forecloses comparable exchange alternatives, partners are more likely to act adaptively in resolving conflict (Dwyer, Schurr, and Oh 1987).

Trust. Trust is an aspect of relationships that constitutes another important antecedent to the negotiation process (Pruitt and Carnevale 1993). While trust has been conceptualized in different ways, there are two general approaches to trust in the literature: (1) a belief view, that considers trust as a belief that the party's word or promise is reliable and that a party will fulfil his obligations in exchange relationship (Blau 1964; Rotter 1967); and (2) a behavioral intention view, that treats trust as

willingness to rely on a partner (Zand 1972; Deutsch 1962). A recent study explicitly advocated the inclusion of both views of trust by emphasizing that there should be a behavioral intention component in the concept of trust (Moorman, Zaltman, and Deshpande 1992). Defining trust as "a willingness to rely on an exchange partner in whom one has confidence", these authors state:

(B)oth belief and behavioral intention components must be present for trust to exist. Therefore, if one believes that a partner is trustworthy without being willing to rely on that partner, trust is limited. However, if one is willing to rely on a partner without holding a belief about that partner's trustworthiness, reliance may be more a function of power and control than trust (p.315).

Prior research consistently supports the positive relationship between trust and partners' integrative negotiation behavior in the form of self-disclosures, information exchange, and cooperative problem-solving (Zand 1972; Pruitt 1981; Kimmel *et al.* 1980). Similarly observations are available in marketing literature. For example, trust is viewed as a determinant of the functionality of conflict between parties (Anderson and Narus 1984, 1990; Morgan and Hunt 1994) and general level of inter-partner communications (Mohr and Nevin 1990). Trust also increases a partner's tolerance and flexibility in interaction process, since he/she has the confidence in reciprocatory actions from the other party (Niederkofler 1991).

The "reliance on trust" perspective, as discussed earlier, highlights the possible role of trust with respect to structured mechanisms for guiding interaction behavior and for resolving disagreements in strategic alliances. For instance, by cultivating trust, interfirm relationships can be stable without creating special institutional mechanisms (Anderson and Weitz 1989; Dwyer, Schurr, and Oh 1987), an

observation that challenges the transaction cost argument that long-term exchanges tend to rely on bonding investment to maintain stable (Williamson 1985). In fact, the necessity of a trusting environment often lies in the inability of legal governance approach in reducing uncertainty in ongoing relational exchanges (Gulati 1995). Due to the developmental nature of strategic alliances and ever-changing environments, for example, formal contracts can hardly spell out every contingency (Koot 1988). In addition, the use of legalistic measures may heighten the existing conflict and even lead to the dissolution of the partnership (Macaulay 1965; Frazier and Summers 1984). Reflecting on such observations, Ring and Van de Ven (1994) conclude:

Heavy reliance on trust, or a reputation for fair dealing, may, as we have noted, lead to a formal agreement defining a cooperative IOR (note: IOR denotes interorganizational relationships) that is unenforceable by resort to institutional guarantors (courts, arbitrators). Even when these are available, however, recourse to them typically leads the parties to end their relationship (Ouchi 1984). Thus, private ordering becomes the primary dispute-resolution mechanism in cooperative IORs (p.94-95).

Power and Dependency. Power is the capability one party has for affecting another party's decision variables in a relationship (El-Ansary and Stern 1972) and one party's power is the other party's dependency (Bacharach and Lawler 1980). Power has been assigned high significance in negotiation process, since power is considered a property of a relationship itself.

Power relationships may be symmetric or balanced, where both parties have the same capability for affecting the outcomes of the other; when the power relationship is asymmetric, one of the parties can control a range of outcomes greater than that controlled by the other. Depending on the nature of power relationships,

either bilateral involvement or unilateral attempts are more likely in a relationship (Stern, Bagozzi, and Dholakia 1977). It is believed that a firm's possession of power will encourage it to take advantage of the other firm in order to gain a disproportionate share of rewards in exchange (Robicheaux and El-Ansary 1975). Under balanced power, the "usable" power of one party is held in check by the other party's equal power (Thibaut and Kelley 1959, p.107). For example, unbalanced power is found to induce the powerful party to engage in more demanding or coercive behavior, whereas a balance of power leads to coordinative approach from both parties (Dwyer and Walker 1981; Dwyer and Oh 1987; Frazier, Gill and Kale 1989).

The aforementioned power-coercion approach linkage, however, does not hold in some other studies. As observed by Frazier and Summers (1986), dealer dependence (i.e., less power) is positively related to the manufacturer's use of noncoercive strategies and negatively to the use of coercive strategies. In a recent study, Ganesan (1993) found that, when a retailer has more power than a vendor, the retailer is not likely to use a problem-solving strategy. A possible explanation lies in the interaction between power and other relational contexts. In Ganesan's study, the use of power had a "relational exchange context", whereby the powerful party's desire to exploit its power through a coercive strategy is likely to be tempered by the concerns about possible future retaliation and shift in power distribution (p.187).

Indeed, the restricted power use may be a fundamental change when companies enter long-term relationships. As Achrol (1991) states, strategic alliances will make less use of resource-based dependencies to obtain managing authority, but

more on norms of sharing and commitment based on trust. In their commitment-trust theory of relationship marketing, Morgan and Hunt (1994) claim that power should no longer be the central concept if one attempts to understand successful relational exchanges.

Despite the preceding arguments, distribution and use of power still appears to be an important factor that affects ongoing interaction in long-term relationships (Harrigan and Newman 1990). Although strategic alliances are formed under cooperative arrangements, self-interests are inevitable since partners to a varying extent remain independent to one another. These self-interests lead to divergent positions in the operation of the alliance and necessitate ongoing negotiation between partners (Dabholkar, Johnston, and Cathey 1994). Since the possession of power provides a firm with a position of importance in a relationship, exercise of power remains a viable tool for securing favorable resolutions to disagreements.

Summary

The above review demonstrates the richness of existing negotiation literature. As exemplified in the prior categorizations of various negotiation approaches, a relatively comprehensive picture has been available. To complete this review, however, two major shortcomings of previous research should also be noted. First, the relational contexts of negotiation approaches have not been fully explored. Conceptually and intuitively, for example, relationship commitment should exert influence on participants' negotiation behavior; however, empirical investigations have

been scant. Additionally, although power has long been a central concept in negotiation research, studies that specifically examine power use in more enduring relationships are lacking. For example, it is not clear whether commitment based trust restrains the use of power in cooperative alliances (Harrigan and Newman 1990). A holistic account of the process of long-term relationships is needed that considers both power and cooperation-induced constructs (Thorelli 1986).

Another persistent weakness of the research on negotiation is the lack of attention to the potential impact of national culture, perhaps the broadest social context within which negotiation may occur (Pruitt and Carnevale 1993; Carnevale 1995). North American scholars, for example, have been challenged to validate their concepts and frameworks in other social settings (Frazier, Gill, and Kale 1989; Campbell *et al.* 1988; Graham *et al.* 1988). This requirement is particularly crucial when attempts are made to apply these conceptual frameworks in cross-cultural contexts, since current models of inter-organizational negotiation may not represent the complexity of cross-cultural processes.

National Culture and Negotiation Approach

While prior negotiation research provides no systematic account of cultural variables, the information available in anecdotal and scholarly literature suggests that national culture should be used as an explanatory tool in the studies of negotiation. To obtain a thorough understanding of the culture-negotiation link, the following sections first examine the notion of national culture as defined in the existing

literature. Then, the influences of national culture are overviewed in terms of various negotiation stages. Following a review of prior efforts of dimensionalizing national culture, the cultural dimensions that might affect the choice of various negotiation approaches are discussed.

National Culture Defined

In spite of the allure of the notion of national culture as a theoretical variable in behavior analysis, a consensus on its definition has yet to be achieved. The existence of multiple definitions of culture is a result of divergent perspectives held by scholars in different research traditions, including anthropology, sociology, psychology, management and organization sciences. For example, culture has been narrowly defined as learned behavior patterns which are shared by a group of people (Barnouw 1963) or more comprehensively as consisting of patterns of thinking, feeling, behaving, and the results of behavior which condition further behavior (Kroeber and Kluckhohn 1952).

Culture as Shared Values. While culture may justifiably be defined in various ways, it is analytically more fruitful to distinguish the shared values and behavioral patterns (Adler and Doktor 1989). According to this view, culture consists of some fundamental values or beliefs that are shared by a group of people and assert influence on human behavior (Child 1981; Kluckhohn 1951). In other words, culture impacts behavior, but is not behavior itself. For example, Hofstede (1980) defines culture as "The collective programming of the mind which distinguishes the members

of one human group from another" (p.25). If the key cultural values or collective minds that are universal across societies can be identified, different collectivities may be ordered along these dimensions and their way of behaving can be predicted accordingly (Kluckhohn and Strodtbeck 1961; Hofstede 1980).

Culture as Information Processing System. For the purpose of studying negotiation as an interaction mode, there is another practical viewpoint that national culture is a system for creating, sending, storing, and processing information evolved by human beings (Hall 1976). For example, depending on how information flows, cultures may be categorized into "high-context" and "low-context", with context denoting non-verbal aspects of communication. In a high-context culture, people are deeply involved with each other and simple messages with deep meaning flow freely. Conversely, in low-context cultures, there is relatively little involvement with people and messages used in communications are necessarily explicit (p.35). It is suggested that such variability in information processing/communication styles leads to different approaches in negotiation and conflict handling. For example, compared with members of low-context cultures (e.g., U.S.), members of high-context cultures (e.g., Japan) are less likely to express their opinions openly. Instead they will hold a relatively indirect-inactive stance toward disagreements (Leung 1988; Ting-Toomey 1988).

Influence of National Culture on Negotiation

Scholars in anthropology, sociology, organizational behavior, and particularly

social psychology have long been interested in the influence of national culture on negotiation. Their work can be organized around the four stages of negotiation process, as represented in Figure 3.

First, national culture may influence participants' conceptualization of the situation. There seems to be no necessary relationship between the "objective" characteristics of the situation and a participant's conceptualization of the situation. Instead, the way a man defines his situation constitutes for him its reality (Allport 1954). According to Rapoport (1960), conflict is often grounded in misunderstanding and such misunderstanding is not merely factual disagreement nor is it simply a result of ambiguous communications. It may stem from basically different conceptualizations of reality held by the participants in negotiation. Yet a possible source of varying conceptions is cultural differences, as individuals' perceptions of issues related to negotiations are influenced by their cognitive frames that in turn are shaped by unique national cultures (Limaye and Victor 1991).

Second, participants' cultural background may have a bearing on their preference for negotiation approaches. For example, a lasting theme in these disciplines is the linkage between negotiation/conflict styles and the cultural dimension of individualism-collectivism, although the empirical findings are inconsistent and sometimes confusing (e.g., Ting-Toomey 1988; Trubisky, Ting-Toomey, and Lin 1991).

In addition, national culture may affect a participant's interpretation of his/her opponent's actions during the interaction process. Several researchers have

questioned whether or not the U.S.-originated assumption regarding reciprocity use of influence strategies will hold true in non-U.S. settings (Frazier, Gill, and Kale 1989; Johnson et al. 1993). In a study of distribution channels involving Japanese distributors and U.S. manufacturers, for instance, the mediated and nonmediated bases of power found in U.S. settings are not replicated in Japanese distributors' perceptions (Johnson et al. 1993).

Finally, participants' perceptive and affective responses to the negotiation outcomes may be different. Regarding the effectiveness of a specific negotiation episode, for example, participants of both sides may have rather different assessments, since organizations establish their criteria for effectiveness based on the dominant values operating in one's own culture (Sekaran and Snodgrass 1989). Outcomes of negotiation may also lead to different levels of satisfaction between participants of differing cultural backgrounds. In an IJV context, for example, cultural difference may lead to a low degree of agreement between partners regarding the venture's performance (Geringer and Hebert 1991).

The effect of national culture on negotiations is often examined simply in terms of communicative difficulties between negotiators with dissimilar national culture backgrounds. Cultural variations in value, attitude, and cognition may be represented by a summed term, cultural distance, since barriers in communications often increase when two countries are far apart culturally (Doz 1988; Davidson 1982). The manner by which cultural similarities/ differences affect negotiation behavior has been an understudied topic (Pruitt and Carnevale 1993). However, tentative

propositions have been established. For example, as long as negotiation involves two-way communications, it may be predicted that the more similar the cultures of participants, the less likely misunderstanding in communications will occur (Anderson and Weitz 1989). In addition, there is evidence that negotiators may behave differently when they are from the same culture than when they come from different cultures (Alder and Graham 1989). Finally, related to the cultural variation in collectivism versus individualism, negotiators from certain cultures (e.g. Hong Kong) seem more sensitive to ingroup/outgroup differences than others (Leung 1988).

National Culture Dimensions

In most studies that have considered the effect of national culture, the construct of individualism/collectivism has been treated as the dimension that best distinguishes national cultures. However, there are other cultural dimensions that also influence the negotiation process. As demonstrated in prior cross-cultural organization studies, a meaningful approach in research of national culture is to identify each of these underlying cultural dimensions that exist across different cultures (Hofstede 1980). Enumerated by Kluckhohn and Strodtbeck (1961, p.10), this approach is built on the following assumptions:

1. There are a limited number of common human problems for which all peoples at all times must find some solution.
2. There are a limited number of alternatives which exist for dealing with these problems.
3. All alternatives are present in all societies at all times, but they are differentially preferred.

4. Each society has a dominant profile of value orientations and in addition has numerous variant or substitute profiles.
5. In both dominant and variant profiles there is a rank-ordering of preference for alternatives.

Table 3 presents five major models of cultural dimensions that summarize prior scholarly efforts of dimensionalizing national culture.

Parsons and Shils (1951) posit five "pattern variables" as determinants of all "human action". A pattern variable is defined as "a dichotomy, one side of which must be chosen by an actor before the meaning of a situation is determinate for him, and thus before he can act with respect to that situation" (p.77). It is postulated that these choices are present at the individual level (personality), the social system level (group), and the cultural level (normative). For instance, concerning the dilemma of gratification of impulse versus disciplines, affectivity can be exhibited as a need-disposition, a role-expectation, or a normative pattern in terms of taking advantage of a given opportunity for immediate gratification without regard to evaluative considerations (p.80). A major effort is thus made to integrate the cultural, the social, and the individual level of analysis into a general theory of the social system based on the value-orientation pattern variables.

TABLE 3
MODELS OF NATIONAL CULTURAL DIMENSIONS

Disciplines	Authors	Dimensions
Sociology	Parsons & Shils (1951)	Affectivity versus Affective Neutrality Self versus Collectivity Universalism versus Particularism Ascription versus Achievement Specificity versus Diffuseness
Anthropology	Kluckhohn & Strodtbeck (1961)	Man and Nature Man and Himself Relationship between Humans Time Human Activity
Social Psychology	Inkeles & Levinson (1969)	Relation to Authority Conception of Self Primary Dilemmas of Conflict
Organization Study	Hofstede (1980)	Individualism Power Distance Uncertainty Avoidance Masculinity
Cross-cultural Psychology	Chinese Culture Connection (1987)	Moral discipline Integration Human Heartedness Confucian Work Dynamics

Kluckhohn and Strodtbeck (1961) examine five value-orientations, defined as patterned principles "which give order and direction to the ever-flowing stream of human acts and thoughts as these relate to the solution of 'common human' problems" (p.4). Specifically, every culture must find a solution to each of the five problems regarding (1) relationship between human and nature; (2) innate human nature; (3) relationship between humans; (4) temporal focus of human life; and (5) modality of human activity. According to their empirical investigations among five different rural and cultural communities of the American Southwest, the two authors demonstrate that it is possible to study the value orientation of a culture through the testing of individuals.

Inkeles and Levinson (1969) propose three standard analytic issues for the comparative analysis of "national character" or "modal personality". They ask: "To what extent do the patterned conditions of life in a particular society give rise to certain distinctive patterns in the personalities of its members?" (p.418) The three standard analytic issues are chosen based on two criteria: (1) universal to human societies; and (2) functional significant for both individual and social system. They believe, for instance, that modal personality may be described in terms of one or a few primary dilemmas, such as those proposed by Erikson (1950) in his formulation of stages in ego development (e.g., trust versus distrust). To the extent that the dilemma remains unresolved, it has various consequences for the individual's further characteristics (p.452).

An important progress in the area is the work of Hofstede (1980) based on a

research project across 53 countries. Hofstede identifies four main dimensions along which dominant value systems can be ordered and which affect human thinking and organizations in predictable ways. Specifically, power distance describes the relationship between superior and subordinate in a hierarchy; individualism is a measure of individuals' relations to group or organization; uncertainty avoidance concerns the extent to which a person feels comfortable in an unstructured situation; and finally, masculinity deals with genders' role in organizations. By locating cultures on a four-factor map, Hofstede's seminal work has allowed for comparison of cultures on an *a priori* basis (Gudykunst, Yang, and Nishida 1985).

A more recent effort was made by the Chinese Culture Connection (1987) to identify some "culture-free" cultural dimensions. To develop an initial item pool, a number of Chinese social scientists were asked to prepare a list of basic values for Chinese people. The resultant 40-item "Chinese Value Survey" (CVS) was administered to college students in a variety of disciplines in 22 countries. A statistical analysis of the survey results yielded four cultural factors. Three factors were shown to have significant correlations with three dimensions of Hofstede's (1980), while the dimension of uncertainty avoidance was missing in the CVS data. On the other hand, the study revealed another clearly marked dimension, whose positive pole reflected a dynamic, future-oriented mentality, originated from Confucius' ideas. This dimension was named "Confucian Dynamism".

It should be noted that these classifications bear many similarities (Hofstede 1980; Hofstede and Bond 1988). A salient example is the individualism-collectivism

dimension: its primary concern -- an individual's relationship with his/her group -- appears in all the five classifications, although different terminologies are used³.

Cultural Dimensions and Negotiation Approach

While the culture dimensions summarized in Table 3 all relate to fundamental problems of humanity, they are not equally influential in various facets of human experience. Four national culture dimensions appear to have a significant bearing on negotiation behavior. These dimensions include collectivism, ambiguity tolerance, humanism, and long-term orientation. Table 4 presents the domain definitions of the four cultural dimensions. The following discussions deal with each of the dimensions with respect to their negotiation relevance and cultural variation along these dimensions.

TABLE 4

CULTURAL DIMENSIONS RELATED TO NEGOTIATION BEHAVIOR

Cultural Dimension	Domain
Collectivism	Relationship between individual and his/her group.
Ambiguity Tolerance	Attitude toward unstructured situations.
Humanism	Perceived importance of human factors in management processes.
Long-term Orientation	Time horizon allowed for gratification/reciprocity.

³. These include Hofstede's (1980) "individualism" dimension, Kluckhohn and Strodtbeck's (1961) "relational orientation", Parsons and Shils' (1951) "self orientation versus collective orientation", Inkeles and Levinson's (1969) "conception of self", and Chinese Culture Connection's (1987) "integration".

Collectivism

A review of the multidisciplinary literature reveals a fundamental cultural dimension that relates to negotiation and conflict behavior -- collectivism, which concerns the relationship between individual and his group (Gudykunst 1988; Ting-Toomey 1988). Depending on whether people belong to a collectivist culture or its antithesis, an individualistic culture, they will exhibit variance in terms of sense of interdependency, attitude toward group goals, and concerns with relational harmony (see Triandis 1986 for a review).

It is widely thought that in collectivist societies, people believe in interdependency among group members and stress group goals over individual goals. Therefore, they view harmonious relationship within the group as a prominent principle. In contrast, people in individualistic societies stress independence or self-reliance, look after themselves and their immediate family only, and have less concern about face and social harmony (Hsu 1985; Triandis 1986; Hofstede 1980; Hofstede and Bond 1988; Ting-Toomey 1988). While face saving or maintenance is a universal phenomenon in social interaction (Goffman 1967), some cultures demonstrate greater concern about saving face than others because of their fundamental group consciousness. In individualistic societies, face maintenance is a matter of communicative competence, whereas in collectivist societies, people strive to save face by obtaining favorable comments from one's group (Hu 1944).

National Difference in Collectivism. Considerable evidence has accumulated to support the usefulness of collectivism as a way of categorizing cultures (Hofstede 1980). In particular, the American culture is found to be highly individualistic, whereas the Chinese culture is collective oriented (Hofstede 1980; Chinese Culture Connection 1987). For instance, the Chinese are found to stress interdependency among group members (and even between group members and outside contingencies), to emphasize group interests and conformity, to promote harmony within groups, and to be sensitive to face and group pressure. Even in post-Mao mainland China, collectivism remains a fundamental premise that governs other cultural assumptions (Nevis 1983). In contrast, the Americans are individual-centered, achievement-driven, and extremely competitive (Hsu 1985; Hu 1944; Adler and Jelinek 1986). As a result, Chinese managers tend to run business as a family, to promote networks with outside contingencies, and to maintain internal harmony (Redding 1990). Conversely, American managers would insist on rational decision making, believe in independent enterprise, and endorse frankness in internal communication (Newman 1972).

Collectivism and Negotiation Approach. The cultural dimension of collectivism affects the overall conflict negotiation process as well as the specific conflict and negotiation styles (Triandis *et al.* 1988). Most of the prior studies hold the following proposition: members of collectivist cultures are likely to use more obliging/smoothing and avoidance-oriented approaches, whereas members of individualistic cultures tend to use a greater degree of dominating/controlling and solution-oriented approaches (Ting-Toomey 1988; Ting-Toomey, Trubisky, and

Nishida 1989). Since members of collectivist cultures strive to maintain relational harmony, they are less likely to take dominate stance (forcing) toward negotiation, but more likely to seek a middle ground (compromising) between conflicting positions. Also, because collectivism implies certain degree of passivity (Sakaran and Snodgrass 1989), it does not fit the confrontational, assertive tone of the problem-solving approach. In comparison, cultures low on collectivism (i.e., individualism) stress initiation and fact-based decision making, so that their members are more likely to endorse such a solution-oriented negotiation approach (Trubisky, Ting-Toomey, and Lin 1991; Westwood, Tang, and Kirkbride 1992; Chiu and Kosinski 1993).

A unique effect of the collectivism dimension on negotiation behavior has been examined in terms of ingroup-outgroup⁴ communication. Since collectivist cultures stress group goals over individual goals, collectivism is associated with a heightened ingroup-outgroup distinction (Leung and Bond 1984). Consequently, the greater the degree of collectivism present in a culture, the greater the differences in ingroup and outgroup communication (Gudykunst *et al.* 1992; Gudykunst, Yoon, and Nishida 1987). In other words, members of collectivist cultures are more likely to take different negotiation approaches depending upon whether the other party is an ingroup member or a stranger. For example, it is found that Chinese subjects were less likely to pursue a conflict with an ingroup disputant and more likely to pursue a conflict with an outgroup disputant than were Americans (Leung 1988).

⁴. The terms "ingroup" and "outgroup" are used to describe group membership. In different circumstances, ingroup members are the members of a particular group (e.g., a country or an organization), whereas outgroup members are anyone who does not belong to that group.

Tolerance of Ambiguity⁵

Another relevant cultural dimension, tolerance of ambiguity, indicates "to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations" (Hofstede and Bond 1988, p.11). Structured situations are those in which there are clear rules to follow (Hofstede 1991). The cultural orientation regarding ambiguity exerts a major impact on people's attitudes toward principles, rules, interpersonal relations, and "deviant" behavior (Gudykunst 1988).

Cultural Difference in Ambiguity Tolerance. The psychology literature treats tolerance of ambiguity as a generalized personality variable (Frenkel-Brunswik 1949), but cultures also differ with regard to the scope they allow for the ambiguities (Levine 1985). For instance, ambiguous expressions in speech and thought are popular in many Asian and African societies, serving "a number of social and cultural purposes" (id., p.24). In Hofstede's (1980) classic cross-cultural research, the Americans score much higher than the Hong Kong Chinese on the Uncertainty Avoidance dimension. While the American culture pursues a single Truth, the Chinese culture, summarized in Confucius' teachings, offers various ways in which one can improve him/herself but these do not consist in believing in a Truth (Hofstede 1991). The Chinese therefore allow more ambiguity in "situations" than the Americans do (Hsu 1985).

⁵. It may be worth noting that many authors do not make distinction between ambiguity tolerance and risk-taking propensity. While the former concerns the attitude toward unstructured situations, the latter measures the tendency toward risky conditions.

The Japanese, whose culture is also influenced heavily by Confucianism, provide another case for illustrating cultural difference in ambiguity tolerance. While the Western mind has a tradition which pursues specificity and decisiveness (Northrop 1959), the Japanese are characterized with "indeterminateness", which assigns less value to abstract and universal principles (Peterson and Shimada 1978). Due to such a fundamental difference, cultures may attach different connotations to ambiguity. For example, the Americans afford little room for the cultivation of ambiguity (Levine 1985), since an ambiguous situation implies incompleteness, unstableness, and needs clearing up (Pascale and Athos 1981).

Situational Flexibility versus Rule Orientation. Attitude toward ambiguity affects managerial assumption with respect to rules, regulations, and organizational structures. Mirrored in rule-oriented modern organizations, cultures low in ambiguity tolerance prefer explicit rules and regulation, and complex organizational structures to safeguard against the unknown future of the organization (Hofstede 1980). In addition, long-range planning and transparent information flows within organizations are more likely to be used as ambiguity reduction mechanisms (Sekaran and Snodgrass 1989). According to Redding (1990), informal, intuitive styles of decision making are popular in overseas Chinese businesses. Similarly, Hsu (1985) considers situation orientation, flexibility regarding rules and principles, as a unique Chinese character. Evidently, these are manifestations of the Chinese culture's high degree of tolerance for ambiguity (Levine 1985). In comparison, Americans tend to believe in "one truth" or universal principles and behave in a very legalistic manner (Pye 1982).

Ambiguity Tolerance and Negotiation Approach. Tolerance or avoidance of ambiguity has an impact on communication and negotiation behaviors. For example, the dominant American temper calls for clear and direct communications, whereas cultures in many Asian nations encourage vague and indirect communications (Hall 1976). Relatedly, Americans opt for direct and open approaches in conflict management processes more than their Chinese counterparts (Ting-Toomey, Trubisky, and Nishida 1989). Ambiguity tolerance seems directly related the preference for compromise approach in negotiation⁶. For instance, the observation that the Chinese use more compromising than their American counterparts in negotiation appears supportive of the proposition that members of weak ambiguity-avoidance cultures will tend to compromise more in negotiation (Kale and McIntyre 1991). A more direct effect of the ambiguity tolerance dimension is found in different cultures' attitudes toward the use of legalistic approach in negotiation process. Explicit, detailed contractual documents as an important measure for uncertainty reduction, for example, are more intensively used by American partners in their alliances with the Japanese, who are more likely to see some desirable aspects in ambiguous relationships (Pascale and Athos 1981).

Humanism

The cultural dimension of humanism/human-neutrality measures the extent to

⁶. Reference may be made to social psychology studies on closed-mindedness or dogmatism. For example, Druckman (1967) found that subjects high in dogmatism (i.e., low in ambiguity tolerance) viewed compromise as defeat more often than those who were low in dogmatism.

which human contexts are concerned in social processes (Yum 1988). A culture of humanism pursues trusting human relationships, relies on human feelings in making judgment, and emphasizes interpersonal relationships in social encounters. On the other hand, a culture of human-neutrality relies on rationality in decision making, concerns more about objectives of human actions, and refutes the interference of human affection in reasoning.

Evidence from behavior sciences shows that cultures can be plotted on a continuous line, with countries such as Switzerland and Germany being the extreme of human-neutrality and Japan and China being the extreme of humanism. As Hall (1976) describes, Swiss and German are fragmented and somewhat alienated with little involvement with people, whereas Japanese and China are driven toward close, warm, friendly, involved side of life. American culture is considered to be close to the human-neutrality end.

Reliance on Trust. Cultures differ in the perceived significance of human affection and trust (Ouchi 1980; Shane 1992). Although people in the world may construe trust in much the same way, members of some cultures, such as the Chinese, are more serious in relying on trust in exchange relationships (Redding 1995). In a study involving Japanese-American joint ventures, American managers are found not to have the same concern for trust as the Japanese (Sullivan et al. 1981).

Trust, as social-psychological bond of sentiments and friendships, is produced through interpersonal interaction (Homans 1961). Therefore, to build a trusting relationship involves establishing and sustaining good personal relationships (Hazama

1978). However, different cultures do not appreciate such interpersonal relationships to the same degree, especially with regard to business conducts. People from some societies, such as Japan and China, consider such relationships as a precondition to fruitful businesses, while others such as a Westerner may be frustrated by being forced to engage in personal relations in a business setting (Pye 1982).

The above discussion can help understand the striking difference between Americans and Chinese in their attitudes toward legalistic approach in negotiation. Since the legalistic approach is characterized with objectivity and rationality, it leaves no room for human affection. Such an approach, in consequence, is not favored by those cultures high in humanism, but more likely to be popular in cultures that rely less on human trust. Trust is said to offer an effective substitute to law as a basis of contracting in Japan (Smitka 1994). Similarly, since the Chinese are less trustful of laws than of personal contacts, they perceive resort to legal measures for resolving disagreement as failure of a relationship (Chen 1993).

Context of Communication. The essence of humanism is natural human feelings for others, as reflected in various approaches in social interactions (McNaughton 1974). A major aspect of humanist cultures is that their members pay much attention to the uncoded messages of communication. These messages, or "context" in Hall's (1976) terminology, are the background information critical to interpersonal interaction, such as human relationship and social status. Because of this, members of humanist cultures are not likely to express their opinions openly and act on them publicly. Members of humanist-neutral cultures, on the other hand,

appreciate openness and directness with little concern about hidden context. For example, American methods of communication are customarily very direct and to the point, whereas the Orientals tend toward indirectness in communication and believe that directness may harm human relationships (Hall 1976; Chiu and Kosinski 1993). Thus, in a joint venture context, the U.S. manager, who is used to seeking out and dealing with the facts, may find that this problem-solving approach is perceived by his Chinese counterpart as showing dislikes or an attempt to block the other's progress (Newman 1992)!

Long-term Orientation

The final cultural dimension of concern to this research relates to time, that is, the cultural disposition toward shorter or longer time horizon within which gratification and reciprocity are allowed to be deferred. While this conceptualization of time orientation is extended from a psychological trait -- delay for gratification, as a national culture dimension, it is more about "virtue": values oriented towards the future, such as perseverance, and values oriented towards the past and present, such as fulfilling social obligations (Hofstede 1991).

Delay for Gratification and Reciprocity. Time preference refers to the degree to which a person consistently is engaged in and attaches importance to different time zones (past, present, and future). An individual is considered as holding a long-term (future) orientation if s/he is relatively tolerant of gratification delay (Mischel 1974). For parties involved in long-term relationships, time orientation may affect their

negotiation stance, since such a relationship often requires parties to postpone temporarily the receipt of their own outcomes until some later time (Anderson and Narus 1990). For example, when a retailer is long-term oriented, integrated negotiation approaches such as problem-solving are more likely to be used for resolving conflicts with his/her vendor partner (Ganesan 1993).

Furthermore, since delayed reinforcements in an exchange are delivered by the other party, a future orientation not only refers to the ability to delay gratification per se, but relates to the norm of reciprocity. As reciprocity often involves a chain of counteracts, its balance has to be maintained in a long run (Malinowski 1932). If a party attaches more importance to the long-term profitable relationship with the other party, s/he would allow asymmetrical reciprocity in the short run. In other words, when the parties are long-term oriented, "there may be a lesser need for strict-reciprocity accounting in that the future holds ample opportunity for and expectations of balancing" (Dwyer, Schurr, and Oh 1987). From this viewpoint, relational contracts are just a way of trading off the short term loss involved in sacrificing certain advantage against the insurance of future help from a trading partner (Dore 1983).

Cultural Variation in Time Orientation. As a cultural value orientation, time perspective is shaped by national culture as well as environmental factors (Kluckhohn and Strodtbeck 1961; Hall 1959). Previous studies suggest that Asians, including the Chinese, may have a longer time horizon due to their inter-generational view of life. In contrast, individualistic cultures place greater emphasis on goals and needs of each

individual, whose time horizon, therefore, is rather limited (West 1989; Tse et al. 1988). While reciprocity is seen as a universal norm, its function may vary in different cultures (Gouldner 1960; Hall 1959). For example, in Eastern Asia, the Confucian principle of mutual faithfulness views relationships as reciprocally obligatory, which is the antithesis of immediate personal profits (Yum 1988). In contrast, in "the most rationalized" United States, this tendency is weaker (Gouldner 1960). These observations are supported by the findings of a large-scale cross-cultural research, in which the Chinese scored highest on the Long-term Orientation dimension, whereas the Americans were among the lowest (Chinese Culture Connection 1987; Hofstede 1991⁷).

Time Orientation and Negotiation Approach. The cultural dimension of time orientation has been recognized for its impact on negotiation behavior. For instance, immediate reciprocity is considered as one characteristic of the American negotiation approach, in contrast to long-term reciprocity of the Japanese negotiation approach (Graham and Sano 1989). Similarly, comparing with their American counterparts, the Chinese are found to be more concerned with long-term associations at the negotiation table (Tung 1982). Particularly, the Chinese' long-term orientation exerts influence on their preference for compromising approach. Under the Chinese' system of reciprocity, people do not calculate what they give and receive at any given

⁷. The dimension was called Confucian Dynamism in the Chinese Culture Connection's study and renamed by Hofstede as Long-term versus Short-term Orientation.

moment (Yum 1988); rather, they are always ready to make concessions to the extent that sustaining the relationship necessitates a compromise.

Summary

Cultural Dimensions Relevant to Negotiation. As a long-standing interest to scholars in anthropology, sociology, and social psychology, national culture and its effect on human behaviors have been extensively researched. Particularly, cross-cultural negotiations and conflict behavior have been a growing area of inquiry. Previous research, however, has not been notably successful in taking advantage of incorporating national culture into the study of negotiation (Gulliver 1988). One shortcoming of this effort has been a failure to identify specific cultural dimensions that are relevant to negotiation behavior. To date only the dimension of collectivism has received due attention.

A synthesis of extant accounts of national culture in both anecdotal and scholarly literature revealed four cultural dimensions that exert influence on human behavior in negotiation: ambiguity tolerance, humanism, long-term orientation, as well as collectivism. By doing so, more fruitful inquiry into the culture-negotiation behavior link can be facilitated.

National Culture as Theoretical Variable. Past research also has failed to place national culture in a systemic framework that simultaneously examines various crucial variables that collectively constitute a contextual condition of negotiation process. Despite the wide recognition of role of cultural contexts in negotiation

processes, the magnitude of such an effect is far from clear. Can national culture alter fundamental processes of negotiation, or does it only moderate the linkages between more critical contextual variables and negotiation processes? While some of the recent studies in social psychology tended to treat national culture as the predicting variable, others casted doubts on such a stance (Brehmer and Hammond 1977; Gulliver 1988). Without proper conceptualization on the role of national culture, inconsistent evidence will be further delivered by empirical investigations.

CHAPTER III

RESEARCH HYPOTHESES AND METHODOLOGY

The previous chapter reviewed and integrated the extant literature on negotiation theories and on national culture with respect to negotiation behavior. Studies of negotiation have accumulated substantive knowledge about how social units interact to achieve agreement from each other's conflicting positions. This invaluable academic heritage has yet to be fully appreciated by those conducting research on relationship processes within strategic alliances. Two research areas needing further study have been identified. First, the relational variables, which provide a fundamental context of the negotiation process, have not been sufficiently explored in the existing literature. This lack of attention to the relational context largely results from relative ignorance of the ongoing processes of long-term business relationships. Second, national culture has not been successfully incorporated into theory-building, although strategic alliances often involve partners of different national origins and each partner brings different cultural schemata to the negotiation table (Reardon and Spekman 1994).

This study attempts to advance our knowledge about the linkage between relational contexts and negotiation behavior, using a typical case of strategic alliances -- international joint ventures (IJVs). The study setting involves partners

with contrasting cultural backgrounds, which allows the examination of the effect of identified cultural dimensions on the partners' negotiation approach. Two specific questions addressed by the research are:

1. To what degree do three relational contextual variables -- relationship commitment, trust, and relative power -- influence joint venture partners' adoption of different negotiation approaches?
2. To what degree does variation in national culture moderate the linkages between relational contexts and negotiation behavior?

Research Hypotheses

Given the research questions noted above, three sets of variables are examined in the study. These are relational context, negotiation approach, and national culture. Figure 6 graphically summarizes the conceptual model upon which research hypotheses are based. Negotiation approaches are predicted by relational context variables and the relationship is moderated by national culture.

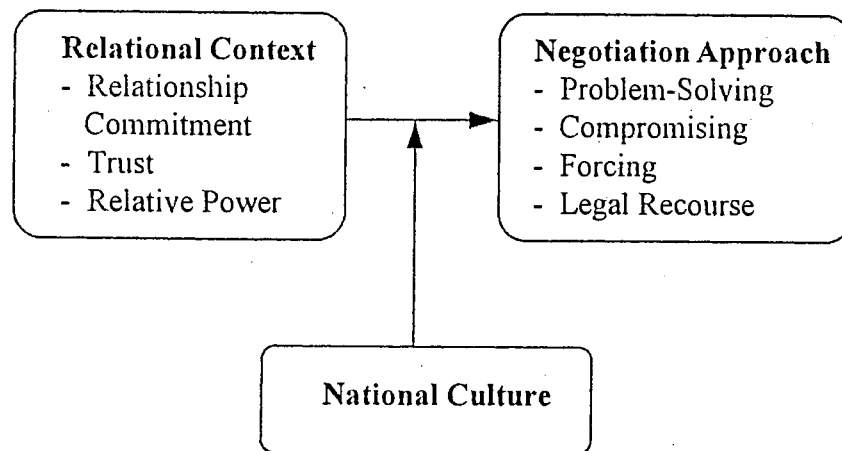


Figure 6. Conceptual Model of Relationships between Negotiation Approach, Relational Context, and National Culture.

Negotiation Approaches

The macro-processes perspective, as reviewed in the previous chapter, emphasizes that negotiation is a unique mode of interaction often involving longitudinal process and covering wide-range social contexts (Guetzkow 1977). As one of many mechanisms for resolving social conflicts, negotiation is characterized by participants' explicit intent to reach an agreement. While prior research has identified many different negotiation approaches, there is evidence that these approaches may not be equally relevant in different settings (Perdue and Summers 1991). Pilot interviews with joint venture managers and the literature review have revealed four negotiation approaches that are commonly used by joint venture partners. These negotiation approaches include problem-solving, compromising, forcing, and legal recourse. Accordingly, negotiation approaches, the criterion variable for the research hypotheses to be developed in the current study, will be operationalized by these four approaches.

Relational Context of Negotiation

Negotiation behavior is conditioned by the context within which negotiation occurs. The basic perspective from which inter-organizational ongoing negotiation will be investigated is that of relational context. This perspective holds that in order to understand negotiation phenomena, one needs to take into account the impact of relational contextual conditions within which such phenomena are inevitably embedded (Kramer and Messick 1995; Greenhalgh and Chapman 1995). Particularly,

participants' preferences for different negotiation approaches are posited to be influenced by various relational factors.

The previous chapter examines five dimensions of relational context: relationship longevity; relational norms; relationship commitment; trust; and relative power. The study incorporates three of these dimensions as predictor variables (see Figure 6). Longevity of relationship, which is not included in the main study, may be used as a moderating variable in later research. Relational norms are excluded mainly for concerns with operational problems. For example, some identified relational norms, such as "solidarity" (Kaufmann and Stern 1988), overlap the domain of relationship commitment, while others, such as "harmonization of conflict" (Gundlach, Achrol, and Mentzer 1995), appear to confound actual negotiation approaches. Consequently, only relationship commitment, trust, and relative power will be investigated within this study.

Negotiation Approaches and Relational Context

The previous chapter discussed the conceptual and empirical evidence in support of the relationships between four negotiation approaches and three dimensions of relational context. Based on the proposed relationships, a number of hypotheses are established.

Problem-Solving. Problem-solving is evident when the participants openly exchange information about goals and priorities and continually evoke new alternatives in search for agreement. This negotiation approach represents an

integrative orientation, since the parties bear a concern with both self and the other party. As such, when a party is willing to maintain and nourish a relationship, s/he is likely to adopt a problem-solving approach toward disagreement resolution. Use of problem-solving is also more likely when trust is high, since trust encourage openness in information exchange and self-disclosures (Pruitt 1981). Conversely, power asymmetry provides a condition in which communication frequency "would be inversely proportional to the relative power" (Dwyer and Walker 1981, p.110). Based on the evidence provided in the previous chapter, the following hypotheses are offered:

H1a. Problem-Solving is positively related to Relationship Commitment.

H1b. Problem-Solving is positively related to Trust.

H1c. Problem-Solving is inversely related to Relative Power.

Compromising. Compromising is observed where participants seek a middle ground between their initial divergent positions. By making concessions on some issue(s), resolutions are more likely to be reached without threatening existing relationships between the participants. For this reason, the compromising approach is often preferred by a committed party as long as s/he considers preserving partnership as necessitating the act of concession. Also, a party is more likely to adopt the compromising approach when s/he trusts the other party's desire to reciprocate (Pruitt and Lewis 1977). The effect of relative power is an inverse relationship. In general, unbalanced power tends to encourage the powerful party to engage in less concession-

making, while a power-balance condition is more likely to induce compromise among participants (Rahim 1983). These discussions can be summarized in the following hypotheses:

H2a. Compromising is positively related to Relationship Commitment.

H2b. Compromising is positively related to Trust.

H2c. Compromising is inversely related to Relative Power.

Forcing. Forcing is to use power in making the other party comply. In search for resolutions to disagreement, one party attempts to win its own concern at the other party's expense. Perceivably, such a self-interest-seeking approach is less likely to be taken by a party who assigns importance to the relationship with the other party. Additionally, use of a forcing approach seems related to the degree of trust. Competitive behavior often represents a defensive reaction to a sense of threat in negotiation (Pruitt and Lewis 1977). For example, when multinationals have no confidence in local partners, they prefer a dominant equity position so as to secure favorable resolutions to unforeseen conflicts in IJVs (Friedmann and Beguin 1971). Finally, there is a direct link between relative power and use of the forcing approach. In an imbalanced power condition, parties have a tendency toward exercising their power (Frazier, Gill, and Kale 1989; Dwyer and Walker 1981). Stated in formal fashion, the following hypotheses are proposed:

H3a. Forcing is inversely related to Relationship Commitment.

H3b. Forcing is inversely related to Trust.

H3c. Forcing is positively related to Relative Power.

Legal Recourse. When a party appeals to a formal legal agreement to gain compliance, s/he is using legal recourse. Along with promises, threats, and requests, legal recourse is considered as being of "mediated" or "coercive" nature (Frazier and Summers 1984; Frazier and Summers 1986). It differs from the forcing approach in that the source for gaining compliance is a mutually agreed legal ground, rather than some unilateral power sources (e.g., equity position). However, such a legal stance may lead to ill will so as to threaten future relationships. Hence, when a relationship is highly valued, the committed party will use legal recourse only as the last resort. The legalistic approach will also be avoided when a party has high trust toward the other party. As proposed in previous research, high reliance on trust gives rise to preference for conferral to legal recourse in conflict resolution.

H4a. Legal recourse is inversely related to Relationship Commitment.

H4b. Legal recourse is inversely related to Trust.

To summarize, it is hypothesized that each of the relational variables is linked to various negotiation approaches. The hypothesized relationships are summarized in Table 5. No hypothesis is established to predict the linkage between legal recourse and relative power, since such speculation lacks grounding. Based upon research reviewed in the previous chapter, the use of problem-solving and compromising is suggested to be positively related to a partner's degree of relationship commitment and trust toward the other partner, but negatively related to relative power. Conversely, the use of forcing approach is expected to be negatively related to relationship commitment and trust, but positively related to relative power.

Additionally, since legal recourse may appear insulting and signal distrust to the other party, it is expected that the use of this approach will be negatively related to relationship commitment and trust.

TABLE 5
HYPOTHESES PERTAINING TO
RELATIONAL CONTEXTS

Dependent Variable	Predictor Variables		
	Relationship Commitment	Trust	Power
Problem-Solving	H1a +	H1b +	H1c -
Compromising	H2a +	H2b +	H2c -
Forcing	H3a -	H3b -	H3c +
Legal Recourse	H4a -	H4b -	

National Culture as a Moderator

A basic premise of the present study is that national culture exerts influence on negotiation behavior. For purpose of the current study, national culture is operationalized by the respondent's native culture. Four dimensions of national culture are examined: collectivism, ambiguity tolerance, humanism, and long-term

orientation. It is felt that each of these dimensions affects the preference for negotiation approaches. Based on the discussions in the previous chapter, the American and Chinese cultures provide substantive differences in culture over these dimensions. Table 6 indicates the differences between the two cultures.

TABLE 6
 CONTRAST OF AMERICAN AND CHINESE CULTURES
 ALONG FOUR CULTURAL DIMENSIONS

Dimensions	American	Chinese
Collectivism	Low	High
Ambiguity Tolerance	Low	High
Humanism	Low	High
Time Orientation	Short	Long

In examining national culture's effect on negotiation approach, this study treats national culture as a "quasi moderator", which is a predictor variable and enters the equation through an interaction term (Sharma, Durand, and Gur-Arie 1981). Recall that in Chapter II, conceptual and empirical evidence was presented for how culture dimensions might influence the preference for negotiation approach. Because of its direct relationship with the choice of negotiation approach, national culture could be

treated as a predictor variable itself. For instance, members of collectivist cultures tend to opt for non-confrontational approaches to negotiation to a greater extent than members of individualistic cultures do (Leung 1988). However, since relational variables are considered as being more fundamental in ongoing negotiation, national culture is posited as a moderating variable. In other words, it will be examined for its interaction effect with the relational variables. For example, since collectivism is associated with heightened ingroup-outgroup distinction (Leung and Bond 1984; Triandis 1986), the link between relationship commitment and the use of problem-solving approach may be altered to varying degree depending on whether the participant is a member of collectivist culture or individualistic culture. Hypotheses that conceptualize the national culture's moderating effects are offered below:

National Culture, Problem-Solving and Relational Variables. Due to the effect of culture on communication within group relationships, when levels of commitment increase, Americans' use of Problem-Solving would not increase as much as Chinese' use of the negotiation approach. Based on Gudykunst and colleagues (Gudykunst, Yoon, and Nishida 1987; Gudykunst et al. 1992), the greater the degree of collectivism present in a culture, the greater the difference in ingroup and outgroup communication. When joint venture partners, either the American or Chinese, become increasingly committed to a relationship, the sense of ingroup membership should be enhanced accordingly. However, such an enhanced ingroup relationship will not lead to as much behavioral change among the American as among the Chinese partners, since the Americans, members of a highly individualistic culture,

behave largely according to internal mechanisms, rather than ingroup norms, goals, and values (Triandis 1990).

The Chinese culture's high reliance on trust appears to make the positive association between Trust and Problem-Solving stronger for Chinese. While people in high-context cultures (e.g., Chinese) are more cautious concerning self-disclosure and information exchange with strangers than are people in low-context cultures (e.g., Americans), such a difference would diminish when confidence develops among participants with increased interaction (Gudykunst 1983).

When a party's power position is enhanced, s/he is more likely to become more coercive in negotiation approach but less likely to actively search for solutions that integrate the requirement of both parties. This tendency toward avoiding Problem-Solving in negotiation results from the pursuit for immediate maximum self-gain (Dwyer and Walker 1981). H1a was built upon these assumptions. However, these assumptions largely reflect the typical situation in the Western world. In a non-Western culture, where people underestimate the value of immediate gain due to their longer time orientation and heightened concern for collective goals, they would not be so sensitive to the change in power balance as to alter their use of the Problem-Solving approach. And this is the case of the Chinese culture.

To test the above predictions, we examine the following hypotheses:

- H5a. The positive relationship between Problem-Solving and Relationship Commitment is stronger for Chinese than for Americans.
- H5b. The positive relationship between Problem-Solving and Trust is stronger for Chinese than for Americans.

H5c. The inverse relationship between Problem-Solving and Relative Power is stronger for American than for Chinese.

National Culture, Compromise and Relational Variables. Generally, when levels of commitment to a relationship or trust toward the other party increase, participants tend to increase the use of Compromising as a negotiation approach. However, this effect will be stronger for Chinese than for Americans. As discussed earlier, members of collectivist cultures behave rather differently, depending on whether the other party is a member of an ingroup or an outgroup (Leung and Bond 1984; Gudykunst *et al.* 1992). For the collectivist Chinese, committing to a relationship is to create an ingroup. Accordingly, the goal of the ingroup will take priority, and Compromising as an integrated approach is more likely to be adopted to achieve it. Trust's positive effect on the use of Compromising also will be stronger for Chinese, because of their more serious reliance on human trust in exchange relationships (Redding 1995). On the other hand, American joint venture managers are found not to attach the same importance to trust as their Asian counterparts (Sullivan *et al.* 1981). Finally, we expect that the inverse relationship between felt Power and the use of Compromising will be stronger for Americans than for Chinese. Because winning, rather than mutuality, is a part of their psyche, the Americans are more likely to escape from a compromise situation as a power advantage is felt on their side. Consequently, it is posited that:

H6a. The positive relationship between Compromising and Relationship Commitment is stronger for Chinese than for Americans.

H6b. The positive relationship between Compromising and Trust is stronger for Chinese than for Americans.

H6c. The inverse relationship between Compromising and Relative Power is stronger for Americans than for Chinese.

National Culture, Forcing and Relational Variables. American partners are known for their desire to maintain managerial influence in U.S.-Chinese joint ventures (Campbell 1986). To build a power base, most U.S. partners have attempted to obtain a majority equity position and therefore to take the top management position (Chinese Association for Enterprise Management 1991). It is not surprising that the Chinese set up restrictions on foreign equity participation to restrain the Americans from using the forceful, competitive negotiation approach. On the positive side, the enhanced affective attachment to the relationship and accumulated confidence in the Chinese partner's conduct also lead to decreased use of a Forcing approach in more developed U.S.-Chinese joint ventures.

On the other hand, Chinese managers' reluctance of using the Forcing approach in joint venture ongoing interaction is well documented. While Chinese officials are clear in their preference for Chinese majority or fifty-fifty ownership, they also encourage joint ventures as much as possible to avoid the situation where one side compels the other to carry out its opinion in decision making (Pearson 1991). Among other reasons is the Chinese culture's assigned importance to harmony and solidarity in interaction. Because of this cultural disposition, the Chinese managers are so alienated to Forcing as a negotiation approach that change in power balance as

well as in attitude toward the partnership and the other partner could hardly alter their overall low level of using this negotiation approach.

These arguments suggest the following hypotheses:

- H7a. The inverse relationship between Forcing and Relationship Commitment is stronger for American than for Americans.
- H7b. The inverse relationship between Forcing and Trust is stronger for Americans than for Chinese.
- H7c. The positive relationship between Forcing and Relative Power is stronger for Americans than for Chinese.

National Culture, Legal Recourse and Relational Variables. A striking difference has been found between Americans and Chinese in their attitudes towards legal documents and their use (Pye 1982; Hsu 1985). In a joint venture context, American partners' insistence on explicit, detailed contracts has been contrasted with their Chinese counterparts' preference for more open, flexible legal documents (Martinsons and Tseng 1995). One can hardly find a connection between legalistic process and relationship commitment within Chinese organizations. When there is an attitudinal attachment, no legal measures are taken seriously; when such an attitudinal attachment is missing, participants would not resort to legal process for resolution until they decide to dissolve the relationship. However, there is an extraordinary salient negative association between trust and legal actions for the Chinese. On the other hand, the Americans are not concerned with humanistic judgment as much as their Chinese counterparts in organizations. Because of their legalistic mentality, which is a rational choice in more complex environments, the Americans believe that

a legalistic approach is necessary even with trust. These observations are expressed in two hypotheses:

- H8a. The inverse relationship between Legal Recourse and Relationship Commitment is stronger for Americans than for Chinese.
- H8b. The inverse relationship between Legal Recourse and Trust is stronger for Chinese than for Americans.

Research Design and Methodology

The aforementioned hypotheses were tested within the study. This section explains the research design and methodology used in collecting the data and developing the measurement instruments.

Survey Methodology

This study used a field survey to obtain information about relational contexts and adopted negotiation approaches within IJVs settings. The unit of analysis was U.S.-Chinese joint ventures in the People's Republic of China (China). Key informants were solicited from American and Chinese joint venture managers who reside in China.

To date, research on joint venture relationships has largely been descriptive without rigorous hypothesis testing (Habib and Burnett 1989). Most empirical investigations, for example, used unstructured interviews in data collection. When formal hypotheses can be established on strong conceptual and empirical evidence, methodologically more rigorous research such as a survey design with objective

question structure is justified. Most of the prior joint venture research collected data only from one side of a partnership -- often the Western side. This is a serious flaw, since an examination of joint venture partnership necessitates a perspective from both sides of the partnership (Yan and Gray 1994). Using a structured research instrument to collect data from both sides of the relationship, this study took one step in adopting more rigorous research methodologies in the study of international joint ventures.

Research Setting

U.S.-Chinese joint ventures were chosen as the research setting for three reasons. The first lies in the increasing interaction between U.S. and Chinese business partners. As the world's No.1 recipient of foreign direct investment, China witnessed more joint ventures than any other nation in the 1980s (Beamish 1993). Among various forms of foreign investment, joint ventures constitute approximately 70% of the total amount. Following the same pattern, U.S. businesses, now the third largest foreign investor in China (only after Hong Kong and Taiwan), have utilized joint venture as the major institutional arrangement in China (US-China Business Council 1991). Second, systematical investigations of U.S.-Chinese joint ventures have become extremely promising, since these ventures are thought to have passed the initial experimental phase (Shaw and Meier 1993). Third, China and the United States represent two rather different cultural systems (Hsu 1985), offering a sound testing ground for national culture's effect.

Pilot Studies

During December 1994 and January 1995, a series of pilot studies were carried out in China. First, the researcher attended a seminar on Chinese-foreign joint venture management issues in Beijing, sponsored by China Association of Enterprises with Foreign Investment and Beijing Association of Economics. The presentations and discussions by government officials, joint venture executives, and scholars and the intensive interactions between the researcher and these participants reviewed the current status and problems in Sino-foreign joint venture operations and served as a critical check on the proposed research.

Second, the researcher personally conducted in-depth interview with 12 individuals (7 Chinese and 5 Americans) in the Shanghai and Beijing areas. These individuals were joint venture managers and government officials who were knowledgeable about the topic. They were presented the outline of the proposed study and invited to comment on the appropriateness of the research questions and feasibility of the research design. They were then asked to respond to a preliminary instrument.

Third, a pretest of the refined instrument was conducted four months later. The English or Chinese versions of the instrument were mailed to 6 current joint venture managers and 2 returned expatriates. They completed the questionnaires and then commented on the wording and clarity of the questions, etc. Simple comparison of the response patterns indicated that the measures were reliable overall. Based on the results, minor adjustments were made.

Data Collection

The drop-off delivery-collection method was used in collecting the data. This decision was made based on comparing the drop-off method with two other major survey techniques, telephone and mail surveys. Given the length and content of the research instrument, telephone surveys were deemed infeasible. In comparison with the mail delivery, drop-off method yield a higher response rates at competitive costs and provide more precisely controlled samples (Lovelock *et al.* 1976). In light of the underdeveloped telephone facilities and known difficulties of conducting mail surveys in China, the drop-off technique appeared particularly appealing.

The data collection process was carried out with the assistance of several senior Chinese researchers, all with previous experience in conducting surveys in China. Prior to implementing the process, the principal researcher gave a detailed explanation of the study and, particularly, the questionnaire to these researchers, who in turn trained a small group of college students in appropriate procedures. The questionnaires were delivered by the senior researchers and college students in teams. To facilitate the interaction with American respondents, each team included at least one member who was fluent in English.

For the purpose of efficiency, data collection was concentrated in the Beijing and the Yangtze Delta around Shanghai. Inclusion of other locations would account for China's vast geographic area. However, previous research has indicated that there are no notable differences in the joint ventures' operating experiences based on geographic location (National Council for US-China Trade 1987). It is safe to say

that the selection of the two locations will ensure a high degree of representativeness. Beijing is the capital of China and the location of many major foreign-Chinese joint ventures, whereas Shanghai is the country's most advanced industrial city and the Yangtze Delta has become the focal attraction to foreign investment.

A sampling frame was compiled from databases available through the U.S.-China Business Council, U.S.-China Chamber of Commerce in Shanghai, and U.S. Embassy in Beijing. 309 U.S.-Chinese joint ventures were identified from these sources. The research assistants randomly selected 100 joint ventures and called each of them to ascertain the ventures' address and to ensure cooperation. Surprisingly, several listed joint ventures were actually wholly owned by a U.S. company. Ten joint ventures could not be reached through telephone. In several other cases, both U.S. and Chinese managers firmly refused to participate in the survey. This led to a final sample of seventy-four U.S.-Chinese joint ventures.

The questionnaires were delivered to the 74 joint ventures. Of the 148 potential respondents, 143 were reached, including 74 Chinese and 69 Americans⁸. A total of 112 questionnaires were completed and subsequently collected by the research assistants. However, 24 questionnaires were unusable or inappropriate for the study. Of these, 17 questionnaires either left too many key questions unanswered or were not answered appropriately. The other seven questionnaires, though completed, either were filled out by an American Chinese respondent, or in fact represented a U.S. firm with "Chinese ownership". Since a major objective of this

⁸. American respondents from five joint ventures were not available at the time of delivery.

study is to detect cultural difference between Americans and Chinese in negotiation behavior, inclusion of such questionnaires would make this task difficult. The final sample consisted of 88 joint venture managers, including 54 Chinese and 34 Americans. This amounted to a response rate of approximately 61%, with 73% for Chinese and 49% for Americans. Of the total 88 respondents, 27 Chinese and 27 Americans were from the same ventures. Overall, 61 U.S.-Chinese joint ventures were represented in the final sample.

Two firm characteristics, line of business and year of establishment, were examined to compare the 61 joint ventures with the other 13 whose representatives did not respond appropriately to the survey and therefore were not included in the study. The two groups of joint ventures were identical in their line of business, using a manufacturing-service categorization. For each group, the manufacturing/service ratio was approximately 77:23. However, there was a difference between the two groups in terms of the year of establishment. The mean age of establishment for the two groups was 5.82 and 4.15 respectively, which were statistically significant ($t = -1.86, p < .10$). Although non-response bias was not considered to be a serious problem for the study, caution would be needed when interpreting the research findings. This limitation will be discussed in Chapter V.

Measurement Instrument

Published measures and scales that are specifically designed for joint venture studies have been rare. Therefore, although this study attempted to make best use of

existing scales, adaptations to fit the joint venture context were necessary. The final version of the instrument included two sets of measures to collect data on relational contexts and negotiation approaches. The U.S. and Chinese culture were operationalized by the respondent's nationality.

Negotiation Approaches. Negotiation approaches, the criterion variable, was conceptualized as consisting of four dimensions: (1) Problem-solving; (2) Compromising; (3) Forcing; and (4) Legal Recourse. These dimensions would be measured with four sub-scales, each consisting of four items. In forming the first three sub-scales, I adapted 11 items from Rahim (1983) and Ganesan (1993) and developed one new item. The sub-scale for Legal Recourse was adapted from Boyle *et al.* (1992). When necessary, questionnaire items were generated or modified to accommodate contextual idiosyncracies of the joint venture. For example, a new item -- "We will use our voting right to get our ideas accepted" was generated to reflect on the use of a unique power sources in the joint venture context.

Relational Context. Existing scales were adopted for measuring the three relational context variables -- relationship commitment, trust, and relative power. Relationship commitment was measured by a three-item scale adapted from Morgan and Hunt (1994). Two items adapted from past studies (Moorman *et al.* 1993; Ganesan 1994) and one new item formed a scale for assessing the degree of Trust. The measure of relative power consisted of two items adopted from Ganesan (1993, 1994) and one new item.

The survey instrument also included questions pertaining to firm and respondent characteristics. All the measures and their sources are reported in Table 7. A complete questionnaire is provided in Appendix A.

TABLE 7
SUMMARY OF MEASURES

Measures	Sources
Relationship Commitment	3 items adapted from Morgan and Hunt (1994)
Trust	2 items adapted from Moorman <i>et al.</i> (1993) and Ganesan (1994) 1 item developed for this study
Relative Power	2 items adopted from Ganesan (1993, 1994) 1 item developed for this study
Negotiation approaches	5 items adapted from Rahim (1983) 6 items adapted from Ganesan (1993) 4 items adapted from Boyle <i>et al.</i> (1992) 1 item developed for this study

Questionnaire Language. The questionnaire was originally prepared in English for distribution to American managers. It was then translated into Chinese in accord with the standard blind translation method (Brislin, Lonner, and Thorndike 1973). A Chinese first translated the questionnaire into Chinese. An American then translated it back into English without reference to the original English version. Finally, revisions were made by comparing both English versions. The Chinese version of the questionnaire is provided in Appendix B.

CHAPTER IV

RESEARCH FINDINGS AND TESTS OF HYPOTHESES

This chapter recounts the empirical findings from the study. A descriptive profile of respondents and the organizations they represent is first provided. Next, an assessment is made of the measures of key constructs. Finally, tests of hypotheses are conducted.

Profile of Joint Ventures

The sample for the study consists of 88 managerial personnel representing 61 U.S.-Chinese joint ventures. In designing the survey instrument, attention was paid both to firm characteristics and to personal traits of the respondents.

Joint Venture Characteristics

Years of Establishment. The duration of establishment is a good indicator of the relationship. The longevity of a relationship may influence the partners' negotiation behavior. The average number of years for this sample of joint ventures was 5.82, with 33 (54%) being 1-5 years, 24 (39%) being 6-10 years, and 4 (7%) being 11-12 years. Thus, there is a good distribution of relationship longevity.

Line of Business. Joint ventures in the sample involved a wide variety of businesses, including manufacturing, merchandising, engineering, consulting, hotelling, etc. A distinction can be made between manufacturers and service providers. Forty-seven (77%) joint ventures were categorized as manufacturers and 14 (23%) as service providers.

Number of Employees. One general indicator of firm size is the number of employees. Of the 61 joint ventures, 20 (33%) had up to 100 employees, 22 (36%) had 101-500 employees, 10 (16%) had 501-1,000 employees, and 9 (15%) had more than 1,000 employees. The American reader needs to keep in mind that Chinese companies often hire many more employees than their American counterparts and foreign-Chinese joint ventures have not been particularly successful in escaping from the practice.

Total Investment. Another indicator of firm size is the total investment committed to a venture. Thirteen (21%) joint ventures had a total investment of under \$ 1 million, 34 (56%) had a total investment of \$1-10 millions, and 14 (23%) had a total investment of larger than \$10 million.

Respondent Traits

Title of Respondents. In qualifying a potential respondent for this study, the key criterion was to identify boundary spanning personnel from each side who are linked to the partner in the joint venture. In a U.S.-Chinese joint venture context,

two basic groups of positions meet this criterion. The first is the group of general management personnel, including general manager (or deputy/assistant general manager), managing director, and, in some cases, president or CEO. Following the Chinese tradition, a joint venture might maintain a position of "chief engineer", who also has general responsibility for activities in the firm. The second group consists of functional management personnel, that is, divisional managers in such areas as public relations, personnel, quality control. Sixty eight respondents (77%) identified themselves as general management personnel and 20 respondents (23%) identified themselves as functional management personnel.

Years in Joint Venture. To provide quality answers to questions about the relationship between partners, a respondent has to have spent sufficient years in a joint venture to have observed ongoing negotiations. With two non-responses, 31 respondents (36%) reported 1-3 years of working experience in their joint ventures, 35 respondents (41%) reported 4-6 years, and 20 respondents (23%) reported 4-10 years. The average number of years for the sample was 4.12, with the American group reporting 3.9 years and the Chinese group reporting 4.3 years.

Summary

The participating firms in the study represented a wide variety of U.S.-Chinese joint ventures in terms of years of establishment and employment and investment sizes. Examination of our conceptual framework in a cross-section context was assured by including joint ventures in both manufacturing and service businesses.

The respondents for this study were representative of management personnel from both American and Chinese sides. These respondents were primarily boundary spanning personnel who interacted with joint venture partners in the daily management of the joint ventures. Most of the respondents had sufficient years of working in the ventures to allow them to provide valid information about the partnerships.

Measurement of Key Constructs

This section presents an assessment of the measures used in this study. The dimensionality and reliability of the measures were examined through principal components factor analysis and Cronbach's alpha.

Relational Variables

Three constructs were included as measures of critical relational contexts: Relationship Commitment, Trust, and Relative Power⁹. Each construct consisted of three items. As a first step in the analysis, principal components factor analysis was conducted to determine the dimensionality of each construct. The criterion was eigenvalue > 1.0 and a loading of .5 or higher on the factor. Cronbach's alpha statistics were then calculated for assessing scale reliabilities. The factor analysis results for the measure of Relationship Commitment appears in Table 8. In this case,

⁹. Hereafter, the variables Relationship Commitment and Relative Power may be referred to as Commitment and Power for purpose of convenience.

a unidimensional factor structure was identified; all items loaded at levels of .5 or higher. The Cronbach's alpha was .79.

TABLE 8
RESULTS OF PRINCIPAL COMPONENTS FACTOR ANALYSIS:
MEASURE OF RELATIONAL COMMITMENT

<u>Item</u>	<u>Factor Loadings</u>
1. We intend to maintain the relationship with the partner indefinitely.	.90
2. Maintenance of the relationship with the partner deserves our maximum effort.	.87
3. We are committed to maintaining the relationship with the partner.	.74
<hr/>	
Eigenvalue	1.57
% Var	73.39

The factor analysis results for the measure of Trust is provided in Table 9. The results indicated a unidimensional factor with all the items loading on a single factor at levels of .5 or higher. The Cronbach's alpha for the measure was .86.

TABLE 9
RESULTS OF PRINCIPAL COMPONENTS FACTOR ANALYSIS:
MEASURE OF TRUST

<u>Item</u>	<u>Factor Loadings</u>
1. We generally trust the partner.	.90
2. We believe that the partner will fulfil its obligations.	.89
3. Promises made by the partner are reliable.	.87
<hr/>	
Eigenvalue	2.88
% Var	78.79

The factor analysis results for the measure of Relative Power appear in Table 10. A unidimensional factor structure was identified, with all the items loading at levels of .5 or higher. The Cronbach's alpha was .80 for the measure.

TABLE 10
RESULTS OF PRINCIPAL COMPONENTS FACTOR ANALYSIS:
MEASURE OF RELATIVE POWER

<u>Item</u>	<u>Factor Loadings</u>
1. Compared to the partner, we have a stronger influence in the joint venture.	.91
2. We possessed more power than our partner in this relationship.	.87
3. We are dependent on our partner. (R)	.75
<hr/>	
Eigenvalue	3.63
% Var	71.52

The mean scores for the relational context constructs are provided in Table 11. There appears to be a high level of Commitment to the joint venture relationship among the respondents. The level of Trust is above medium. Lastly, the respondents are quite neutral as to perceptions of Relative Power. And all this pattern holds for both Americans and Chinese. The results of three t-tests of differences between the American and Chinese sub-samples were statistically insignificant for Commitment ($t = -.65, p > .10$) and Trust ($t = -.17, p > .10$), but significant for Power ($t = -1.79, p < .10$).

TABLE 11
MEAN SCORES ON MEASURES OF RELATIONAL CONTEXTS

Measure	All Subjects Mean Score* (n=88)	American Mean Score (n=34)	Chinese Mean Score (n=54)
COMMITMENT	4.31	4.25	4.35
TRUST	3.66	3.64	3.67
POWER	3.16	2.90	3.33

* Large values show agreement; 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Negotiation Approaches

The measures of negotiation approaches used in this study had sound theoretical and empirical bases. The Problem-solving, Compromising, and Forcing approaches were well defined and extensive measurement efforts have been made based on several identical frameworks (Rahim and Magner 1995). In this study, the eight items for measuring Problem-Solving and Compromising approaches were adapted from existing scales. One Forcing question was developed to reflect on a unique aspect of joint ventures' power structure -- equity participation, while three other items were drawn from prior studies. Legal Recourse, the fourth negotiation approach examined in this study, was measured with four items adapted from Ganesan (1993) and Boyle *et al.* (1992).

A principal-component factor analysis with varimax rotation was conducted to examine the structure of the measures of negotiation approaches. An *a priori* four-factor model with a multi-item scale was expected. The results from the analysis indicated a four-factor structure utilizing an eigenvalue criterion of 1.0 or higher. Fifteen of the 16 items loaded on four factors with one exception. One Forcing item, phrased as: "We will use our voting right to get our ideas accepted" loaded as .372 on Forcing, .411 on Legal Recourse, and -.339 on Compromising. The coercive tone of this item seemed to overwhelm the behavioral expression of the described negotiation approach, so that it could intuitively relate to each of the three negotiation approaches. Thus, the item was removed from further analysis. The factor analysis was conducted for the 15 items with the loadings provided in Table 12. Factors 1-4 reflected multi-item measures of Problem-solving, Compromising, Forcing, and Legal Recourse, respectively. In each instance, the items loaded on a single factor at levels of .5 or higher, with low loadings on all other factors.

Reliability of the sub-scales was confirmed through examining Cronbach's coefficient alpha for each. The coefficient alpha for Problem-Solving, Compromising, Forcing, and Legal Recourse were .82, .79, .71, and .90, respectively. These are well within traditionally accepted alpha levels. For purpose of subsequent analyses with regression techniques, the mean score for items within each sub-scale was calculated to represent respective negotiation approaches. The mean scores for the sample and for American and Chinese sub-samples are presented in Table 13.

TABLE 12

RESULTS OF PRINCIPAL COMPONENTS FACTOR ANALYSIS:
MEASURES OF NEGOTIATION APPROACHES

Item*	Varimax Rotated Factor Loadings**			
	<u>Legal Recourse</u>	<u>Problem- Solving</u>	<u>Compromising</u>	<u>Forcing</u>
1 Remind partner of contractual obligations	.8865	.1481	-.1348	.1090
2 Use written agreement to obtain compliance	.8748	.0847	-.0855	-.1041
3 Interpret written agreement to convince	.8465	.0046	-.0771	.2579
4 Refer to contract when disagreement occurs	.8294	.1350	-.2347	.1270
5 Get all concerns and issues into the open	.0866	.8074	-.0630	-.0106
6 Show logic and benefits of own position	-.0612	.7947	.1662	.2652
7 Tell own ideas and ask partner to tell theirs	.1651	.7365	.1755	.1533
8 Enter direct discussion of problem	.1235	.6954	.0388	-.0671
9 Use "give and take" to achieve compromise	-.1905	.0548	.8683	-.1115
10 Try to find an intermediate position	.0356	.0002	.8634	-.0112
11 Propose a middle ground	-.3208	.0824	.6773	-.1939
12 Find a fair combination of gains and losses	-.1291	.4193	.5560	-.0365
13 Use management authority to select proposal	.3837	-.1511	.0535	.7843
14 Use power to win a competitive situation	-.1029	.1373	-.1586	.7412
15 Use expertise to make decision	.2644	.3996	-.2638	.7174
Eigenvalue	7.0342	2.5350	2.3224	1.4157
% Var	38.86	14.00	12.83	7.82

* The original wordings of the items can be found in the section "C. Reaching Agreement" of the questionnaire in Appendix.

** Orthogonal Rotation.

TABLE 13
MEAN SCORES FOR MEASURES OF NEGOTIATION APPROACHES

Measure	All Subjects (n=88)	American (n=34)	Chinese (n=54)
PROBLEM-SOLVING	4.10	4.28	3.98
COMPROMISING	3.37	3.00	3.60
FORCING	2.77	3.12	2.56
LEGAL RECOURSE	2.81	3.10	2.63

Note: Large values show likelihood; 1=very unlikely, 2=unlikely, 3=neutral, 4=likely, 5=very likely.

Note that Problem-Solving was the most likely used approach (mean=4.10), followed by Compromising, Legal Recourse, and Forcing. This result at least partially reflects the strong effect of the joint venture's relational governance structure. It is a case when more integrated approaches are likely to be adopted for resolving disagreements, since it is difficult for partners to resolve problems simply by exiting the relationship (Arndt 1979).

Insights are gained by examining the differences in mean scores for American versus Chinese respondents. First, the Chinese showed a great preference for both Problem-Solving and Compromising over Forcing and Legal Recourse. On the other hand, the Americans exhibited an extremely high level of preference for Problem-solving and a median level for all other three approaches. Second, a notable difference was found in the responses from the two sub-samples. Among others, the

Americans had a higher mean score on Problem-solving, while the Chinese scored much higher on Compromising. As reviewed in Chapter II, this finding is consistent with past observations in the literature.

Summary

The preceding assessment through factor analysis and Cronbach's alpha provides strong support for the dimensionality and reliability of the measures used in the study. The reliability of all measures was consistent with Nunnally's (1978) criterion of coefficient alpha of 0.7. This is not surprising, as the majority of the items were borrowed or adapted from existing scales in marketing and management literature. Thus, a high level of confidence was established in using these measures in subsequent analyses.

Tests of Hypotheses

As an initial assessment of the associations among the research constructs, a correlation analysis was conducted. Since this analysis revealed a strong correlation between two predictor variables, an assessment was carried out to examine potential multicollinearity problems. Formal tests of the research hypotheses involved regression analyses. Four multiple regression models were established for examining the linkages between relational variables and negotiation approaches. Then a dummy variable was incorporated into the regression models to examine national culture's moderating effect.

Correlation Analysis

Correlation analysis was conducted to assess the relationships among the predictor and criterion variables in this study. Results of the analysis were presented in Table 11. Among the relational variables, there was a moderately high correlation (.79) between Relationship Commitment and Trust. This finding is consistent with the conceptualization that trust is a major determinant of relationship commitment (Achrol 1991; Morgan and Hunt 1994).

TABLE 14
PEARSON CORRELATIONS AMONG OBSERVED VARIABLES

Measure	1.	2.	3.	4.	5.	6.
1. COMMITMENT						
2. TRUST	.79***					
3. RELATIVE POWER	-.05	-.08				
4. LEGAL RECOURSE	-.13	-.23**	.04			
5. COMPROMISING	.40***	.31***	-.20*	-.33***		
6. PROBLEM-SOLVING	.61***	.60***	-.08	.18*	.18*	
7. FORCING	.08	.06	.54***	.38***	-.27**	.26**

* p < .10

** p < .05

*** p < .01

The relationships between relational variables and negotiation approaches show a number of strong linkages. These are examined more carefully as formal tests of the research hypotheses in the following sections.

Checking for Multicollinearity

A key assumption of regression analysis is that of independence of the predictor variables. Due to the relatively strong correlation between Relationship Commitment and Trust ($r = .79$, $p < .01$), an assessment of potential multicollinearity was carried out through the computation of (1) the tolerance value and (2) its inverse -- the variance inflation factor (VIF) for the two predictor variables. Hair et al. (1992, p.48) identify the commonly accepted cutoff thresholds as a tolerance level of .10 and VIF of 10. That is, tolerance levels below .10 and/or VIF levels above 10 indicate collinearity. The tolerance level for both Relationship commitment and Trust was .38, which was well above the .10 cutoff. The variance inflation factors for Relationship commitment and Trust were 2.62 and 2.63 respectively, which were much below the 10 cutoff. These results led to the conclusion that multicollinearity is not a problem.

Hypothesis Testing: Relational Context and Negotiation Approach

Hypotheses 1 through 4 pertain to the associations between four negotiation approaches and three relational variables: Relationship Commitment, Trust, and Relative Power. Therefore, the hypothesis tests involve simultaneously regressing the

relational variables on each of the four negotiation approaches. The hypotheses were tested through examining the statistical significance of the overall model and of the beta coefficients within the regression models.

Hypothesis 1. Hypothesis 1 proposes that Problem-Solving is related to Relationship commitment, Trust, and Relative Power. Sub-hypotheses stated in alternate form are:

H1a. Problem-Solving is positively related to Relationship Commitment.

H1b. Problem-Solving is positively related to Trust.

H1c. Problem-Solving is inversely related to Relative Power.

The results of the analysis are summarized in Table 15. The regression model is significant ($p < .01$) and explains 39 percent of the variance in Problem-Solving (adj. $R^2 = .39$). As hypothesized, Relationship Commitment and Trust positively predict Problem-Solving ($b = .35, p < .01$; $b = .20, p < .05$). Relative Power does not predict Problem-Solving ($b = -.02, p > .10$). H1a and H1b, but not H1c, are supported.

TABLE 15
REGRESSION ANALYSIS OF RELATIONAL VARIABLES
WITH PROBLEM-SOLVING APPROACH

Variable	Beta	t-value	p-value
Constant	1.919	4.911	.0001
Relationship Commitment	.352	2.800	.0063
Trust	.199	2.174	.0325
Relative Power	-.022	-.430	.6684
Adj. R ²	.39		
F	19.602		
Prob. F	.0001		

Hypothesis 2. Hypothesis 2 states that Compromising approach is related to Relationship Commitment, Trust, Relative Power. Sub-hypotheses stated in alternate form are:

H2a. Compromising is positively related to Relationship Commitment.

H2b. Compromising is positively related to Trust.

H2c. Compromising is inversely related to Relative Power.

The results of the analysis are presented in Table 16. The regression model is significant ($p < .01$) and explains 17 percent of the variance in Compromising (adj. R²

=.17). As hypothesized, Relationship Commitment positively predicts Compromising ($b=.48, p<.01$), whereas Relative Power inversely predicts Compromising ($b=-.13, p<.10$). However, the conceptualized positive link between Trust and Compromising was not found ($b=-.03, p>.10$). Thus, the regression analysis supports H2a and H2c, but not H2b.

TABLE 16
REGRESSION ANALYSIS OF RELATIONAL VARIABLES
WITH COMPROMISING APPROACH

Variable	Beta	t-value	p-value
Constant	1.852	3.365	.0012
Relationship Commitment	.480	2.707	.0082
Trust	-.034	-.267	.7905
Relative Power	-.134	-1.891	.0621
Adj. R ²	.17		
F	6.914		
Prob. F	.0003		

To explain the lack of a significant relationship between Trust and Compromising, it may be worthwhile to compare Compromising with Problem-solving. While both were perceived as cooperative negotiation approaches in this

study, Trust affected the use of Problem-solving, but not Compromising. Recall that Problem-solving involves self-disclosure and open discussion, which is considered as a "high risk" strategy in terms of potential downside information loss (Pruitt 1981). In contrast, compromise can be reached simply by making concession so that it does not necessarily involve such risk. Since trust represents the willingness to be vulnerable, compared to Compromising, a Problem-Solving approach is more likely to prerequisite Trust.

Hypothesis 3. Hypothesis 3 posits a relationship between Forcing and Relationship Commitment, Trust, and Relative Power. Sub-hypotheses stated in alternate form are:

H3a. Forcing is inversely related to Relationship Commitment.

H3b. Forcing is inversely related to Trust.

H3c. Forcing is positively related to Relative Power.

The results of the analysis are summarized in Table 17. The regression model is significant ($p < .01$) and explains 28 percent of the variance in Forcing (adj. $R^2 = .28$). H3a and H3b are not supported because Relationship Commitment and Trust do not predict Forcing ($b = .09, p > .10$; $b = .45, p > .10$). H3c posits that Relative Power would positively predict Forcing, and this is supported ($b = .47, p < .001$).

TABLE 17
REGRESSION ANALYSIS OF RELATIONAL VARIABLES
WITH FORCING APPROACH

Variable	Beta	t-value	p-value
Constant	.731	1.218	.2267
Relationship Commitment	.089	.461	.6457
Trust	.050	.354	.7242
Relative Power	.466	6.023	.0001
Adj. R ²	.28		
F	12.36		
Prob. F	.0001		

The results from the regression analysis indicate that Relative Power is significantly related to the use of Forcing. Specifically, an increase in power will lead to more use of this negotiation approach. This is not surprising, since, by definition, Forcing is the use of power (Blake and Mouton 1964). Surprisingly, the hypothesized inverse relationships between Forcing and Relationship Commitment or Trust are disconfirmed. The data seem to suggest that the use of power, i.e., Forcing, is contingent only upon one's power position, but not upon one's psychological attachment for the relationship or the other partner in the relationship.

Hypothesis 4. Hypothesis 4 argues that Legal Recourse is related to Relationship Commitment and Trust. Specific hypotheses stated in alternate form are:

H4a. Legal Recourse is inversely related to Relationship Commitment.

H4b. Legal Recourse is inversely related to Trust.

The statistical tests of the hypotheses appear in Table 18. The regression model is significant at the .10 level and explains 3.8 percent of the variance in Legal Recourse (adj. $R^2 = .038$). H4a is not supported because Relationship Commitment does not predict Legal Recourse ($b = .22, p > .10$). Trust inversely predicts Legal Recourse ($b = -.41, p < .10$), supporting H4b.

TABLE 18
REGRESSION ANALYSIS OF RELATIONAL VARIABLES
WITH LEGAL RECOURSE

Variable	Beta	t-value	p-value
Constant	3.350	4.218	.0001
Relationship Commitment	.218	.765	.4462
Trust	-.405	-1.962	.0530
Adj. R^2	.038		
F	2.72		
Prob. F	.0716		

Since the hypothesized effect of Relationship Commitment on the use of Legal Recourse was not found, we have reconsidered the conceptual base underlying Hypothesis 4a. In an exchange relationship, parties may have to rely on legalistic mechanisms when affective attachment is lacking. However, since a relationship such as an IJV is characterized with high degree of ambiguity, even committed parties may still use Legal Recourse as safeguard against behavioral uncertainty.

Hypothesis Testing: National Culture's Moderating Effect

Hypotheses 5 through 8 examine the national culture's moderating effect on the choice of negotiation approach. In order to test these hypotheses, a dummy variable reflecting national culture is introduced into the four original multiple regression models. The American sub-sample is assigned level 1 and the Chinese sub-sample level 0. As noted in Chapter III, national culture is treated as a "quasi moderator", since it may well interact with the predictor variables while also being directly related to the criterion variable (Sharma, Durand, and Gur-Arie 1981). For example, the cultural dimension of individualism-collectivism may interact with Relationship Commitment in the choice of negotiation approach. Additionally, the individualism-collectivism dimension may have a direct impact on the preference for certain negotiation approaches by reflecting explanatory power beyond that in the specified variables. Hence, the four new models take the general form:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4\text{Dummy} + B_5X_1\text{Dummy} + B_6X_2\text{Dummy} + B_7X_3\text{Dummy}$$

A number of statistical results are examined within a regression model. The criterion variable for the model is the negotiation approach while the predictor variables are Relationship Commitment, Trust, Relative Power, National Culture, and interaction variables reflecting National Culture and each of the former antecedent variables. For each model, a number of findings are discussed. The first of these is the adjusted R^2 , as a measure of the variance in the criterion variable explained by the predictor variables. To formally examine whether national culture has increased the

explanatory power of the regression model, a "partial F test" is further conducted. In general terms, it is a test of whether additional predictor variables provide incremental explanatory power, given that some predictor variables are already in the model (Neter, Wasserman, and Kutner 1985).

Second, the statistical significance of the beta coefficients for Culture (the dummy variable) and for the interaction terms are discussed. If Culture is statistically significant, direct influence by national culture is indicated. If the interaction term is statistically significant, this reflects that national culture is a moderating variable. Finally, the signs (positive/negative) of the beta coefficient for each statistically significant variable are discussed with respect to hypothesized direction.

Hypothesis 5. Hypothesis 5 proposes that national culture influences the relationships between Problem-Solving and the three relational variables. Sub-hypotheses stated in alternate form are:

H5a. The positive relationship between Problem-Solving and Relationship Commitment is stronger for Chinese than for Americans.

H5b. The positive relationship between Problem-Solving and Trust is stronger for Chinese than for Americans.

H5c. The inverse relationship between Problem-Solving and Relative Power is stronger for Americans than for Chinese.

The results of the analysis are summarized in Table 19¹⁰. The overall *model* is significant at the .0001 level with an Adj. R² of .51. A partial F test is then

¹⁰. For purpose of convenience, "RC*Cul", "TT*Cul", and "PW*Cul" are used to denote the interaction terms for Relationship Commitment, Trust, and Relative Power versus National Culture.

conducted on the model's incremental explanatory value over the original model without the introduction of the culture variables. Controlling the level of significance at .05, an $F(.95; 4, 80)=2.50$ is required. Since $F^*=6.14 > 2.50$, it can be concluded that national culture significantly increases the explanatory value of the regression model.

TABLE 19
REGRESSION ANALYSIS: NATIONAL CULTURE, RELATIONAL VARIABLES, AND PROBLEM-SOLVING APPROACH

Variable	Beta	t-value	p-value
Constant	1.234	2.61	.0108
Commitment	.656	4.17	.0001
Trust	-.061	-.56	.5800
Power	.036	.60	.5478
Culture	1.009	1.40	.1648
Commitment*Culture	-.585	-2.57	.0120
Trust*Culture	.575	3.45	.0009
Power*Culture	-.082	-.87	.3868
Adj. R ²	.51		
F	13.89		
Prob. F	.0001		

The beta coefficient of 1.009 for Culture is statistically insignificant at the .05 level. Thus, National Culture does not appear to have a direct influence on Problem-Solving as a negotiation approach. The beta coefficient is -.585 for RC*Cul, which is significant at $p < .05$. This result supports H5a and suggests that when Relationship

Commitment increases, Chinese would increase the use of Problem-Solving to a greater degree than Americans. The beta coefficient for TT*Cul is .575, which is statistically significant at $p < .001$. However, the positive sign indicates an effect counter to H5b: that is, the positive relationship between Problem-Solving and Trust is stronger for Americans, rather than for Chinese. Finally, the beta coefficient for PW*Cul is -.082, which is insignificant at $p > .10$. Thus, H5c is not supported.

An explanation of the contradiction of H5b may lie in the different ways Americans and Chinese perceive Problem-Solving as a negotiation approach. For the American, Problem-Solving is used in searching for facts and solutions and therefore is a positive approach in negotiation. Accordingly, a trusting climate should encourage parties to take this approach. In contrast, for the Chinese, Problem-Solving involves confrontation, which may hurt personal feelings and relationships. Hence, if ambiguous communications among trusting parties carry sufficient background information, they are often favored over open discussions.

Hypothesis 6. Hypothesis 6 states that national culture affects the relationships between Compromising and the three relational variables. Sub-hypotheses stated in alternate form are:

- H6a. The positive relationship between Compromising and Relationship Commitment is stronger for Chinese than for Americans.
- H6b. The positive relationship between Compromising and Trust is stronger for Chinese than for Americans.
- H6c. The inverse relationship between Compromising and Relative Power is stronger for Americans than for Chinese.

Table 20 presents the results of the analysis. The overall model is significant at the .0001 level with an Adj. R^2 of .37. For the partial F test, an $F(.95; 4, 80)=2.50$ is required at the .05 level. Since $F^*=7.58 > 2.50$, the test leads to the conclusion that the explanatory power of the regression model has been greatly increased by including cultural variables. The beta coefficient of -.057 for Culture is statistically insignificant at the .10 level, indicating no direct influence of National Culture on the use of Compromising approach. The beta coefficient for RC*Cul was .53, which is statistically significant at the .10 level. Thus, an interaction effect is identified. However, this effect has a direction opposite to H6a. The beta coefficient for TT*Cul is -.564, which is statistically significant at the .05 level. This result indicates that as levels of Trust increase, Chinese increase the use of Compromising to a larger extent than Americans, providing support for H6b. H6c is also supported. The beta coefficient for PW*Cul is -.263, which is significant at the .05 level.

TABLE 20

REGRESSION ANALYSIS: NATIONAL CULTURE, RELATIONAL
VARIABLES, AND COMPROMISING APPROACH

Variable	Beta	t-value	p-value
Constant	2.350	3.63	.0005
Commitment	.143	.67	.5079
Trust	.242	1.61	.1123
Power	-.078	-.96	.3416
Culture	-.057	-.06	.9540
Commitment*Culture	.533	1.71	.0913
Trust*Culture	-.564	-2.47.	.0155
Power*Culture	-.263	-2.04	.0446
Adj. R ²	.37		
F	8.23		
Prob. F	.0001		

Hypothesis 7. Hypothesis 7 posits that national culture influences the relationships between Forcing and the three relational variables. Sub-hypotheses stated in alternate form are:

H7a. The inverse relationship between Forcing and Relationship Commitment is stronger for Americans than for Chinese.

H7b. The inverse relationship between Forcing and Trust is stronger for Americans than for Chinese.

H7c. The positive relationship between Forcing and Relative Power is stronger for Americans than for Chinese.

The results of the analysis pertaining to Hypotheses 7a-c are provided in Table

21. The overall model is significant at the .0001 level with an Adj. R^2 of .50. For the partial F test, $F(.95; 4, 80)=2.50$ is required at the .05 level. Since $F^*=10.48 > 2.50$, it can be concluded that national culture appears to have significantly increased the explanatory value of the regression model. The beta coefficient of 3.9 for Culture is statistically significant at the .001 level, indicating that National Culture has a strong direct influence of Forcing as a negotiation approach. The beta coefficients for RC*Cul is -.74 at the .05 level. Thus, H7a is supported. The test of H7b is statistically insignificant ($b=.305, p > .10$). The beta coefficient for PW*Cul is -.338, which is significant at the .05 level. However, this effect is the reverse of H7c and suggests a stronger positive relationship between Forcing and Relative Power for Chinese than for Americans.

H7c predicts a stronger association between Forcing and Relative Power for Americans. However, this hypothesis is not supported. As a *post hoc* explanation, one can consider "power distance", the culture dimension that examines the extent to which power inequality is accepted and expected (Hofstede 1980). According to Hofstede's research findings, the Chinese culture places greater importance on power relationships than the American culture. Because of this, Chinese may be more responsive to the change in power balance in the use of Forcing as a negotiation approach.

TABLE 21

REGRESSION ANALYSIS: NATIONAL CULTURE, RELATIONAL
VARIABLES, AND FORCING APPROACH

Variable	Beta	t-value	p-value
Constant	-1.320	-1.96	.0529
Commitment	.494	2.21	.0300
Trust	-.128	-.81	.4177
Power	.660	7.77	.0001
Culture	3.903	3.82	.0003
Commitment*Culture	-.741	-2.29	.0248
Trust*Culture	.305	1.29	.2013
Power*Culture	-.338	-2.52	.0136
Adj. R ²	.50		
F	13.66		
Prob. F	.0001		

Hypothesis 8. Hypothesis 8 argues that national culture modifies the associations between Legal Recourse and two relational variables -- Relationship Commitment and Trust. Sub-hypothesis stated in alternate form are:

H8a. The inverse relationship between Legal Recourse and Relationship Commitment is stronger for Americans than for Chinese.

H8b. The inverse relationship between Legal Recourse and Trust is stronger for Chinese than for Americans.

The regression model for testing H8 is provided in Table 22. The overall model is significant at the .01 level with an Adj. R^2 of .13. For the partial F test, an $F(.95; 3, 82)=2.72$ is required at the .05 level. Since $F^*=3.96 > 2.72$, the test indicates that national culture has greatly increased the explanatory value of the model. The beta coefficient of 4.70 for Culture is statistically significant at the .01 level, indicating a direct impact of National Culture on the choice of Forcing as a negotiation approach. The beta coefficient for RC*Cul is -1.12, which is significant at $p < .05$. Thus, H8a is supported. The beta coefficients for TT*Cul is .16, which is statistically insignificant at $p > .10$, not supporting H8b.

TABLE 22
REGRESSION ANALYSIS: NATIONAL CULTURE, RELATIONAL
VARIABLES, AND LEGAL RECOURSE

Variable	Beta	t-value	p-value
Constant	1.139	1.10	.2746
Commitment	.806	2.14	.0352
Trust	-.549	-2.09	.0398
Culture	4.704	3.08	.0028
Commitment*Culture	-1.116	-2.05	.0435
Trust*Culture	.155	.39	.6980
R^2	.13		
F	3.58		
Prob. F	.0056		

Summary

Table 23 provides a summary of the tests of the research hypotheses.

Out of the eleven main effect hypotheses, six are supported. Relational contexts, as reflected on Relationship Commitment, Trust, and Relative Power, condition the negotiation behavior in substantial ways.

For each of the four regression models, the introduction of culture terms increases the adjusted R^2 . More importantly, the partial F tests demonstrate that national culture significantly increases the explanatory power of the models. In the cases of Forcing and Legal Recourse, the regression analysis also reveals a direct influence of national culture. Out of the eleven hypotheses regarding national culture's moderating effect, the regression analysis provides support for five hypotheses. As to another three hypotheses, while statistically significant effects are found, the direction of the effects are in contradiction with originally hypothesized.

TABLE 23

SUMMARY OF THE TESTS OF HYPOTHESES

Hypothesis	Result
<u>Relational Variables: Main Effects</u>	
H1a Problem-solving is positively related to relationship commitment	support***
H1b Problem-solving is positively related to trust	support**
H1c Problem-solving is inversely related to relative power	no effect
H2a Compromising is positively related to relationship commitment	support***
H2b Compromising is positively related to trust	no effect
H2c Compromising is inversely related to relative power	support*
H3a Forcing is inversely related to relationship commitment	no effect
H3b Forcing is inversely related to trust	no effect
H3c Forcing is positively related to relative power	support***
H4a Legalistic approach is inversely related to relationship commitment	no effect
H4b Legalistic approach is inversely related to trust	support*
<u>National Culture: Moderating Effects</u>	
H5a The positive relationship between PS and RC is stronger for Chinese	support**
H5b The positive relationship between PS and TT is stronger for Chinese	reject***
H5c The inverse relationship between PS and PW is stronger for Americans	no effect
H6a The positive relationship between CM and RC is stronger for Chinese	reject*
H6b The positive relationship between CM and TT is stronger for Chinese	support**
H6c The inverse relationship between CM and PW is stronger for Americans	support**
H7a The inverse relationship between FO and RC is stronger for Americans	support**
H7b The inverse relationship between FO and TT is stronger for Americans	no effect
H7c The positive relationship between FO and PW is stronger for Americans	reject**
H8a The inverse relationship between LE and RC is stronger for Americans	support**
H8b The inverse relationship between LE and TT is stronger for Chinese	no effect

Note: "PS", "CM", "FO", and "LE" are used to denote Problem-Solving, Compromising, Forcing, and Legal Recourse;

"no effect" means the beta is statistically insignificant at $p > .10$;

"opposite" indicates a significant effect counter to predicted;

* $P < .10$

** $p < .05$

*** $p < .01$

CHAPTER V

DISCUSSION AND IMPLICATIONS OF THE RESEARCH

The previous chapter presented the results of the research project, focusing on the various statistical analyses performed and the outcome of these efforts. In this chapter, attention turns to implications of the research findings and to recommendations for further research. To begin, the fundamental research questions and basic research design are reviewed. Then, the results of the study are interpreted and their implications discussed. Finally, the research project is evaluated in terms of its limitations and recommendations for future studies.

Theoretical Background

To search for the causes of a high failure rate among strategic alliances, recent research has shifted attention from the formal structures to the process aspects of such inter-organizational arrangements (Dabholkar, Johnston, and Cathy 1994; Tallman and Shenkar 1994; Ring and Van de Ven 1994; Gundlach 1994). According to these studies, an alliance's success or failure relies on the selection of an appropriate partner, the formal structure, and the initial negotiations leading to the formation of the alliance. However, it also relies on the interaction between partners in their daily management of the alliance. Particularly, partners' mishandling of ongoing

negotiation and misunderstandings of each other's negotiation approach lead to deterioration and premature termination of the relationships. Given strategic alliances' increasing popularity, it becomes a timely research topic to investigate the contextual variables that influence partners' use of different negotiation approaches (Ganesan 1993; Dabholka, Johnston, and Cathy 1994). Recent research has also called for attention to the potential influence of national culture on partners' choices of negotiation approaches, as cross-cultural strategic alliances have been a more prominent phenomenon in the international marketplace.

To examine the ongoing interactions in cross-cultural strategic alliances, this study addressed two related research questions: (1) How do relational variables influence partners' use of varying negotiation approaches? and (2) How does national culture moderate the linkages between relational variables and the choice of negotiation approaches?

Negotiation and Negotiation Approaches

The concept of negotiation used in this study stems from a macro-process perspective that considers negotiation as a process involving a broad range of social contexts and longitudinal process (Stern, Bagozzi, and Dholakia 1977; Guetzkow 1977; Rubin and Brown 1975). In this perspective, negotiation is an interaction mode that bears on the establishment and development of human relationships involving complex social units (Gulliver 1988; Rosen 1984). As one of many mechanisms for

resolving social conflicts, negotiation is characterized by an explicit intent to reach an agreement among conflicting participants (Pruitt and Carnevale 1993).

Participants may take different approaches in the negotiation process. In the negotiation literature, several negotiation approaches such as problem-solving and compromising have been consistently included in existing typologies (e.g., Blake and Mouton 1964; Thomas 1976; Rahim 1983). This study examined four negotiation approaches -- problem-solving, compromising, forcing, and legal recourse. A review of the joint venture literature, supplemented with the findings from the field interviews with managers in Sino-foreign joint ventures, indicated that joint venture partners used these approaches in ongoing negotiations for resolving disagreements.

Problem-solving is observed when parties openly exchange information about priorities and utilities associated with the issues to be settled and actively search for alternative courses of action. This negotiation approach represents a desire to integrate the concerns of both parties (Thomas 1976). Because of its argumentative, yet integrative features, the problem-solving approach is sometimes referred to as integrative bargaining (Perdue and Summers 1991).

Compromising refers to the negotiation approach that seeks a middle ground between the initial positions of both parties (Froman and Cohen 1970). By exchanging concessions, the parties attempt to reach some expedient, mutually acceptable agreement. However, in contrast to problem-solving, a compromising approach may result in a solution which is short of total satisfaction for either party.

Forcing involves using power to make the other party comply (Blake and

Mouton 1964). This approach often represents a desire to win one's own concerns at the other party's expense when the negotiation is viewed as a process for the division of some fixed set of resources (Pruitt 1981).

Legal Recourse is the strategy when a party appeals to a formal legal agreement to gain compliance (Frazier and Summers 1984). While legal documents provide a "fair" basis through which parties can engage in ongoing negotiations, a legalistic approach may harbor ill will and therefore lessen the cooperative nature of the long-term relationships.

Relational Contexts of Negotiation

Negotiation behavior is conditioned by various social contexts. An understudied but most fundamental aspect of such social contexts is the relational context (Greenhalgh and Chapman 1995), that is, the elements defining the character of the exchange relationship (Dant and Schul 1992). Drawing on prior studies from multiple research traditions, the study investigated three relational variables -- relationship commitment, trust, and relative power.

The centrality of the power construct (or its opposite -- dependence) in the study of negotiation behavior has been widely recognized by marketing as well as other behavioral scientists. Defined as a potential for influence on another's beliefs and behavior, power results from a party's control of resources that the other party wants or needs (Blau 1964; El-Ansary and Stern 1972). Power relations can influence participants' negotiation stance. In an unbalanced power relation, for example, the

powerful party is more likely to engage in competitive or coercive behavior, while the less powerful party is less likely to adopt such approaches (Dwyer and Walker 1981; Dwyer and Oh 1987; Dabholkar, Johnston, and Cathy 1994; Frazier and Summers 1986).

Trust refers to the belief about the promise and reliability of another party (Blau 1964; Rotter 1967; Schurr and Ozanne 1985). Trust is considered as being supportive of certain negotiation approaches. For instance, trusting relationships are more likely to be associated with the use of a problem-solving approach (Pruitt 1981), but temper the tendency to adopt a legalistic approach (Ring and Van de Ven 1994).

A related, cooperation-centered construct is that of relationship commitment -- "an enduring desire to maintain a valued relationship" (Moorman, Zaltman, and Deshpande 1992, p.316). Relationship commitment is regarded by recent research as central to relationship marketing, because it represents an affective attachment to an organization for its own sake and therefore commands the kind of behaviors that maintain the relationship (Morgan and Hunt 1994). While systematic research is still lacking, recent frameworks of relational exchange have conceptualized, in general terms, the effect of relationship commitment on negotiation behavior in long-term business relationships. As proposed by Gundlach, Achrol, and Mentzer (1995), parties in committed relationships should use negotiation strategies that are *compatible* with relational social norms. In a joint venture contexts, for example, information exchange and problem-solving are preferred approaches by a committed partner (Lane and Beamish 1990).

National Culture and Negotiation Behavior

National culture is defined as shared values that assert influence on human behavior (Kluckhohn 1951; Kluckhohn and Strodtbeck 1961; Hofstede 1980; Child 1981). There is considerable evidence for national culture's influence on individual, organizational, and particularly negotiation behavior. For example, the effect of the cultural dimension of individualism-collectivism on negotiation behavior has been extensively studied (e.g., Leung 1988; Trubisky, Ting-Toomey, and Lin 1991). To a much less extent, prior research in anthropology, sociology, social psychology, and management also reveals several additional cultural dimensions that have a bearing on negotiation behavior. These culture dimensions include (1) Tolerance of ambiguity; (2) Humanism; and (3) Long-term orientation. Inclusion of these dimensions would lead to a more comprehensive understanding of the cultural context of negotiation.

A proper conceptualization of the effect of national culture requires the specification of magnitude and form of such effect. However, no major effort has been made to address this issue. Assuming relational contexts are of greater importance than cultural ones, this study takes national culture as a moderating variable. Specifically, national culture is posited to modify the form of relationship between relational contexts and negotiation approaches through interaction with the relational variables. Since the culture dimensions are somehow directly related to the negotiation approaches, national culture may be further defined as a quasi moderator (Sharma, Durand, and Gur-Arie 1981).

Research Methodology

A field survey design was used to investigate the research questions. Prior to the main study, pilot studies and pre-tests were conducted to refine research questions and to examine the appropriateness of the survey instrument. In developing the questionnaire, this study adhered to two principles. First, it took full advantage of existing scales. In the end, the majority of the items were borrowed or adapted from existing measures. This proved to be a wise strategy, as evidenced by the overall satisfactory reliability and dimensionality of the measures. Second, it used multiple items for measuring each construct. Difficulties were found in implementing this strategy with a sample consisting of front-line managers. Although no construct was measured with more than four items, several joint venture managers made comments on the questionnaire's "redundance".

The delivery-collection method was used in collecting data for the study. Compared with other survey techniques, this method allowed for a higher response rate given the content of the instrument and time constraint of the study. The questionnaires were distributed and picked up by trained research assistants at each joint venture.

Research Findings

The findings from this study make substantial contributions to the field of marketing management, especially the emerging relationship marketing literature. The associations between participants' negotiation approaches and critical relational

contexts were conceptualized. Toward a systematic understanding of the influence of national culture on negotiation behavior, various culture dimensions of relevance were identified and national culture's effect was explored in its capacity of moderating the linkages between negotiation approach and relational contexts. These conceptualizations were empirically investigated and partially supported in a U.S.-Chinese joint venture context.

Relational Commitment and Trust

In advocating the new, relationship marketing paradigm, Morgan and Hunt (1994) identify relationship commitment and trust as key mediating variables that are critical to success of relationship marketing. Results from this study indicate that these two variables impact partners' choice of negotiation approaches, which presumably have a bearing on the success or failure of strategic alliances. Specifically, commitment to a relationship is found to foster the use of problem-solving and compromising approaches to ongoing negotiation. Similarly, the highly conceptualized relationship between trust and the use of a problem-solving approach is also confirmed. Thus, an integrative negotiation stance, as reflected in openly discussing concerns and actively searching alternatives, is largely related to the extent to which a partner is affectively attached to the relationship or holds a belief in the other party's trustiness. Compromise, while it may not always bring about the best solution to a problem, often is a necessity for sustaining a relationship. Apparently, this negotiation approach is more likely to be adopted by parties who value a

relationship and determine to make maximum effort in its maintenance. Hence in order to promote a healthy, constructive interaction climate within a strategic alliance, the management's task becomes to find ways by which commitment can be enhanced and trust can be nourished.

Drawing on insights from prior studies on international joint ventures, this study hypothesizes an inverse relationship between participants' levels of trust and their use of legalistic approach in daily interaction. The current study found strong support for this hypothesis. In recent discussions on the legalization of organizations, some authors considered trust as a viable alternative to contracts (Smitka 1994). For other authors, legalistic measures serve as remedies to lacking of trust: when trust is disrupted or distrust is engendered, organizations rely upon legalistic mechanisms to reproduce trust (Zucker 1986; Shapiro 1987). While the extent to which trust may be a viable alternative tool for governing exchange relationships remains unclear, the conceptualized inverse relationship between legalistic approach and trust seems well established.

Relative Power

In the marketing channel literature, the power construct has long been considered influential on negotiation and influence behavior. Results from this study suggests that power relations remain an important factor associated with choice of different negotiation approaches in a typical strategic alliance.

Particularly, a partner's relative power is positively associated with the use of

forcing, but negatively associated with use of compromising. While these results are expected, they are most informative with respect to the research setting. Thus, even in strategic alliances where partners dedicate transaction-specific investments and have high expectation for relationship continuity, coercive negotiation approaches are still likely in asymmetrical power relations. While long-term exchange relationships necessitate the adoption of noncoercive negotiation behavior, powerful partners might act as if they run a wholly-owned subsidiary. It is not surprising that this dominant mentality often drives joint venture partners to fight for a majority equity position in initial negotiations.

National Culture-Negotiation Link

In presenting her authoritative account of Chinese negotiation styles, Pye (1982) contends that "unquestionably the largest and possibly the most intractable category of problems in Sino-American business negotiations can be traced to the cultural differences between the two countries" (p.20). The findings in this study suggest that national culture can be an important indicator of negotiation behavior among partners in international strategic alliances. Although not hypothesized, the study confirms prior observations that national culture has a direct impact on the choice of negotiation approaches. In the cases of Forcing and Legal Recourse, the use of these two negotiation approaches is much more likely among Americans than among Chinese.

The study focuses on how national culture interacts with relational contextual

variables in conditioning participants' choice of various negotiation approaches. For example, the study results indicate that the positive effect of trust on the use of problem-solving and compromising may be different depending on whether the respondent is American or Chinese. With respect to problem-solving, the effect is stronger for Americans, whereas in the case of compromising, the effect is stronger for Chinese. These results were unexpected yet informative. One explanation lies in the different perceptions held by the American and Chinese respondents regarding the nature of the two negotiation approaches. Recall that in Thomas' (1976) two-dimension model, problem-solving is considered as being more cooperative than compromising, given that the former tends to bring about more integrative solutions that best serve both parties' interests. However, the Chinese may favor compromising over problem-solving, since problem-solving involves confrontations which are thought to endanger a relationship. Thus, with increased levels of trust, the Americans may express a stronger tendency toward problem-solving, whereas the Chinese may increase the use of compromising to a larger degree.

The findings regarding national culture's effect on the association between problem-solving and relative power is most surprising. Recall that the study results did not support our prediction of an inverse association between relative power and problem-solving. We expected an explanation with the introduction of cultural terms into the regression model. Again, neither direct nor indirect effects of national culture were found. Eventually, we turn attention to the research setting, the Sino-U.S. joint ventures. Because of the Chinese government's stipulation on Chinese

majority or fifty-fifty ownership in these joint ventures, Chinese majority or equal ownership has been far more common than foreign majority ownership. However, the Chinese have also been clear in their opposition to the dominating, coercive approach in joint venture decision-making. On the other hand, although the American partners may not be particularly successful in achieving a powerful position in these joint ventures, their competitive stance in ongoing negotiation could be disproportionately strong in light of their power position. The descriptive statistics of this study seem to support this speculation. Overall, the American respondents' felt power was not as strong as that of the Chinese respondents, yet their likelihood of using the forcing approach was greater.

Research and Managerial Implications

This research sought to better understand the interaction process in strategic alliances. With partners' negotiation approaches as the primary concern, the research focused on several relational variables that constitute a critical context of the negotiation process and on national culture that is posited to influence negotiation behavior. The results of the study have implications for both marketing research and practice.

Research Implications

The study takes a negotiation perspective in exploring the interaction process within strategic alliances. This behavioral approach is a response to the inability of

the structure-centered economic approach to provide a comprehensive picture of the inter-organizational process. While marketing researchers have not paid much attention to joint ventures as a complex marketing institution, existing conceptualizations and methodological convictions in marketing, as evidenced in this study, can be very effective in capturing the behavioral sophistication of the joint venture process.

A major contribution of this study is its extension of empirical understanding of the negotiation process. The ultimate goal of the study is not to examine joint ventures *per se*, but the ongoing interaction within long-term exchange relationships. Joint ventures were chosen as the research setting because, due to their tighter bonding structure, joint ventures provide a situation where frequent interaction and negotiation typify the partnership. Particularly as governance structure may affect the need and nature of the negotiation approach (Boyle *et al.* 1992; Mohr and Nevin 1990), the study of joint ventures, along with research on conventional channel relationships, allows for comparing ongoing negotiation processes in equity-based and in nonequity-based strategic alliances. In this study, the results lend support to several contentions derived from conventional, arm's-length channel relationships. For example, the study reveals a significant positive association between relative power and the use of a forcing approach, which is consistent with earlier findings in the marketing literature (Dwyer and Walker 1981; Kale 1986; Frazier, Gill, and Kale 1989). However, other findings raise doubts about the universal applicability of existing conceptualizations. For instance, counter to recent observations on a positive

link between relative power and the problem-solving approach (Frazier and Rody 1991; Ganesan 1993; Boyle and Dwyer 1995), relative power in this study is not significantly related to the use of this negotiation approach. This latter finding may imply that power use in the quasi-integration type of inter-organizational governance structure is different from negotiation within conventional associations. In conventional contractual relationships, the powerful party may opt for the problem-solving strategy because of concern about future retaliation and a shift in power balance (Ganesan 1993). However, in joint venture relationships, power structure is relatively stable and structural bonds thwart withdrawal. The dominant party is more likely to take advantage of the power imbalance, but less likely to engage in integrative problem-solving.

Recent shifts in marketing research from discrete transaction to relational exchange call attention to cooperation-centered constructs (Morgan and Hunt 1994). This research extends existent understanding of such concepts as relationship commitment and trust to the context of joint venture ongoing negotiations. Strong support is provided for the contention that these relational variables have an important bearing on alliance partners' use of negotiation strategies. At the same time, the study warns against the tendency to overlook the critical role of the competition-centered construct, power, since self-interests remain a facet of life in even the most cooperative alliances. For example, the study reveals that, while relationship commitment and trust lead to more frequent use of problem-solving, relative power has a significant positive influence on the use of forcing in joint venture interactions.

Thus, the study supports a holistic perspective in inter-organizational research that considers both cooperation- and competition-centered constructs.

Another contribution of this study is its introduction of national culture as a contextual variable and thus, further testing of the applicability of conventional conceptualizations originated in the U.S. As evidenced in this study, established theories or models may be enriched by an appreciation of national cultural differences. For example, results of this study suggest that the conceptualized association between relationship commitment and problem-solving takes different forms depending on whether the subject is an American or a Chinese. As previously discussed, this finding is indicative of the deep impact of the culture dimension of collectivism on negotiation behavior through its interaction with relationship commitment. Looking at the interaction effects demonstrated in this and other cases, one would suspect that many of the existing theories are a function of national culture. While the conclusions and inferences regarding culture's interaction with relational variables in this study should be treated as tentative, they point to a new path for sharpening our understanding of relationship processes across diverse social contexts.

Explicitly conceptualizing national culture as a moderating variable distinguishes this study from most prior studies that include culture as a theoretical variable. Although national culture has been viewed as important for understanding the negotiation process, the mechanisms through which culture influences negotiation behavior have rarely been specified. The study suggests that national culture has a

critical impact on negotiation behavior, both directly and indirectly. Since the negotiation process occurs in a context that consists of multiple, intertwined facets, isolated investigation into culture's effect can only lead to incomplete or biased views of the effects of national culture and of the negotiation context as a whole.

Managerial Implications

The study calls for management attention to the negotiation approaches taken by alliance partners in daily interaction, since failure to manage ongoing negotiation effectively is a major cause for alliances' instability and premature dissolution. Up-front attention to alliance structure is important, but not sufficient. If management can find a way to handle ongoing negotiation more effectively for resolving emergent disagreements between partners, the chance to arrest the alliances' high failure rate will be greatly increased. Given their low instability rate, Sino-U.S. joint ventures represent a relatively successful case of international joint ventures. According to the study results, there is a high incidence of problem-solving as the chosen approach in these ventures. Comparatively, dominating and legalistic approaches are less preferred in ongoing negotiation. This corroborates the critical assumption underlying this study, that successful interorganizational relationships often associate with a more integrative negotiation approach among cooperating parties.

With respect to the contextual variables purported to drive the choice of different negotiation approaches, this study stresses a set of critical relational factors that constitute a fundamental condition of the negotiation process. Specifically,

affective commitment and trust foster the use of more integrated approaches, whereas relative power induces coercive, competitive behavior. Thus, for a company wishing to maintain a valued relationship and to nurture trust with its partner, adoption of problem-solving and compromising often can be expected. In the same token, a partner may assess the other partner's attitude toward the partnership by observing the latter's approach to negotiation, since the negotiation approach will signify commitment and trust. Building power bases through equity participation has long been a central concern among American partners in Sino-U.S. joint ventures. Yet from a negotiation perspective, a balance of power may be an optimum choice if the purpose is to foster an integrated interaction climate.

Indeed, a Chinese majority equity position in Sino-U.S. joint ventures is rarely translated into a dominating, forceful negotiation approach on the Chinese side. This fact may underscore the importance of national culture as a consideration in cross-cultural relationship management. First, for the management, an assessment of the cultural characteristics of international partners may lead to different approaches to alliance structuring. In our case, if the Chinese' national attitude toward coercive, competitive negotiation approach can be predicted, why should the U.S. partners always seek a costly equity position simply for safeguarding against being dominated in unforeseen conflict resolution?

Second and more important, alliance partners can use knowledge of national culture to develop effective negotiation strategies. Particularly, more than a rough idea about cultural difference between international partners is key to establishing

appropriate expectations about the partner's approach to negotiation. Only with such realistic expectations could one deal with the situations in which the foreign partner appears to be following different rules of the game.

In more developed stages, international partners may need to learn and adapt to each other's negotiation approach, since the possible negative effect of cultural difference on alliance longevity and effectiveness can be dynamically moderated by an adaptation process (Parkhe 1991). A vivid example is found in a leading U.S.-Chinese joint venture¹¹. After collaborating for ten years, both partners have developed an understanding of each other's culturally different assumptions and norms and moved toward overcoming such differences that they believe hinder effective joint undertaking. Not only has the Chinese partner become used to frank and open information exchange, but the American partner has also developed an appreciation of the compromising approach. The widely publicized success of the joint venture seems to suggest that relationship marketing demands the establishment of mutually accepted corporate norms.

To facilitate such a learning-adaptation process, multinational companies may use cross-cultural training and other sophisticated programs for promoting inter-cultural awareness. Key to successful implementation of these programs is the top management's adoption of a culturally sensitive approach toward alliance managing. If the ethnocentric mentality against "ugly foreigners" remains dominating, the benefits of such costly but beneficial efforts cannot be fully appreciated.

¹¹. The story was told by both American and Chinese managers, who were interviewed by the current researcher. To assure confidentiality, the name of the joint venture is not reported here.

Limitations of the Research

As with any research, there are limitations to this study that temper the findings. In examining the results of the study, a major consideration was with the methodology used in data collection. First, while an overall 61% response rate was within the acceptable range for a study of this nature, the sample size was relatively small. In particular, fewer American managers participated in the survey than did Chinese. A major reason for joint venture managers' reluctance in participating was their concern about confidentiality with regard to questions pertaining to ongoing relationships, although the confidentiality was firmly assured when the questionnaires were delivered to them. Additionally, the survey instruments were considered as too lengthy by several joint venture managers.

Second, the study employed a cross-sectional design, which made it difficult to establish causality. The conclusions of the study are made based on information collected from among a sample of joint venture managers at one point of time. However, the study results are interpreted in such a way that a high degree of trust leads to more use of the problem-solving strategy. Yet a reverse sequence is also conceivable; namely, frequent use of the problem-solving strategy results in trust. In research on relationships such as this, longitudinal studies would provide for stronger inferences.

Third, concerning possible measurement error, it is ideal to take the multiple informant approach in such a survey. In a joint venture context, soliciting informants at both joint venture management and parent company levels is particularly appealing.

Given the various resource constraints, however, this research took the single informant approach.

A main objective of the study was to explore more fully the relational contexts of negotiation. To this end, relationship commitment, trust, and relative power were examined simultaneously. However, there are other aspects of the relationship that may be important, but were not included in this study. For example, exchange interaction is affected not only by relative asymmetry of power, but also by the magnitude of interdependence, defined as the sum of the dependence in an exchange (Gundlach and Cadotte 1994). Another variable that is missing from this study is environmental uncertainty. Apparently the operating environments of the joint ventures have different implications to American and Chinese managers. For the Americans, it is a foreign, unfamiliar situation. The higher degree of perceived uncertainty among the American partners may influence their behavior in the operation of the joint ventures. Their emphasis on legal recourse, for example, may be partially a result of such perception.

This dissertation examined two critical relational variables -- trust and relative power in their effects on participants' negotiation approach. However, as a recent study revealed, these two variables may interact in influencing the behavioral intentions of channel members (Andaleeb 1995). Consistent with prior research, this study also revealed a strong correlation between relationship commitment and trust. Restricted by the objective and selected statistical techniques of this study, the potential interaction effects among these relational variables were not explored.

Directions for Future Research

This examination of the relational contexts of negotiation approach in the context of cross-cultural strategic alliances has been encouraging. However, future research is needed, especially in light of the limitations discussed in the previous section. First, more sophisticated theory-building is needed in which additional relational variables and other correlates are integrated. As implied in the results of hypothesis testing, current conceptualizations have not fully captured the mechanism of relationship processes. A comprehensive conceptual model should also expand to examine interaction effects of various relational variables on partners' negotiation approach. Furthermore, other sets of contextual variables and objective correlates may be incorporated into these models to draw a more comprehensive picture of negotiation behavior in strategic alliances. Apparently, to accomplish the task mentioned above, future research should use more powerful modeling approaches and statistical techniques, such as structural equation modeling.

Second, addressing the methodological limitations of this study, several avenues may be taken to secure better data sources in future research. Given inherent limitations to the survey design, future research may employ a triangulation methodology. Among the alternative data collection techniques, qualitative personal interviews and multiple-case method offer certain advantages in the context of international business and international joint venture in particular (Yeung 1995; Parkhe 1991). Use of these data collection methods in conjunction with a questionnaire survey would greatly strengthen the quality of data.

Third, replication is conceivably a useful and important path for extending the current research. This research found the moderating effects of national culture on the linkage between relational contexts and negotiation approach in a U.S.-Chinese joint venture context. However, the results are mixed, indicating limitations of the current understanding of national culture as a contextual condition of negotiation. While this study can be replicated to different cross-cultural interfaces, an immediate extension may be made among joint ventures between Chinese and their Asian counterparts, including Japanese, Korean, and "overseas Chinese" from Taiwan and Hong Kong. Since partners in these joint ventures hold identical or similar cultural backgrounds, investigations of these ventures and comparison of their results with those from the current study would further verify the effect of national culture.

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APPENDIX A
SURVEY INSTRUMENT
(English Version)

SURVEY INSTRUMENT

The following questions regard the organizations that form the joint venture. Thus the word "we" in the statements means your company and "partner" means the Chinese company in the joint venture. There are no right or wrong answers. All information will be held in strictest confidence. Thank you for your participation!

A. Existing Relationships in the Joint Venture

The following questions relate to the relationships currently existing between your company and your partner company in the joint venture. Please rate the extent to which you agree with each statement.

	<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Neutral</u>	<u>Agree</u>	<u>Strongly Agree</u>
1. We are committed to maintaining the relationship with the partner	1	2	3	4	5
2. We possess more power than our partner in this relationship	1	2	3	4	5
3. We generally trust the partner	1	2	3	4	5
4. We make efforts to understand the ways our Chinese counterparts do things	1	2	3	4	5
5. Compared to the partner, we have a stronger influence in the joint venture	1	2	3	4	5
6. Our interactions with the partner are productive	1	2	3	4	5
7. We make necessary adjustments to the partner's management style	1	2	3	4	5
8. Maintenance of the relationship with the partner deserves our maximum effort	1	2	3	4	5
9. We are dependent on our partner	1	2	3	4	5
10. We frequently interact with the partner in managing the joint venture	1	2	3	4	5
11. We believe that the partner will fulfil its obligations	1	2	3	4	5
12. We intend to maintain the relationship with the partner indefinitely	1	2	3	4	5
13. We learn from the partner's management methods	1	2	3	4	5
14. Promises made by the partner are reliable	1	2	3	4	5
15. Overall, our interactions with the partner are adequate	1	2	3	4	5

	<u>Strongly Disagree</u>	<u>Disagree</u>	<u>Neutral</u>	<u>Agree</u>	<u>Strongly Agree</u>
16. We are satisfied with the our personal relationship with the Chinese partner	1	2	3	4	5
17. The joint venture's financial performance is satisfactory	1	2	3	4	5
18. We are satisfied with our overall relationship with the partner	1	2	3	4	5

B. Issues of Disagreement

In any joint ventures, there will be disagreement from time to time. Please rate (1) the frequency of disagreement; and (2) the level of disagreement between you and your partner on each of the following issues.

	<u>Frequency of disagreement</u>					<u>Level of disagreement</u>				
	<u>Never</u>	<u>Constantly</u>				<u>Very Low</u>		<u>Very High</u>		
1. Additional capital inputs from either parent companies to support financial needs of the joint venture	1	2	3	4	5	1	2	3	4	5
2. Accessibility to update technology from a parent company	1	2	3	4	5	1	2	3	4	5
3. A partner's attempt to make changes in the terms of the joint venture contract	1	2	3	4	5	1	2	3	4	5
4. Communications between partners	1	2	3	4	5	1	2	3	4	5
5. A partner's attempt to control major decisions in the venture	1	2	3	4	5	1	2	3	4	5
6. Which partner exercises daily management control	1	2	3	4	5	1	2	3	4	5
7. The amount of profit to be retained in the joint venture	1	2	3	4	5	1	2	3	4	5
8. Hiring policies in the joint venture	1	2	3	4	5	1	2	3	4	5
9. Interpretations of the contract terms	1	2	3	4	5	1	2	3	4	5
10. Placement of parent company personnel in management positions in the joint venture	1	2	3	4	5	1	2	3	4	5
11. Personal relationships between partners	1	2	3	4	5	1	2	3	4	5
12. Management/decision-making styles	1	2	3	4	5	1	2	3	4	5
13. New product development	1	2	3	4	5	1	2	3	4	5

C. Reaching Agreement

Suppose there is a disagreement between your company and your partner company over an important issue, such as those you just considered above. Please indicate the likelihood that your company will take each of the following actions to reach an agreement with the partner.

	<u>Very Unlikely</u>	<u>Unlikely</u>	<u>Neutral</u>	<u>Likely</u>	<u>Very Likely</u>
1. We will enter into a direct discussion of the problem with our partner	1	2	3	4	5
2. We will remind the partner of its obligations stipulated in contracts	1	2	3	4	5
3. We will use our management authority to select our proposal	1	2	3	4	5
4. We will propose a middle ground	1	2	3	4	5
5. We will attempt to get all our concerns and issues into the open	1	2	3	4	5
6. We will use our voting right to get our ideas accepted	1	2	3	4	5
7. We will refer to the written contract when there is disagreement with our partner	1	2	3	4	5
8. We will use our expertise to make a decision based on our proposal	1	2	3	4	5
9. We will tell our partner our ideas and ask them for their ideas	1	2	3	4	5
10. We will make interpretations of written agreement in order to convince our partner	1	2	3	4	5
11. We will use "give and take" so that a compromise can be made	1	2	3	4	5
12. We will use our power to win a competitive situation	1	2	3	4	5
13. We will try to find a position that is intermediate between their position and our position	1	2	3	4	5
14. We will use written agreements as a "tool" to get the partner to agree to our positions	1	2	3	4	5
15. We will show our partner the logic and benefits of our position	1	2	3	4	5
16. We will try to find a fair combination of gains and losses for both parties	1	2	3	4	5
17. We will try to stay away from disagreement with them	1	2	3	4	5

D. Ideal State of Relationship

The following statements relate to your company's attitude toward relationships between joint venture partners. Please rate the extent to which you agree with each of the statements.

	<u>Strongly</u> <u>Disagree</u>	<u>Disagree</u>	<u>Neutral</u>	<u>Agree</u>	<u>Strongly</u> <u>Agree</u>
1. All discrepancies in performance or benefit between partners, small or big, should be monitored.	1	2	3	4	5
2. Partners should stay together in the face of adversity/challenge	1	2	3	4	5
3. The relationship should be flexible in accommodating one another if special problems/needs arise	1	2	3	4	5
4. The relationship should extend across complex responsibilities and multiple tasks beyond economic transactions	1	2	3	4	5
5. Disagreements between partners will likely increase the productivity of their working relationship	1	2	3	4	5

E. National Culture's Influence

	<u>Strongly</u> <u>Disagree</u>	<u>Disagree</u>	<u>Neutral</u>	<u>Agree</u>	<u>Strongly</u> <u>Agree</u>
1. Chinese managers perceive things like us	1	2	3	4	5
2. Our cultural values are different from Chinese managers'	1	2	3	4	5
3. Chinese managers behave like us	1	2	3	4	5

F. General Information

Name of the joint venture _____

Line of business _____

Total number of employees _____

Total investment \$ _____ million

American partner (s) _____ Share ____ %

Chinese partner (s) _____ Share ____ %

General Manager of the joint venture is assigned by Your company [] Chinese partner []

What percent of the departmental managers in the joint venture are from your parent company ____%

Technology of the joint venture is supplied primarily by Your company [] Chinese partner []

Your current title in the joint venture _____

How many years you have worked in the joint venture? _____ years

You are Mainland Chinese [] Overseas Chinese [] American []

APPENDIX B
SURVEY INSTRUMENT
(Chinese Version)

合资企业调查问卷

这份问卷涉及组成合资企业的中美双方。在答卷时，请您从中方企业(而不是个人)的角度考虑问题。本问卷采取不记名形式。答案无所谓对错，并绝对保密。感谢您的合作！

I. 您所在合资企业中美双方关系的现状是怎样的？

下列问题涉及您所在合资企业中美双方关系的实际情况。请指出中方在多大程度上同意(或不同意)这些说法：

	完全不同意					完全同意				
	1	2	3	4	5	1	2	3	4	5
1. 我们有责任维护与美方的合作关系	1	2	3	4	5	1	2	3	4	5
2. 在合资企业中，我们的权威大于美方	1	2	3	4	5	1	2	3	4	5
3. 总的来说，我们信任美方	1	2	3	4	5	1	2	3	4	5
4. 我们努力理解美方处理问题的方式	1	2	3	4	5	1	2	3	4	5
5. 与美方相比，我们在合资企业中的影响更大	1	2	3	4	5	1	2	3	4	5
6. 我们与美方的日常交往是富有成效的	1	2	3	4	5	1	2	3	4	5
7. 我们调整自己的行为，以适应美方的管理风格	1	2	3	4	5	1	2	3	4	5
8. 我们应该尽最大努力来维护与美方的合作关系	1	2	3	4	5	1	2	3	4	5
9. 我们依赖于美方	1	2	3	4	5	1	2	3	4	5
10. 在合资企业的管理过程中，我们经常与美方沟通	1	2	3	4	5	1	2	3	4	5
11. 我们相信美方能够履行他们的责任	1	2	3	4	5	1	2	3	4	5
12. 我们希望长期维持与美方的合作关系	1	2	3	4	5	1	2	3	4	5
13. 我们学习美方的管理方法	1	2	3	4	5	1	2	3	4	5
14. 美方作出的承诺是可靠的	1	2	3	4	5	1	2	3	4	5
15. 总的来说，我们与美方的交流是充分的	1	2	3	4	5	1	2	3	4	5
16. 我们对双方人际关系感到满意	1	2	3	4	5	1	2	3	4	5
17. 本合资企业的经济效益是令人满意的	1	2	3	4	5	1	2	3	4	5
18. 总的来说，我们对双方的合作关系感到满意	1	2	3	4	5	1	2	3	4	5

II. 合资企业中存在的问题是什麼？

据了解，中外合资伙伴往往在下列问题上持有不同意见。请指出您所在的合资企业中：(1) 这些问题出现的经常性；(2) 如果出现不同意见，这些问题的严重程度：

	问题出现的经常性					问题的严重程度				
	从未出现	经常出现			从不出现	非常严重				
	1	2	3	4	5	1	2	3	4	5
1. 双方追加投资以满足合资企业的资金需求	1	2	3	4	5	1	2	3	4	5
2. 合资伙伴继续向合资企业提供新技术	1	2	3	4	5	1	2	3	4	5
3. 某一方要求更改合资企业合同条款	1	2	3	4	5	1	2	3	4	5
4. 双方信息交流和意见沟通	1	2	3	4	5	1	2	3	4	5

	问题出现的经常性					问题的严重程度				
	从未出现	经常出现			经常出现	微不足道	非常严重			非常严重
5. 某一方企图控制合资企业的重要决策	1	2	3	4	5	1	2	3	4	5
6. 哪一方负责合资企业的日常管理	1	2	3	4	5	1	2	3	4	5
7. 合资企业利润留成	1	2	3	4	5	1	2	3	4	5
8. 员工招聘政策	1	2	3	4	5	1	2	3	4	5
9. 对合同的解释	1	2	3	4	5	1	2	3	4	5
10. 管理人员的任命	1	2	3	4	5	1	2	3	4	5
11. 双方管理人员之间的关系	1	2	3	4	5	1	2	3	4	5
12. 管理决策风格上的差异	1	2	3	4	5	1	2	3	4	5
13. 新产品开发	1	2	3	4	5	1	2	3	4	5

III. 解决问题的方式是怎样的？

假设在上述某一重要问题上双方之间出现了不同意见，中方倾向于用哪种方式来解决？

	最不可能					最有可能				
1. 我们直接与美方讨论所出现的问题	1	2	3	4	5	1	2	3	4	5
2. 我们提醒美方注意合同规定的责任	1	2	3	4	5	1	2	3	4	5
3. 我们利用管理权限来争取有利于我方的方案	1	2	3	4	5	1	2	3	4	5
4. 我们提出一个中间立场	1	2	3	4	5	1	2	3	4	5
5. 我们尽量把想法和问题摆到桌面上来	1	2	3	4	5	1	2	3	4	5
6. 我们利用表决权使美方接受我方意见	1	2	3	4	5	1	2	3	4	5
7. 我们求助于文字合同	1	2	3	4	5	1	2	3	4	5
8. 我们利用技术专长来争取有利于我方的方案	1	2	3	4	5	1	2	3	4	5
9. 我们说明自己的立场，同时征求美方意见	1	2	3	4	5	1	2	3	4	5
10. 我们对合同作出有利于我方的解释	1	2	3	4	5	1	2	3	4	5
11. 我们有取有舍，以便达到妥协的目的	1	2	3	4	5	1	2	3	4	5
12. 我们利用自己的强有力地位压服对方	1	2	3	4	5	1	2	3	4	5
13. 我们争取一个介于双方立场之间的方案	1	2	3	4	5	1	2	3	4	5
14. 我们利用合同作为工具，以使美方同意我方意见	1	2	3	4	5	1	2	3	4	5
15. 我们阐明我方意见的逻辑与长处	1	2	3	4	5	1	2	3	4	5
16. 我们试图找到一个解决方案，双方得失公平合理	1	2	3	4	5	1	2	3	4	5
17. 我们尽量避免与美方发生分歧	1	2	3	4	5	1	2	3	4	5

IV. 理想的合作关系应该是怎样的？

下面几种观点针对合资企业双方之间的关系，请指出在多大程度上，中方同意(或不同意)每一种观点：

	完全不同意					完全同意				
1. 对双方在履行职责或利益分配上的差异，不论大小，都应以认真检查监督	1	2	3	4	5	1	2	3	4	5
2. 在逆境或挑战面前，合作伙伴应团结一致	1	2	3	4	5	1	2	3	4	5
3. 双方关系应该灵活处理，遇到特殊情况时互相关照	1	2	3	4	5	1	2	3	4	5
4. 伙伴关系应包括多方面的内容和责任，而不仅仅限于经济利益	1	2	3	4	5	1	2	3	4	5
5. 合资伙伴之间存在意见分歧，往往对双方合作产生积极影响	1	2	3	4	5	1	2	3	4	5

V. 文化价值观念的影响

	完全不同意					完全同意				
1. 美方经理对事物的看法和我们相同	1	2	3	4	5	1	2	3	4	5
2. 我们的文化价值观念与美方经理不同	1	2	3	4	5	1	2	3	4	5
3. 美方经理的行为方式与我们相同	1	2	3	4	5	1	2	3	4	5

合资企业名称：_____

经营范围：_____

合资企业员工总数：_____人

合资企业投资总额：_____百万美元

中方投资机构：_____ 中方股份：_____%

美方投资机构：_____ 美方股份：_____%

合资企业总理由哪一方担任： 美方 [] 中方 []

部门经理中，中方的比例是：_____%

合资企业的技术主要由哪一方提供： 美方 [] 中方 []

您在本合资企业中的职称：_____

您在本合资企业中的工作年限：_____年

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VITA

Xiaohua Lin

Candidate for the Degree of

Doctor of Philosophy

Thesis: JOINT VENTURE ONGOING NEGOTIATION: APPROACHES, RELATIONAL ANTECEDENTS, AND INFLUENCE OF NATIONAL CULTURE

Major Field: Business Administration

Biographical:

Education: Received Bachelor Degree in Philosophy from Central Nationality University, Beijing, in January, 1982; received Masters' Degree in Economics from Graduate School of Chinese Academy of Social Sciences, Beijing, in July, 1986; completed requirements for the Doctor of Philosophy Degree at Oklahoma State University, Oklahoma, in May, 1996.

Professional Experience: Lecturer, Department of Economics, Central Nationality University, Beijing, 1982-1983; Associate Editor, Economics Weekly, Chinese Economics Association, Beijing, 1982-1987; Assistant Manager and Economist, Bank of China, Beijing, 1986-1990; Research Associate, Center for International Trade Development, Oklahoma State University, Oklahoma, 1990-1995; Teaching Associate, Department of Marketing, Oklahoma State University, Oklahoma, 1994-1995; Director of International Business Assistance, Center for International Trade Development, Oklahoma State University, Oklahoma, 1995 to present.

Honors and Professional Organizations: Distinguished Student Award, Central Nationality University, Beijing, China, 1979; Outstanding Minority Student Award, Oklahoma State University, Oklahoma, 1991; American Marketing Association (1993); International Academy of Business Disciplines (1994).

OKLAHOMA STATE UNIVERSITY
INSTITUTIONAL REVIEW BOARD
HUMAN SUBJECTS REVIEW

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RELATIONAL ANTECEDENTS, AND INFLUENCE OF NATIONAL
CULTURE

Principal Investigator(s): Stephen J. Miller, Xiaohua Lin

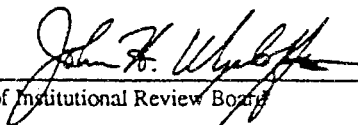
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CONTINUATION OR RENEWAL REQUEST IS REQUIRED TO BE SUBMITTED FOR BOARD
APPROVAL.
ANY MODIFICATIONS TO APPROVED PROJECT MUST ALSO BE SUBMITTED FOR
APPROVAL.

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Signature:


Chair of Institutional Review Board

Date: June 21, 1995

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