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Cross-cultural comparison of the processes and outcomes of buyer-seller negotiations through instant messaging: Hong Kong Chinese vs. Americans

Abstract

This paper examines culture's effect on the processes and outcomes of buyer-seller negotiations conducted through instant messaging (IM). The effects were examined by comparing Hong Kong (H.K.) Chinese intra-cultural negotiations with U.S. intra-cultural negotiations. The high-low context of culture (Hall, 1976) and ingroup/outgroup bias of the cultures were found to influence negotiation behaviors and outcomes in the IM condition. Theoretically, the IM condition was considered a low context communication medium relative to face-to-face. Results show that negotiators from high context culture (H.K.), who may consider negotiating partners as outgroup members, used more distributive tactics, needed significantly longer time, and achieved lower Pareto efficiency and less joint satisfaction than negotiators from low context culture (U.S.), who do not distinguish strongly ingroup vs. outgroup members, and high-low context of the media. Negotiation tactics were found to mediate the effect of culture on Pareto efficiency. These results suggest that culture influences outcome variables through processes variables for negotiations conducted through a low context medium.

Keywords: instant messaging, negotiation tactics, ingroup/outgroup, cultural differences.

Introduction

Research indicates that communication media can have a significant impact on negotiations (Barry and Fulmer, 2004; Putnam and Roloff, 1992). Studies find that negotiating through e-mail or instant messaging may have different kinds of benefits over FTF negotiations (Croson, 1999; Loewenstein et al., 2005). Research also revealed that cultural values are related to communication styles, which in turn influence the processes and outcomes of negotiations (Brett et al., 1998; Cai et al., 2000; Graham et al., 1988a; Graham and Lam, 2007; Graham and Lam, 2003; Hall, 1966; Tse et al., 1994; Tse et al., 1988).

The first Section of the article reviews relevant literature on the impact of cultural values on negotiation behavior and presents cultural profiles of the two cultures: U.S. and Hong Kong Chinese. Cultural values and communication styles are set up as the background for hypotheses to be developed. Hypotheses are developed on culture's impact on the processes and outcomes of negotiations through instant messaging. Section 3 presents research design and methodology. In Section 4 data analysis and results are reported. In Section 5 discussions and implications as well as directions for future research are presented. The final Section concludes.

1. Literature review

1.1. Cultural values. Culture serves as a socially shared knowledge structure or schema giving meaning to incoming stimuli and channeling outgoing reactions (Triandis, 1972). Culture provides insight into the way societies manage social exchanges like negotiation. Cultural values (what is important) and norms (what is appropriate) provide cultural group members with negotiation strategies (Brett et al., 1998). The cultural dimensions that are believed to be most likely related to negotiation processes and outcomes include individualism versus collectivism, the ingroup/outgroup distinction, power distance, and two dimensions of communication: high versus low context (Brett et al., 1998; Gomez et al., 2000; Graham et al., 1994; Hall, 1976; Hofstede, 1980).

The *individualism-collectivism* dimension of culture is the most widely studied in cross-cultural negotiations. It refers to the emphasis on rationality versus relatedness and the needs of others (Triandis, 1989). At the individual level it parallels in many ways the independent and interdependent concept of the self (Markus and Kitayama, 1991). Briefly speaking, members of individualistic cultures are concerned more about the well-being of the individual, while members of collectivistic cultures are concerned more about the well-being of the group. Applied to the negotiation context, the individualists are more likely to handle conflicts with rational competitiveness and problem solving approaches, whereas collectivists are more likely to handle conflict in indirect ways to preserve relationship (Leung, 1998; Starr and Yngvesson, 1975).

Ingroup/outgroup bias is the idea that we favor our own group members, and reject the outgroup members. The definition for ingroup or outgroup members is usually subjective, arbitrary, and perceptive. It changes constantly with the social situation and subject to manipulation. Some people at certain times may consider the whole humanity as their ingroup, while others at certain times may consider only family members as ingroup. Studies (cf. Bond and Smith, 1996) among University

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students in Hong Kong and the United States found that collectivist cultures appear to take different positions regarding conflict resolution, depending on whether they are dealing with ingroups or outgroups. Specifically, Hong Kong students responded more to cooperation and yielded to an ingroup negotiator more than to an outgroup negotiator. Gabrenya (1990) found that U.S. students cooperated on a task better with strangers than did Taiwanese students. These results support the view that members of collectivistic cultures are more competitive with outgroup members than are members of individualistic cultures. The Chinese subjects were more likely to pursue a conflict if disputes involved outgroup members, and to feel free to use aggressive strategies when negotiating with them. The Americans did not make ingroup/outgroup distinctions (Triandis, 1989). The ingroup/outgroup factor could be considered to be interacting with the high-low context of culture, where people from high context culture are more sensitive to this ingroup/outgroup context than people from low-context culture.

Power distance refers to the relative prevalence of social hierarchies in society (Hofstede, 1980). High power distance societies reflect inequalities among individuals on the basis of their status, while lower power distance societies reflect more egalitarian values. To apply this concept to business negotiation, we would expect that members from high power distance society to refer to higher authority more often in settling their conflicts than members of lower power distance. Also, the sources or basis of negotiation power is different for high vs. low power distance cultures. Brett and Okumura (1998) reported that Americans are more likely to draw power from rationality such as best alternative to a negotiated agreement (BATNA), while Japanese are more likely to get their power from status such as buyer-seller role. Graham et al. (1994) found power distance of cultures to be highly correlated with buyer-seller role relations and their influence on negotiation outcomes ($r = 0.751$, $p = 0.05$). Buyers have much more power than the sellers in high power distance cultures.

Hall's (1976) high-low context theory of culture is the most relevant here as it is related to cultural differences in communication and *cues filtered out theory* in CMC (Kiesler et al., 1984). In high context (HC) cultures, human relationships (ingroup/outgroup), cultural norms and social structure (power distance) serve as a broad context in which human communications take place. Most communications of information are implicit in those physical contexts and do not need to be exchanged explicitly through the verbal part of the message such as words and sentences (Kim et al., 1998). One needs to put the messages in the appropriate context in order to understand the intended meanings conveyed in the messages. In high-context Asia, for example, a big business deal may take place without sufficient written documents to lay out detailed contract terms (Graham, 1983).

In low context (LC) cultures, information is conveyed primarily in the explicit code, that is, in the words and sentences (Hall, 1976, p. 91). Low-context messages tend to be context-free, and deals are made with much less reliance on information about the character and background and values of the participants and much more reliance upon the explicit communications (Keegan, 1989, p.115). What is important is what is said, *not* how it is said, who says it, or the environment within which it is said (Onkvisit and Shaw, 1993, p. 261). From this perspective, we would expect that computer-mediated negotiations are more likely to breakdown in HC culture than in LC culture, because it will be difficult for people in HC to interpret the meanings of the words in instant messaging out of context.

1.2. Cultural profiles. The U.S. culture has been characterized as individualistic, egalitarian with low power distance, low context. Applying to the buyer-seller negotiation context, individualistic negotiators have high individual goals, exchange information directly; have less inequality in outcome distribution. Individualistic negotiators care about individual gain more than the joint gain. This means they are unlikely to close negotiations prematurely if there is any possibility of individual gain (Olekalns et al., 1996).

Hong Kong Chinese culture is characterized as collectivistic, hierarchical with high power distance, HC. Of particular importance is the ingroup /outgroup distinction in this culture. The buyer, who has more power, may consider the seller as an outgroup member, at least in the beginning of a business relationship. The buyer-seller relationship in the Chinese culture has its unique cultural and social constructions, it is somewhat related to power distance (buyer being more powerful). In China, the market place is often compared to a battle field, buyers and sellers in the business world are warriors, trying to defeat, or to avoid being defeated by the opponent. Chinese business people often refer to tools from Sun-Tsu's "*The Art of War"* when negotiating with business partners (Graham and Lam, 2007). Chinese negotiators tend to be very competitive (Graham et al., 1988b), especially the buyer, who has more power attached to the role in this society. The concept of fairness will also influence the outcome. This means premature closure of negotiations may happen, forgoing individual gain for the sake of fairness, or just for

the pleasure of defeating the opponent. The competitive nature of the Chinese buyer-seller negotiation implies that negotiations between the Chinese may be moderated by the ingroup/outgroup factor, with high joint gains for ingroup negotiators, and high impasse rate for outgroup negotiators.

2. Conceptual model

The literature suggests three sequential phases in business negotiations: an antecedent phase, a concurrent phase, and a consequent phase. The antecedent phase includes independent variables that pertain to bargainer characteristics and situational constraints (Rubin and Brown, 1975). The concurrent phase comprises process-related measures of negotiation such as behaviors or strategies used by negotiators (Graham, 1985). The consequent phase includes the outcome, that is, dependent variables generated by the negotiation activity (Tung, 1988). The extent of these outcomes is influenced directly or indirectly by factors in the antecedent phase and the concurrent phase (Greenhalgh, Neslin, and Gilkey, 1985; Graham et al., 1994).

In the present conceptual model (see Appendix, Figure 1), the antecedent phase focuses on culture as the independent variable; the concurrent phase includes the process measures such as integrative and distributive tactics. The consequent phase includes both objective outcome measures such as Pareto efficiency and negotiation time, and subject-tive outcome measure such as joint satisfaction (Purdy et al., 2000).

2.1. Integrative and distributive negotiation tactics. The literature on negotiation includes two broad categories of task-specific tactics that can potentially influence outcomes: integrative and distributive (Bazerman and Lewicki, 1985; Pruitt, 1981). Those using integrative tactics usually attempt to accommodate the underlying interests of one or both parties, to contribute to the development of mutually positive outcomes (Pruitt, 1981). These tactics are effective for negotiating multiple issues that negotiators value differently, thus providing an opportunity for trade-offs, or logrolling.

Distributive tactics, on the other hand, are used to achieve unilateral concessions from the other party (Pruitt, 1981). They are individualistic in nature, distributing resources in one party's favor (Lax and Sebenius, 1986). Distributive tactics can be appropriate for single issues or issues that are equally valued by both parties (Weingart et al., 1996). It has been suggested, however, that distributive tactics: (a) impede the integrativeness of agreements (Pruitt, 1981) when they are applied to integrative issues inappropriately; and (b) set a confrontational tone to the negotiation (Lax and Sebenius, 1986). Distributive tactics and integrative tactics might work jointly to define the solution parameters of the negotiation task. Thus, both integrative and distributive tactics are considered necessary for negotiators to reach satisfactory agreement on a task with integrative potential (Pruitt, 1981).

Research has shown that negotiators engaged in multi-issue negotiation tasks may prefer to discuss one issue at a time and that they may view issues simultaneously as "inappropriate horse-trading" (Froman and Cohen, 1970). Nevertheless, trade-offs among issues will be possible only when they are considered simultaneously (Froman and Cohen, 1970; Pruitt, 1981). Pruitt notes that negotiators, who resolve issues sequentially, tend to make compromises regardless of whether an issue is of high or low value to them. In contrast, negotiators resolving issues simultaneously make deep concessions on issues of low value in exchange for deep concessions from the other party (Weingart et al. 1996). Similarly to Hyder et al., (2000), the present study classifies sequential consideration of issues into the distributive tactics category and simultaneous consideration of issues into the integrative tactics category.

2.2. Negotiation outcomes. Multiple quantitative measures of outcomes of buyer-seller negotiations have been used in earlier studies. Agreement rate is an important outcome measure that is seldom reported in FTF studies (Tripp and Sondak, 1992). In the marketing literature, two outcome measures: seller's individual profit, and buyer's satisfaction, were suggested as the most appropriate measures for the effectiveness of a buyer-seller negotiation (Weitz, 1981). The Pareto efficiency score is considered an important measure of the overall integrativeness of the negotiation (Tripp and Sondak, 1992). It is used in this study as the measure of the objective /quantitative joint outcome following Croson (1999). Negotiation time is modeled here as an objective/quantitative outcome measure following Purdy et al. (2000), even though it could also be modeled as a process measure. Joint satisfaction is used as a subjective/qualitative measure of negotiation outcome.

2.2.1. Pareto efficiency. Previous studies using joint profit as an outcome measure have not taken agreement rates into account, which may have biased experimental results. Tripp and Sondak (1992) convincingly argued and demonstrated that Pareto efficiency is a better measure for the quality of dyadic negotiation agreements. It builds the agreement rate into the outcome measure. The logic and the comprehensiveness of this measure can be found at Tripp and Sondak (1992) and Hyder et al. (2000).

2.2.2. Negotiation time. While Pareto efficiency is clearly an economic benefit, time may be viewed as a cost of effort in negotiation. From a cost benefit perspective, negotiators achieving a given level of efficiency within a shorter period of time will be more satisfied. Purdy et al. (2000) studied time as an objective outcome measure of negotiations. They argued that CMC transmits less information than FTF. Text-based chat is slow and there tend to be long pauses between each participant's contributions (Heid, 1997). Negotiators in CMC tend to use fewer words and need more time to reach agreement (Sheffield, 1995). Purdy et al. (2000) found that negotiators need significantly less time to reach agreement in richer media.

2.2.3. Joint satisfaction. Satisfaction is conceptualized as an important qualitative measure of outcomes of business negotiations (Graham, 1986). Negotiators' problem solving approach (PSA) was found to impact partners' satisfaction positively in the FTF condition (Graham et al., 1994). Research showed less satisfaction with CMC than with FTF (Purdy et al., 2000).

2.3. Individualistic versus problem-solving orientation in negotiations. Previous research found that the orientation of the negotiation set up moderates the media's effect on process and outcome measures. In Lewis and Fry (1977), subjects who were manipulated to be in an individualistic orientation (disregarding opponent's needs) discovered more integrative solutions when visual access was eliminated. Yet visual access had no effect on subjects in the problem-solving orientation (considering opponent's needs). Similar results were reported in Carnevale and Isen (1986). This suggests that the orientation of the negotiation moderates media's impact on negotiations. In this study, buyer-seller negotiation is conceptualized with an individualistic orientation. The following hypotheses were developed with individualistic orientation as the premise.

2.4. Hypotheses. When contexts and cues are filtered out for people from a HC culture, the understanding reduced is substantial as compared to that of the people from a LC culture. As HC people rely more heavily on non-verbal and other contextual cues in exchanging information and making judgments, their ability to implement the negotiation task is greatly restricted by the lack of these cues. In other words, the text information in CMC could be explained in many ways. HC people may use their own previous experiences in similar FTF conditions and their subjective judgment in 'guessing' the real meanings behind those words. Their ability to engage in integrative bargaining behavior is greatly restricted by the narrow bandwidth of the CMC channel. Weingart et al. (1996) showed that integrative tactics needed to be more consciously applied than distributive tactics. Distributive tactics may come from naive negotiators' natural state of mind or judgmental bias, as demonstrated by the fixed-pie perception (Thompson and Hastie, 1990). On the other hand, LC people suffer much less information loss because their communications in FTF condition are already explicit and direct (Brett and Okumura, 1998; Hall, 1976). Brett et al. (1998) found that H.K. negotiators use less information sharing and more distributive tactics than U.S. negotiators in FTF.

The focus of the present study is on only one CMC, that is, instant messaging system. My other study showed that U.S. negotiators used significantly higher integrative tactics and achieved higher level of Pareto efficiency and joint satisfaction than Chinese in FTF conditions (Yang 2008). This suggests that filtering out context cues had a positive impact on the process and outcomes of negotiations in low context culture. This positive effect is not expected for negotiators from high context culture. Taking findings from the FTF negotiations into account (Brett et al., 1998), the following hypotheses are proposed:

H1a: H.K.-H.K. dyads use less integrative tactics than U.S.-U.S. dyads in IM.

H1b: H.K.-H.K. dyads use more distributive tactics than U.S.-U.S. dyads in IM.

As implicit cues are filtered out for negotiators from HC culture, it will inevitably take longer for them to decode and understand the meanings of the messages. Results from this investigator's own data set in FTF conditions showed that there was no difference in negotiating time between H.K.-H.K. dyads and U.S.-U.S. dyads. If the same task took subjects the same amount of time in the FTF condition, then moving to CMC will have a bigger impact for HC negotiators than for LC negotiators. Thus, it is predicted that:

H2: H.K.-H.K. dyads will take more time to reach agreement than U.S.-U.S. dyads in IM.

Purdy et al. (2000) showed that increased use of integrative tactics will significantly shorten the time to reach agreement. More use of distributive tactics will greatly lengthen the negotiating time. Both integrative and distributive tactics are expected to mediate the effect of culture on negotiation time.

H2a: The more the integrative tactics used, the less the negotiation time will be.

H2b: The more the distributive tactics used, the more the negotiation time will be.

H2Ma: Integrative tactics partially mediate the effect of culture on negotiation time.

H2Mb: Distributive tactics partially mediate the effect of culture on negotiation time.

Brett et al. (1998), in a six country cross-cultural study on joint gains, found that H.K. negotiators achieved the lowest joint gain of the six countries, while the U.S. achieving the highest joint gains. The difference was highly significant. The present negotiation was set up in an individualistic orientation. As discussed previously, people from collectivistic culture deal with outgroup partners more competitively than people from individualistic cultures. The individualistic manipulation of the negotiation put partners as outgroup members. Thus, make them more competitive and may use more distributive tactics. Consistent with hypotheses on process measures proposed earlier, the following hypotheses are proposed:

H3: H.K.-H.K. dyads achieve lower level of Pareto efficiency than U.S.-U.S. dyads.

H3Ma: Integrative tactics will mediate culture's effect on Pareto efficiency.

H3Ma: Distributive tactics will mediate culture's effect on Pareto efficiency.

The following hypotheses need to be confirmed to test mediation effects:

H4a: The more integrative the tactics used, the higher the Pareto efficiency will be.

H4b: The more distributive the tactics used, the lower the Pareto efficiency will be.

Negotiators in high context culture will have more misunderstandings when communicating through the restricted CMC channel. As a result they will find it less satisfying. Thus, there will be a direct effect of context of culture on joint satisfaction. Both Pareto efficiency and negotiation time will also influence joint satisfaction regardless of cultural context. Thus, Pareto efficiency and negotiation time will mediate the effect of culture on joint satisfaction.

H5: H.K.-H.K. dyads achieve lower level of joint satisfaction than U.S.-U.S. dyads.

H5Ma: Pareto efficiency will mediate the relationship between culture and joint satisfaction.

H5Mb: Bargaining time will mediate the relationship between culture and joint satisfaction

3. Research design and measurement

3.1. Integrative and distributive tactics. These measures were obtained through content analysis to identify each subcategory that belong to the integrative and distributive main categories (Hyder et al., 2000; Weingart et al., 2004). Both measures were relative frequencies with speaking turn as the adjustment. Both were logit transformed to avoid spurious correlations (Cohen and Cohen, 1983).

3.2. Dependent variables. Pareto efficiency was obtained using method from Tripp and Sondak (1992). Joint satisfaction was measured by a post-negotiation questionnaire.

3.3. Subjects. MBA students from a H.K. university and a U.S. University were recruited. Subjects were gathered in a computer lab and randomly assigned to either the buyer or the seller role. They were given 15 minutes to prepare and one hour to finish the negotiation game that involve the buying and selling of 3 different products (Kelley, 1966; see Appendix, Table 6). Post-negotiation questionnaires were administered right after the negotiation.

3.4. Control variables. Data on the characteristics of the participants were collected to control for competing explanations in the outcome variables. Familiarity of the partners with each other and all demographic variables were examined with ANOVA tests. These variables did not affect the outcome measures.

3.5. Behavioral coding categories. Since all transcripts are electronic files with speaking turns, the unitizing task is greatly reduced, with the highest reliability. For H.K. IM condition, 16 transcripts generated by 32 participants were content analyzed. Total number of speaking turns identified was 1146. For U.S. IM condition, 48 transcripts generated by 96 participants were content analyzed, with a total of 2191 speaking turns identified.

4. Data analysis and results

4.1. Descriptive statistics. Thirty-four Hong Kong MBA students participated in the intracultural HK-HK negotiation simulation through instant messaging. Subjects had an average age of 27.8, and an average work experience of 4.98 years (see Appendix, Table1). The U.S. subjects were 140, average age 30.35 with an average working experience of 7.3 years (some subjects' post-negotiation questionnaires were inclded in the analysis even though their conversation transcripts were not content analyzed).

4.2. Results. *4.2.1. Direct effects.* The first set of hypotheses predicted that H.K.-H.K. dyads would use fewer integrative tactics and more distributive tactics than U.S.-U.S. dyads in IM. The results showed that no difference was found on the relative frequency of integrative tactics used by negotiators from the two cultures. H1a was not supported. H.K. negotiators used significantly more distributive tactics than U.S.

negotiators (*beta* = 0.319, $p = 0.01$). H1b was strongly supported (see Appendix, Table 4, Model 1 and 2). H2 predicted that H.K. dyads took more time to reach agreement than U.S. dyads. Results show that it took H.K. negotiators significantly longer to negotiate than U.S. negotiators (*beta* = 0.596, $p = 0$). H2 is strongly supported. H3 predicted that HK dyads achieve lower level of Pareto efficiency than U.S. dyads. Results show that H.K. negotiators achieved significantly lower Pareto efficiency than U.S. negotiators (*beta* = -0.257, $p = 0.016$). H3 is strongly supported. No difference was found in the level of joint satisfaction between the two cultures (see Appendix, Table 2).

4.2.2. Mediation effects. **Mediation effect on negotiation time.** Hypothesis 2Ma and 2Mb predicted that process measures (integrative and distributive tactics) mediate culture's effect on negotiation time (see Appendix, Table 3). Results showed that both process measures impacted the negotiation time independently: integrative tactics were negatively related to negotiation time (see Appendix, Model 4 in Table 4, *beta* = -0.190, $p = 0.058$), and distributive tactics were positively related to negotiation time (*beta* = 0.221, $p < 0.032$). This means that more use of integrative tactics will lead to shorter negotiations, and more use of distributive tactics will lead to longer negotiations. The mediation hypotheses were not supported.

Mediation effect on Pareto efficiency. It was predicted that integrative tactics and distributive tactics would mediate the effect of culture on Pareto efficiency. As showed in Model 7 of Table 4, when use of integrative tactics was entered into the regression equation, the significance of culture's influence dropped. This suggests that integrative tactics partially mediate culture's effect on Pareto efficiency. H3Ma is supported. Model 8 shows that distributive tactics fully mediated culture's effect on Pareto efficiency, as showed by the insignificance of culture's effect when distributive tactics is considered.

Mediation effect on joint satisfaction. Negotiation time and Pareto efficiency were expected to mediate culture's impact on joint satisfaction. Results showed that culture had no effect on joint satisfaction. Pareto efficiency positively influenced joint satisfaction (*beta* = 0.289, $p = 0.011$), and negotiation time negatively influenced joint satisfaction (*beta* = -0.239, $p = 0.101$). Please, see Appendix, Table 5 for a summary of hypotheses and findings.

5. Discussion

This study examined culture's effect on the process and outcomes of negotiations conducted in instant messaging. Generally speaking, it shows that U.S. negotiators used fewer distributive tactics, less negotiation time, and achieved higher Pareto efficiency than H.K. negotiators. Both integrative tactics and distributive tactics are found to mediate culture's effect on Pareto efficiency. These results suggest negotiators in low context culture (U.S.) behave differently and obtain different outcomes from those in high context culture (H.K.) in instant messaging. For negotiators from high context collectivistic culture, IM could lead negotiators to individualistic and distributive behaviors. Context is the key when it comes to explain contradicting results from high context culture. Cross-cultural negotiation research needs to reconcile the contradicting findings.

The manipulation of the negotiation to an individualistic condition is also an important aspect of the present study. People from collectivistic cultures may have categorized their negotiating partners as outgroup members in this condition, and could have become more distributive, making the "out of context" IM channel even more restricted.

5.1. Implications. Previous cross-cultural negotiation research was mostly conducted in the FTF settings. This study focuses on cultural differences in negotiations through instant messaging. Theoretically, culture as an independent variable may impact negotiation processes and outcomes differently in IM than in FTF (Yang, 2008). Thus, new theories need to be constructed for cross-cultural comparison as new communication channels such as instant messaging become alternatives to FTF in negotiations internationally.

This research has demonstrated that negotiations in instant messaging for people from high context cultures may be suboptimal. They can be very distributive when it comes to negotiating business deals with an individualistic orientation in IM. Moore et al. (1999) provide both a short route and long route for establishing rapport before negotiating through CMC. Their suggestions have great implications for negotiations in CMC, especially those that are international.

5.2. Limitations and future research. Because data were analyzed at the dyadic level, our small sample size from Hong Kong may have limited the scope and the generalizability of our conclusions. Future research would need to collect more FTF process data from H.K. to validate the findings from this study. Because of these data constraints, it is not possible to test the cross-cultural differences of negotiations between FTF and CMC. Also, cultural values could have been measured at the individual level for more accuracy than the "culture as shared value" approach.

Conclusion

This study found that instant messaging had negative effects on negotiation processes and outcomes when comparing negotiators from different cultures. The study implies that for people from high context culture,

increasing the contextual cues may be the key to effective communication. Simply connecting collectivistic cultural values with joint gain may be misleading, as demonstrated here that people from high context (collectivistic culture) may become very individualistic and distributive when negotiating through IM in an individualistic setup. Also, it seems that ingroup/outgroup distinctions override collectivistic cultural values for the H.K. Chinese in buyer-seller negotiations, where negotiating partners are by default considered outgroup members. More studies needed in this area to clarify which cultural values are more important in certain negotiation conditions.

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Appendix

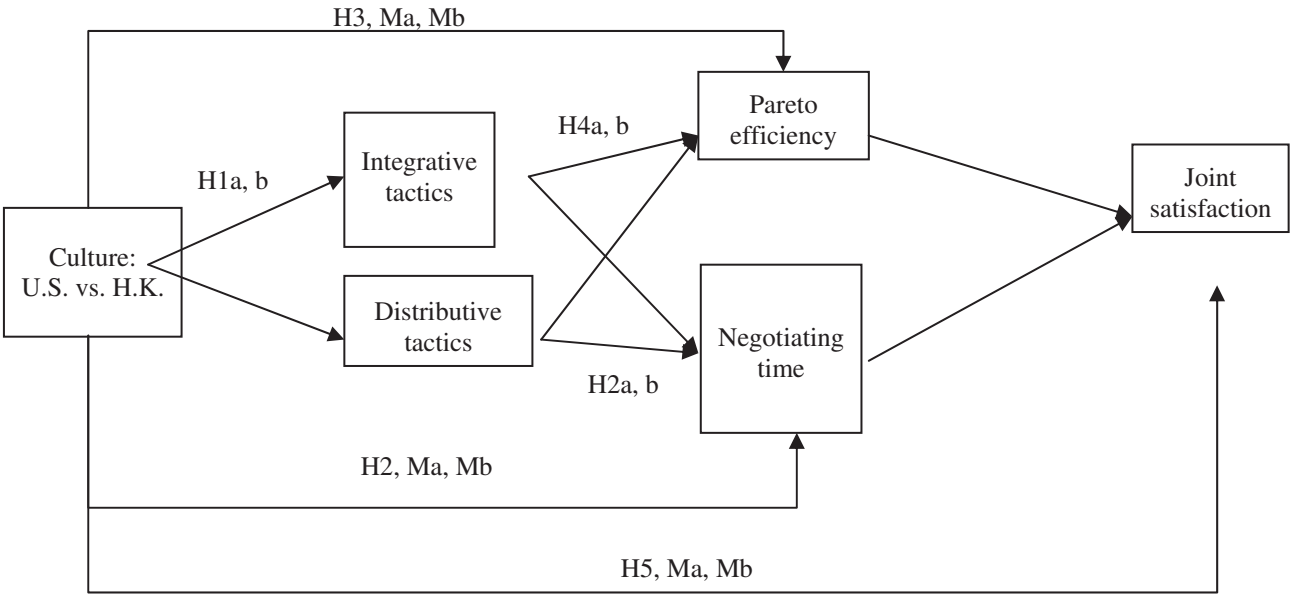

Fig. 1. Theoretical model

Table 1. Group characteristics, means (SD)

Media by culture	Gender			Age		% of time dealing with ppl outside		Number of yrs of fulltime work exp		Total num of subj.
	F	M	N	Mean	SD	Mean	SD	Mean	SD	N
U.S. IM	40	100	140	30.35	4.47	50.30	29.90	7.30	4.04	140
H.K. IM	19	15	34	27.80	3.62	59.50	27.62	4.98	3.19	34

Table 2. Outcome variables by cultural and media conditions

Media by culture	Joint profit		Agreement rate	Joint satisfaction		Pareto efficiency		Total num of subjects
	Mean	SD	Percentage	Mean	SD	Mean	SD	N
U.S. IM	4741	383	95.7	31.59	3.65	1.172	0.406	140
H.K. IM	4668	391	76.5	30.75	4.39	0.878	0.578	34

Table 3. Mean relative and absolute frequency of integrative and distributive tactics

	Absolute frequency of integrative tactics		Absolute frequency of distributive tactics		Relative frequency of integrative tactics		Relative frequency of distributive tactics		
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	N
U.S. IM	14.5	8.3	14.3	13.5	30.7%	12.9%	26.4%	15.5%	48
H.K. IM	21.9	10.7	28.6	23.4	31.7%	9.6%	37.8%	11.6%	16
Total	16.3	9.4	17.8	17.4	30.9%	12.1%	29.2%	15.4%	64

Table 4. Mediation model U.S. IM versus H.K. IM: standardized regression coefficients (betas)

Model	Dependent variable	HK IM	Integrative tactics	Distributive tactics	Time	Pareto efficiency	Adjusted R^2
1	Integrative tactics	ns					
2	Distributive tactics	0.319***					0.087
3	Time	0.596***					0.347
4	Time	0.688***	-0.190*				0.467
5	Time	0.610***		0.221**			0.477
6	Pareto efficiency	-0.257**					0.055
7	Pareto efficiency	-0.202*	0.535***				0.291
8	Pareto efficiency	ns		-0.560***			0.288
9	Joint satisfaction	ns					
10	Joint satisfaction	ns				0.289**	0.083
11	Joint satisfaction	ns			-0.239*		0.032

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Table 5. Summary of hypotheses and findings

Hypotheses	Brief statement	Findings supported
H2-1a	H.K.-H.K. dyads use less integrative tactics than U.S.-U.S. dyads in CMC.	No
H2-1b	H.K.-H.K. dyads use more distributive tactics than U.S.-U.S. dyads in CMC.	Yes
H2-2	H.K.-H.K. dyads will take more time to reach agreement than U.S.-U.S.dyads in CMC.	Yes
H2-2M	Process measures will mediate culture's effect on negotiation time.	No
H2-3a	The more integrative the tactics used, the higher the Pareto efficiency.	Yes
H2-3b	The more distributive the tactics used, the lower the Pareto efficiency.	Yes
H2-4	H.K.-H.K.dyads achieve lower level of Pareto efficiency than U.S.-U.S.dyads.	Yes
H2-4M	Process measures will mediate culture's effect on Pareto efficiency.	Yes
H2-5	H.K.-H.K. dyads achieve lower level of joint satisfaction than U.S.-U.S.dyads.	No
H2-5Ma	Pareto efficiency will mediate the relationship between culture and joint satisfaction.	No
H2-5Mb	Negotiation time will mediate the relationship between culture and joint satisfaction	No

Table 6. Payoff matrix for Kelley's (1966) negotiation game

Prices	Buyer profits			Seller profits		
	Product 1	Product 2	Product 3	Product 1	Product 2	Product 3
A	2000	1200	800	0	0	0
B	1750	1050	700	100	150	250
C	1500	900	600	200	300	500
D	1250	750	500	300	450	750
E	1000	600	400	400	600	1000
F	750	450	300	500	750	1250
G	500	300	200	600	900	1500
H	250	150	100	700	1050	1750
I	0	0	0	800	1200	2000