Identifying Exogenous Cultural Variables In Ethical Decision Making In Negotiation: A Qualitative Study Of Differences Between Australia And China

Cheryl Rivers
School of Management, Faculty of Business
Queensland University of Technology

C.rivers@student.qut.edu.au

and

Anne Louise Lytle
The Australian Graduate School of Management
University of New South Wales
alylte@agsm.edu.au

and

Michael Hudson
ENS International
ens@negotiate.org

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Abstract

While the importance of situational variables on ethical decision making is well established in the business ethics literature (Randall & Gibson, 1990) and the cultural psychology literature emphasises differences in how situational context is understood across cultures (Markus, Kitayama, & Heiman, 1996, Smith & Bond, 1993) the process of identifying the important situational variables that affect ethical decision making in cross-cultural negotiation has only just begun with recent studies by Volkema & Fleury, (2002) and Zarkada-Fraser & Fraser, (2001). This study seeks to expand understanding of which variables are important in negotiation by integrating the findings of the business ethics literature and the cross-cultural ethics literature with the ideas of negotiators in the People’s Republic of China and Australia who were interviewed in an exploratory qualitative study. A model is proposed that identifies differences in the nature of situational variables and how they are understood in the two cultures. The variables identified are the legal environment, organisational values/policies, organisational goals/objectives, the money ethic and the perception of the other party. Future research directions to test the relationships in the model are discussed.
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EXTENDED ABSTRACT

The current ethical decision making model in negotiation by Lewicki, Saunders, & Minton (1999) identifies numerous individual differences and contextual factors that affect the intention and motive to use ethically marginal tactics in a negotiation (see Figure 1). Among the variables identified by the model are ‘cultural norms’ – referring to the national culture.

While a number of researchers have investigated the effect of culture on ethical decision-making in negotiations – notably Allerheiligen, Graham, & Lin (1985), Triandis et al (2001), Volkema, (1998, 1999; 2001) and Zarkada-Fraser & Fraser,(2001) – our understanding of how culture affects ethical decision-making in negotiation remains incomplete. Typically, researchers have found that there are significant differences in views of ethicality across cultures but there is no explanation of how culture affects views of ethicality.

This paper seeks to extend our understanding of how culture affects ethical decision-making in negotiation by first arguing for a ‘culture in context’ view of culture as the most appropriate to investigate ethical decision making. We then investigate several situational variables that we believe to be particularly significant in cross-cultural negotiations by integrating qualitative data from an exploratory study of Australian and Chinese (People’s Republic of China) negotiators and findings from the business ethics
literature. From this we propose a model of exogenous variables that interact with, or are part of culture. This model is shown in Figure 2.

**Culture in Context**

A culture in context approach recognises that no human behaviour is determined by a single cause and may be understood at many different levels simultaneously (Lewicki et al., 1999). In its original form as articulated by Janosik (1987), culture in context suggests that the effect of culture is likely to be moderated by structural and contextual factors. This contrasts with the ‘culture as shared values’ view of culture that still dominates cross-cultural negotiation research. Whereas culture as shared values operationalises culture as one or more value dimensions (for example individualism-collectivism and high-low context) that act as independent variables on ethical decision making, culture in context sees culture as a sticky entity that has both a direct effect and moderating effect on situational variables that impact ethical decision making.

By adopting a culture in context view to investigate cross-cultural differences in the way negotiators decide whether or not a tactic is appropriate addresses two related concerns. Firstly, in the business ethics literature there is some evidence that there are cross-cultural differences in how situational decision-makers are. For example, one cultural difference between Easterners and Westerners is that Westerners tend to be more universalistic in the application of their ethics whereas Easterners tend to be more situational (Jackson et al., 2000). The second concern that our culture in context perspective will address is that, to date, insufficient attention has been paid to the situational factors. Existing studies investigating perceptions of inappropriate negotiation
tactics have used context free situations. For example, the question asked of respondents is to rate the tactics in the context of a situation in which ‘you will be negotiating for something which is very important to you and your business’ (Volkema, 1999). The authors of these papers recognise the issue of context is critical, ‘since different types of negotiations likely make different tactics more or less acceptable’, but have yet to incorporate these variables into hypothesis testing (Robinson, Lewicki, & Donahue, 2000:660).

Conceptualising culture in context takes an holistic view of culture that is the most appropriate perspective when seeking to understand the structure of ethical judgment. It focuses not on the end-product differences between cultures – what is or is not ethical as a tactic in negotiation – but on how negotiators see the situation and what variables they take into account in the decision process.

This study focuses on identifying important situational variables that are understood differently across cultures. It does not seek to separate culture from the situation. This view of culture accords with recent calls in the literature (Gelfand & Dyer, 2000).

**Important Situational Variables**

Accepting a culture in context perspective suggests there will be cross-cultural differences in both the shape/structure of situational variables and in how they are interpreted and used by negotiators in making their ethical decisions. We draw on the business ethics literature and cross-cultural management literature to identify situational variables that have structural differences.
A quick and dirty example of structural differences in an influential situational variable is the ‘legal environment’. In Western countries such as Australia there is ‘rule by law’ with a mature legal system and well-defined process of prosecution for violations. By comparison, China has a new legal system with a rudimentary civil code introduced in 1987 (Schlevogt, 2000) and is still undergoing a journey from ‘rule by man’ toward ‘rule by law’ and while laws abound, they are not fully or systematically applied (Snell & Tseng, 2001). If we were to draw the variables in a causal model, we would choose different shapes for the ‘legal environment’ in each country – a square for Australia and a hexagon for China. Conceptually they are the same variable, but structurally quite different.

In the paper we draw on the cross-cultural management literature and the business ethics literature to identify five situational variables that we think are structurally different in Australia and China and important to ethical decisions. In addition to the legal environment, these are: organisational values, organisational goals (/business objectives), money ethic and perception of the other party.

Using a culture in context approach, it is contingent upon us to not only identify the structural differences in variables such as ‘legal environment’ but also to identify differences in the effect of the variable on the ethical decision process of negotiators. We need to ask and answer the question: what are the cross-cultural differences in how the legal environment influences ethical decision-making? To answer such questions we interviewed Australian and Chinese negotiators and provided them with scenarios that had the situational variables present in them, either explicitly or implicitly. In so doing,
we sought to understand respondent’s perspectives about the complex relationship between the variable of interest and evaluations of decision ethicality.

The scenarios that were used to gather the qualitative data are given in Appendix 1. In China, the interviewees were given the scenarios in Mandarin and the interview was conducted with an interpreter.

The transcripts of the interviews were analysed for cultural differences in how the variables were perceived and how they were used in the ethical decision-making process.

Although our conclusions are tentative, we propose that the contextual variables we studied are affected by national culture. We hope this model will serve as a base for hypothesis generation and future research in the area of how culture in context impacts perceptions of ethical decision making in negotiations. We discuss research strategies and potential obstacles in the implementation of such research.

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**Figure 1:** Model of Ethical Decision Making in Negotiation

Lewicki’s Model of Ethical Decision Making

- **Influence situation**
- **Identification of a range of influence tactics**
- **Select and use of a deceptive tactic**
- **Intention and motives for using deceptive tactics**
- **Consequences:**
  1. Impact of tactic: does it work?
  2. Self evaluation
  3. Feedback and reaction from other negotiator, constituency, and audiences

**Explanations & justifications**

Source: (Lewicki et al., 1999) page 250.

**Figure 2:** Proposed Model of Exogenous Variables in Ethical Decision Making in Negotiation

**Exogenous Cultural Variables of Ethical Decision Making in Negotiations**

- **Organisational Values**
- **Organisational Goals**
- **Legal environment**
- **Money Ethic**
- **The “Art of Strategy – the RANGE of tactics that could be used**
- **Perception of Other party**
  - What is/will be our relationship? (guanxi)
  - How can he/she effect my image? (mianzi)
- **Tactics I am WILLING to use in this negotiation**

Source: (Lewicki et al., 1999) page 250.
APPENDIX 1

Scenario 1 (English version), after Glover, Bumpus, Logan, & Ciesla, (1997)

An Australian David Smith is working on the sale of state-of-the-art machine tool, produced by his company, International Machine Tool Company (IMT) to China. This sale is particularly important because IMT is currently experiencing some domestic difficulties and the Chinese are virtually the only outlet for this highly profitable product, at the moment. China does not have the capacity to make the equipment itself. Mr Smith has been working on the sale for several months, and everything seemed to be going satisfactorily.

However, he has been told this morning that the key liaison person with the buyer has committed IMT to making a series of gift payments to various people, ranging from intermediaries to buyer representatives to government personnel, in order to secure a contract for the equipment in China.

Some of these payments must be made now, with no written agreement or guarantee of receiving the contract.

You understand that the importance of receiving the contract is very great, and it will have positive personal ramifications for Mr Smith in the form of a promotion (more money and status). However you also know that it is contrary to the IMT company policy.

What would you recommend Mr Smith do to secure the contract for the equipment?
Scenario 2 (English version) written by first author

You are the lead negotiator for a company called ABC Manufacturing and are engaged in developing a joint venture project with an international company, XYZ Corporation. The leader of XYZ’s negotiation team is someone you went to school with and were quite friendly with at school, and through your university days, but you lost contact when he went to work overseas.

In the course of your negotiation you have renewed your friendship over drinks and dinners after hours. You respect the negotiating skills of your former classmate very much. He is a formidable negotiator, a good match to your own skills and you are enjoying the process.

After three weeks of negotiation, where you have been working on the assumption of 50-50 ownership, your boss at ABC Manufacturing has come and told you that ABC Manufacturing wants at least 51%. You know from your negotiations to date that XYZ Corporation will not view this favourably and wants to maintain 50% control.

Your boss at ABC Manufacturing has suggested that the lead negotiator from XYZ (your friend) “is just too good and we ought to get rid of him”. Your boss is quite insistent that this is the strategy you should adopt.

You know that you have a good opportunity to do this at the next dinner with the XYZ Corporation since you know that you will be sitting next to his boss and could easily tell the boss that your friend is not doing a good job and could get him removed from the negotiation.

You also know that a successful agreement is very important to your friend because he is new to the job and if he fails, then he may loose his job which will effect
his family badly. He helped you out when you were at university with getting your first job.

On the other hand, you know that if you succeed in fulfilling the requirements set down by your boss, you are likely to get a prestigious promotion and substantial pay rise which is much needed since you have a new baby in the house.
REFERENCES


