

Perception Formation in Global Negotiations: The Role of Culture and Sacred Value

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Abstract

We examine how sacred values, or fundamental beliefs that reflect moral norms, and national culture interact to influence perceptions in cross-cultural negotiation. Perceptions formed toward a negotiator can subsequently affect decision-making, cooperative behavior, outcomes and reputations. Caucasian-American and South Asian-Indian observers viewed an intercultural negotiation with a negative, distributive outcome and rated their perception of a culturally in-group (same culture) versus culturally out-group (different culture) negotiator. Prior to viewing the negotiation, we manipulated observer and negotiator congruency of sacred values via deontological versus instrumental reasoning styles. The results illustrate a “black sheep effect,” where observers perceived the cultural in-group negotiator negatively, only when they shared similar sacred values but not when those values were different. In contrast, sacred value congruence did not matter when observers rated the cultural out-group negotiator. Instead, observers’ perceptions were heavily influenced by the negotiator’s values.

1. Introduction

People often engage in two forms of reasoning styles: deontological and instrumental, which are associated with meaningful outcomes. According to the virtue theory, sacred values encompass deontological processing, characterized by the emphasis on rights and wrongs that are often insensitive to monetary and material trade-off [24]. Sacred values are fundamental beliefs that reflect a society’s moral norms and values that drive a person’s actions [8]. Sacred values have been shown to take precedence over other values, particularly in economic and monetary trade-offs [5]. Sacred values processed through deontic approach are derived from rules that dictate certain actions independent of expected outcomes or the success of such outcomes. Thus, deontological sacred values reflect the right

thing to do and accordingly are absolute by nature [8, 5, 41].

On the other hand, reasoning processed from a utilitarian perspective employ analytic processing and rational decision-making as they are dependent on the valuation of outcomes [8]. Utilitarian processing involves cost-benefit analysis and is often associated with monetary trade-off [7, 31]. Therefore, consequences of outcomes depend on carrying out certain actions and behaviors [41].

Prior research has illustrated the importance of reasoning styles in judgment and perceptions particularly in individual and group decision-making contexts ranging from purchasing consumer goods to economic (e.g. mutual funds) and relational (e.g. marital commitment) investments [8]. Yet, there is a lack of empirical research on how deontological processing associated with sacred values influence perceptions in the negotiation context [4], particularly cross-cultural negotiation, which involve interdependent joint decision-making between parties from different national cultures [6], with possibly conflicting sacred values. For instance, negotiators from Western Europe or North America with an independent self-construal are less likely to value relationship building and instead are more likely to focus on the economic outcomes in negotiation, compared to negotiators from the Far East, who tend to possess an interdependent or relational self-construal [10, 28, 37]. Such cultural differences in self-construal can be manifested in the sacred values salient in negotiations, which can subsequently influence negotiation process and outcomes.

In global negotiations, national culture can also activate in-group versus out-group categorization, which can influence perceptions and judgments [38]. For example, when examining observer perceptions of an intercultural negotiation, Semnani-Azad et al. (2012) found in-group bias in observer ratings of the negotiators. Participant observers were more likely to perceive the cultural in-group negotiator, who was of the same national culture as the observer, in a positive light by rating the negotiator higher on trustworthiness, fairness, and cooperativeness,

compared to the cultural out-group negotiator, i.e. negotiator from a different national culture than the observer. Accordingly, national culture with regards to in-group versus out-group membership, and sacred values can interact to influence perceptions in international negotiations.

Understanding perception formation in negotiation context, and the role of sacred values and culture in such judgments is important since perceptions influence cooperative behavior, information-sharing, negotiation strategies, outcomes and reputations [3, 33, 42]. In future interactions, the perceptions and reputations formed can provide negotiators with a schema to understand and interpret the counterpart's actions [6].

Appropriately, in our study we investigate how sacred values and culture interact to influence perception formation in intercultural negotiation. We examine Caucasian-American and South Asian-Indian observer's perceptions of a cultural in-group and cultural out-group negotiator's trustworthiness and competitiveness which are typical attributes associated with reputation construction in Western negotiations [25]. We also examine observer ratings on respect and future interactions with the negotiator. Apart from creating cultural congruency through cultural in-group versus out-group membership of observers and negotiators, we manipulate sacred value congruency with regards to deontological versus instrumental values. More specifically, we activate a deontological or instrumental cognitive processing prior to observer ratings, and then we provide participants with information about the negotiator's deontological or instrumental values.

We employed the same methodology as Semnani-Azad et al. (2012) and prior research [43], where observers watch a video-taped negotiation between an American and a non-American negotiator. In our study all observers rated the American negotiator across different stages of the negotiation, and were presented with a distributive outcome, in which negotiators failed to reach a successful agreement. We assessed observer perception as opposed to actual negotiator's perception because 1) it is measurable across negotiation stages and outcome [43] and 2) third party observers' and direct parties' perceptions are equally susceptible to social perception biases [34].

2. Theoretical Framework and Hypotheses

2.1. In-group Bias

According to social identity theory, people form their self-concept from the individual self and collective self [11, 22, 89]. The collective self is derived from social category membership or the groups that one belongs to [38]. Social categorization is a natural process that occurs spontaneously. In the absence of formal groups, people tend to categorize others using perceptually salient cues such as sex, race, age, and physical attractiveness [12, 40]. A general characteristic of social categorization is in-group bias, which is the tendency for people to favor others who belong to their collective group. In-groups are bounded communities that define interdependence and cooperation for the members who exercise mutual trust and obligation [13]. Sense of familiarity, attachment and preference for in-group is psychologically primary and it precedes any attitude construction toward an out-group [2].

Cross-cultural negotiation is when negotiators from different national cultures make decisions interdependently to achieve their goals. Culture is comprised of the shared characteristics of a social group with regards to values, norms, practices, and institutions [27]. Culture is an important aspect of one's collective self and is both a visible and invisible basis for social categorization and schema activation [19, 32]. Given that national culture is a perceptually salient cue for social categorization and that competitive situations, such as negotiations, heighten positive distinctions of an in-group from an out-group, it is reasonable to assume that in cross-cultural negotiations parties' perceptions are colored by their in-group preference [35].

Aside from national culture or ethnicity activating in-group favoritism through surface cues, i.e. readily detectable surface characteristics; deep level cues such as shared sacred values can further consolidate in-group membership and preference. Hence, combination of shared surface-level and deep-level characteristics can strengthen in-group bias [17]. In the current study, only American observers, not Indian observers, share surface-level characteristic with the American negotiator. Observers who share similar sacred values as the negotiator (e.g. instrumental processing of observers and instrumental value of negotiator), would share deep-level characteristic with the American negotiator. Consequently, highest level of shared characteristic, surface and deep level should be

observed among American observers with similar sacred value as the American negotiator. As a result, we expect that in-group bias would be strongest among these observers.

Hypothesis 1: Prior to viewing the outcome, American observers will perceive the American negotiator more favorably, especially when they share the same sacred value.

2.2. The Black Sheep Effect

While heightened in-group membership through shared surface and deep level cues can lead to in-group favoritism, prior literature also reports a black sheep effect, in which people are less tolerant of in-group members' failings and accordingly engage in more denigration or condemnation of in-group members compared to out-group members with the same shortcomings [30, 29]. This effect is exacerbated when when the individuals closely identify with the group [9, 18]. In such cases, judgments of in-group members become more extreme such that favorable in-groups are perceived more favorably and unfavorable in-groups are perceived more unfavorably [9]. Thus, racial categorization (surface level) and identification (deep level) enhance individuals' positive perception of their in-group, while at the same time augment the denigration of unfavorable in-group members when the positive view is violated [18].

Provided that in our study observers will watch a negotiation with an unfavorable outcome, i.e. impasse, it is plausible that a black sheep effect will be observed among American observers sharing the same sacred value as the American negotiator. Therefore, we predict the following:

Hypothesis 2: After viewing the unfavorable negotiation outcome, American observers will perceive the American negotiator as more unfavorable, especially when they share the same sacred value.

2.3. Expectancy Violation of Out-group

Literature on intergroup relations suggests that negative perception of out-group is likely due to "illusory correlation," in which people tend to overestimate the association between out-group membership and negative behaviors, because of limited interaction with the out-group. Expectancy-violation theory suggests that stereotypes provide information about another person's characteristic.

However, when an individual's characteristic violates our expectations, our evaluations become extreme in the direction of the expectancy violation [16, 23].

In the context of intergroup interaction, out-groups are more likely to be perceived negatively. However, according to the expectancy violation theory, when an out-group member possesses more favorable characteristics than expected, that person should be evaluated even more positively. For instance, racial discrimination may create obstacles to the occupational success of African-Americans compared to Caucasian-Americans. So, successful African-Americans may be perceived as possessing exceptionally favorable personal qualities, even more favorable than those of equally successful Caucasian-Americans [23]. Such positive individuating information about the out-group will result in the evaluation of the out-group on the basis of the provided information rather than existing stereotypes. Therefore, we expect that:

Hypothesis 3: Compared to American observers, Indian observers' perception of the American negotiator will be heavily influenced by the negotiator's sacred values, regardless of their own sacred value.

3. Method

Participants and Procedure. 124 Caucasian-American (*Mean age*= 32.37, *S.D*=6.13, 50% female) and 121 South Asian-Indian (*Mean age*= 30.31, *S.D*=5.31, 34% female) full-time employees recruited from Amazon's Mechanical Turk [15], participated in an online study about negotiation.

Prior to watching the videotaped negotiation, we manipulated participants' sacred value and the information presented about the American negotiator's sacred value (see Appendix A). As a manipulation check (Fig.1), after observers thought about helping a sick friend (deontic) or buying a house (instrumental), they rated actions such as *donating to an orphanage*, *studying to become a doctor*, and *helping a neighbor*, on degree to which they were moral/pragmatic (*1= extremely moral; 9= extremely pragmatic*).

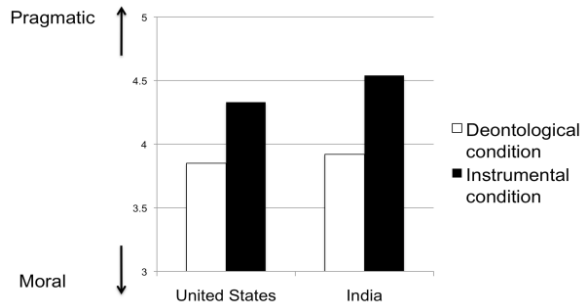


Fig. 1. Observer ratings on the manipulation check items.

Then observers viewed a photograph of two negotiators (see Fig.2), and were provided with information about Paul, the American negotiator's sacred value. After viewing the photograph, participants completed the perception scale (see Appendix A). Observers watched three video clips of the negotiation and after each clip, they responded to the perception questionnaire. In the first video, the American merchant claimed that the rugs shipped were of inferior quality, contrary to his initial agreement. The non-American merchant claimed that high quality rugs were shipped. In the second video, both negotiators shared more information about the situation and explained their position. In the third and final clip, the conflict escalated and negotiators employed distributive and competitive tactics using threats and arguments, and did not reach a final agreement.



Fig. 2. Static photograph of the negotiators, non-American (left) and American – Paul (right)

4. Results

To test our predictions, we derived a composite score for each perception category and standardized values (see Table 1). We then carried out analyses using Repeated Measures ANOVA. We included observer culture, sacred value, and negotiator sacred value as between-subject independent variables, and time (four segments) as a within-subject variable. Perception categories were included as dependent

measures. Thus, we employed a 2 (Culture: *US vs. India*) x 2 (Observer value: *deontic vs. instrumental*) x 2 (Negotiator value: *deontic vs. instrumental*) x 4 (Time: *static photo and three clips*) factorial design. To ensure an equivalent sample across culture, observer age and gender were included as covariates.

Table 1. Correlations of all measures ($*p < .05$, $**p < .05$)

	1	2	3	4	5	6	7	8	9
1. Culture	1.00								
2. Observer Sacred Value	-0.01	1.00							
3. Negotiator Sacred Value	0.02	-0.06	1.00						
4. Gender	-.163*	0.01	-0.02	1.00					
5. Age	-0.09	0.11	-0.09	0.04	1.00				
6. Trust	0.03	-0.02	.164**	-0.03	0.11	1.00			
7. Future Relations	0.02	0.04	0.10	-0.10	0.08	.724**	1.00		
8. Respect	0.03	0.00	.148**	-0.09	0.06	.846**	.826**	1.00	
9. Competitive	-0.02	0.03	-.118*	-0.04	-0.05	-.697**	-.384**	-.484**	1.00

Analyses illustrated significant four-way interactions of Culture by Observer Value by Negotiator Value by Time for perceptions on Trust [$F(3, 705) = 4.01, p > .01, n^2 = .02$], Future Relations [$F(3, 705) = 3.62, p = .01, n^2 = .02$], and Competitiveness [$F(3, 705) = 2.8, p = .04, n^2 = .01$]. We also observed a marginal four-way interaction for Respect [$F(3, 705) = 2.33, p = .07, n^2 = .01$]. Fig. 3 captures the pattern of the interaction among American observers, while Fig 4 illustrates the pattern observed among Indian observers. This pattern was observed for all categories of the perception scale.

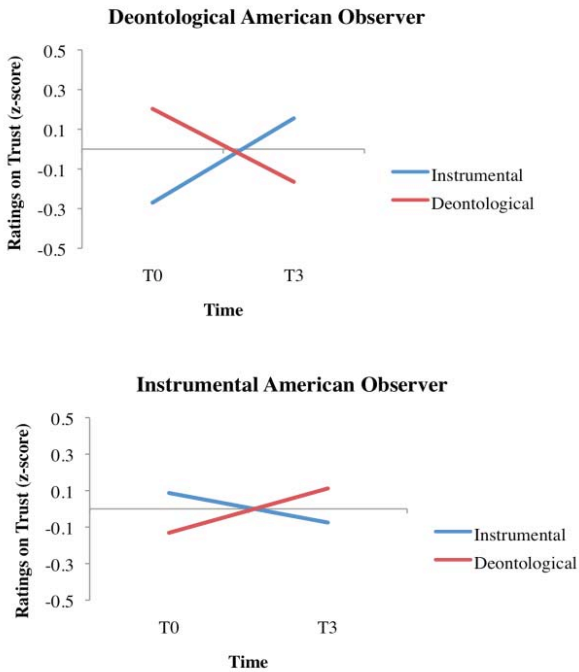


Fig. 3. American observer perceptions on the American negotiator's trustworthiness

Post hoc analyses using repeated measures ANOVA demonstrated that the four-ways interactions were driven by significant two-way interactions of Negotiator Sacred Value x Time from the ratings of the Deontological (and not Instrumental) American observers on negotiator's Trust [$F(1, 64) = 8.44, p > .01, n^2 = .12$], Future Relations [$F(1, 64) = 12.25, p > .01, n^2 = .16$], and Competitiveness [$F(1, 64) = 6.12, p = .016, n^2 = .09$].

Hypotheses 1 and 2. The pattern observed from post-hoc analyses support our first and second hypotheses. Consistent with our first prediction, prior to watching the unfavorable negotiation outcome, American observers were significantly more likely to develop a positive perception of the American negotiator (i.e. shared surface-level characteristic), when they also shared the same sacred values (i.e. shared deep-level characteristic). This effect was significantly stronger for American observers with a deontological sacred value. So, deontological American observers were significantly likely to perceive the deontological American negotiator as more trustworthy [$M = .22, S.E. = .15$], less competitive [$M = -.25, S.E. = .15$], and were more likely to develop future relationship [$M = .27, S.E. = .15$]. The deontological American observers showed the opposite pattern for the instrumental negotiator, in which they perceived the instrumental American negotiator as less trustworthy [$M = -.22, S.E. = .17$],

more competitive [$M = .28, S.E. = .16$], and were less likely to develop future relationship [$M = -.12, S.E. = .16$].

In support for our second prediction, after viewing the unfavorable negotiation outcome, the black sheep effect was observed among American observers. These observers were more likely to perceive the American negotiator in a negative light, especially when they shared the same sacred values. Again, our findings were significantly stronger for the deontological American observers. These observers were significantly likely to perceive the deontological American negotiator as less trustworthy [$M = -.16, S.E. = .16$], more competitive [$M = .11, S.E. = .17$], and were less likely to develop future relationship [$M = -.24, S.E. = .15$]. On the other hand, these observers perceived the instrumental American negotiator as more trustworthy [$M = .17, S.E. = .18$], less competitive [$M = .13, S.E. = .19$], and were more likely to develop future relationship with the instrumental American negotiator [$M = .34, S.E. = .17$].

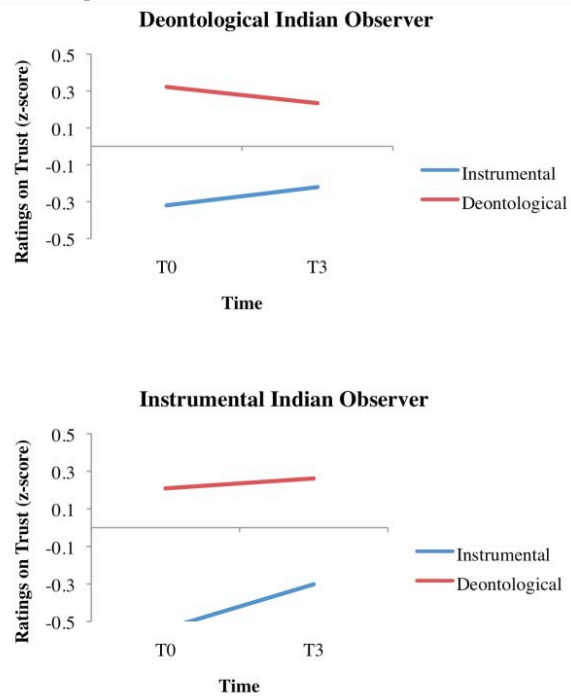


Fig. 4 Indian observer perceptions on the American negotiator's trustworthiness

Hypothesis 3. We found significant two-way interactions of Observer Culture by Negotiator Sacred Value for Respect [$F(1, 235) = 5.83, p = .017, n^2 = .02$], Trust [$F(1, 235) = 8.81, p > .01, n^2 = .04$], Future Relations [$F(1, 235) = 9.64, p > .01, n^2 = .04$], and Competitiveness [$F(1, 235) = 3.8, p = .05, n^2 = .02$]. Post hoc analyses also provide support for our third hypothesis (see Fig.5). We found that the effect

of negotiator sacred value manipulation was significantly stronger for Indian observers than American observers regardless of the observer sacred value manipulation. Congruent with out-group negativity and expectancy violation theorizing, compared to American observers, the Indian observers put more weight onto the American negotiator's sacred value in their perception judgments. Therefore, they were more likely to perceive the instrumental American negotiator negatively and to perceive the deontological American negotiator positively, regardless of their own sacred value.

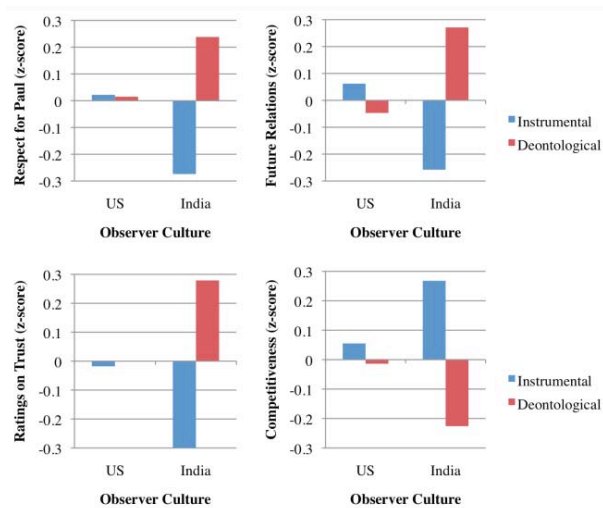


Fig. 5 Two-way interactions of Culture by Negotiator Sacred Value

5. Discussion and Conclusion

The current research extends prior work on negotiation by examining the influence of negotiators' shared surface level characteristic, i.e. national culture and shared deep level characteristic, i.e. sacred value, and how such characteristics interact to influence perceptions and judgments. Negotiators' perceptions, particularly in a cross-cultural context are important, as they are precursors of negotiators' reputation, which heavily influence future interactions. Such perceptions also affect negotiation strategies and outcomes in an immediate interaction.

Our results illustrate that in the global business market, shared surface level characteristic such as culture can elicit an immediate in-group bias, where negotiators are more likely to perceive a counterpart of similar culture more favorably than a counterpart of a different national culture. We also found that shared deep level characteristic, i.e. reasoning styles of either instrumental or deontological processing can

strengthen the initial in-group preference.

Interestingly, shared sacred value (deontological processing) along with similar national culture resulted in the strongest in-group bias. Yet, the final negotiation outcome can quickly reverse the effects of in-group preference such that in the face of an unfavorable outcome in-group bias disappears and instead a black sheep effect is observed, where the counterpart of shared surface and deep level characteristics is perceived in a negative light. Finally, in-line with out-group negativity and expectancy violation, deep level characteristic of an out-group counterpart significantly impacts a negotiator's perception such that when the out-group is described as deontological, negotiators are more likely to perceive the counterpart positively.

Our findings contribute to the psychological literature on in-group bias, sacred values, culture, and negotiation in three important respects. First, we extend implications of in-group bias beyond everyday inter-group interactions to the context of culture and negotiation. We show that in cross-cultural negotiations, national culture becomes a salient cue for in-group and out-group categorization [14]. Cultural group membership distinctions in international negotiation can influence judgment and perceptions toward a negotiator, which may subsequently contribute to a negotiator's reputation. Prior research in cross-cultural negotiation illustrate that cultural differences often give rise to complex and challenging processes, making it difficult for parties to reach a successful agreement [1]. While this is true, in our study we demonstrate that in-group bias can influence perceptions in global negotiations, which may contribute to the challenges observed in this context.

Second, we illustrate boundary conditions for in-group bias in cross-cultural negotiation, where information about sacred values can strengthen or weaken in-group preference. Deep-level characteristic such as a negotiator's sacred value can strengthen in-group favoritism only when the in-group negotiator behaves favorably, in accordance to prior expectations. When the cultural in-group negotiator engages in unfavorable behavior, in-group favoritism is no longer present, especially with the in-group also shares deep level characteristic, i.e. sacred value, as the observer. In this case, a black sheep effect is observed and the in-group negotiator is perceived more negatively. Our findings also illustrate that negotiation outcome is an important cue of whether an in-group negotiator has behaved favorably or not. Negative perceptions of a cultural in-group negotiator are quickly formed when the in-group negotiator engages in distributed tactics, which

subsequently contribute to an unsuccessful negotiation outcome such as impasse.

Third, this study demonstrates that negative perception of an out-group can be diminished when the cultural out-group negotiator possesses deontological as opposed to instrumental values. Previous studies show that negative perception of a culturally out-group negotiator can negatively influence trust and relationship development [21], effective communication and information exchange [26], which in turn and lower chances of integrative solutions and successful negotiation outcomes [1]. Our results illustrate that information about deontological sacred value is strong enough to eliminate such negative perceptions of an out-group negotiator, regardless of whether such values are shared with the observer.

Taken as a whole, our results suggest that cross-cultural negotiators should be aware of their own as well as their counterpart's in-group bias, which may hinder trust and relationship development, and effective information sharing. To reduce in-group bias, negotiators can take time to develop relationships and gain insights about the counterpart's values or deep level characteristics. Moreover, negotiators should be wary of second-hand reputation information in intercultural context, as in-group bias may color perceptions contributing to reputation. Organizations and negotiation workshops can inform business negotiators of in-group bias and provide them with mechanisms to reduce the effects of this bias in intercultural context by: 1) constructing superordinate goals, 2) individuating the counterpart, 3) employing cooperative nonverbal behavior, and 4) treating the other party with respect and fairness.

Acknowledgment

This research was funded by a MURI award through ARO grant W911NF-08-1-0301.

6. References

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Appendix A: Manipulation Tasks

Observer’s Sacred Value Manipulation

Deontological Frame

Imagine your best friend is undergoing medical investigations due to some health concerns. Please answer the following questions related to your involvement with the situation.

- Would you take time off from work to go with your friend to see the doctor?
- Would you care for his/her children while your friend is in the hospital?
- Would you be willing to donate blood in case your friend needed it?

Instrumental Frame

Imagine you want to buy a house. Please answer the following questions related to making an optimal decision.

- How much more of the value of the house would you be willing to pay for the house to be in the safest neighborhood of the city?
- How much more of the value of the house would you be willing to pay for the house to be in the most active neighborhood of the city?
- How much more of the value of the house would you be willing to pay for the house to be in the neighborhood with the best schools?

Negotiator’s Sacred Value Manipulation

Paul has had a business relationship with the company of Nabil’s family for the past 3 years and has developed a trusting relationship with Nabil’s father. During the past few months Nabil’s competitors have contacted Paul to offer a better deal for their products. Even though Paul’s financial officer advised him to switch the provider,

Paul is not willing to talk with Nabil's competitors because...

Deontological Paul

He values his trusted friendship with Nabil's family company and with Nabil's father in particular. So, Paul wants to further consolidate the relationship for the future

Instrumental Paul

He values his business relationship with the company of Nabil's family and he wants to further consolidate his profits for the future

Appendix C: Perception Scale

<u>Category</u>	<u>Factor Loading</u>	<u>Alpha</u>
RESPECT	India >.7 US >.7	India >.7 US >.8
1. Paul is honorable 2. I respect Paul 3. Paul respects the other merchant		
TRUST	India >.7 US >.85	India >.74 US >.9
1. Paul is trustworthy 2. Paul is honest 3. Paul cheats ® 4. Paul falsely complained about the product ®		
FUTURE RELATIONS	India >.7 US >.7	India >.7 US >.76
1. I would ask Paul for a recommendation on a rug 2. I believe Paul will be interested in doing business with the other merchant 3. I would consider doing business with Paul		
COMPETITIVE	India >.7 US >.7	India >.8 US >.86
1. Paul is trying to maximize his own gain 2. Paul is trying to minimize the gain of the other merchant 3. Paul is trying to get a much better outcome for himself 4. Paul would do what he can to increase his own outcome		