The negotiator's power as enabler and cultural distance as inhibitor in the international alliance formation

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ABSTRACT

We examined how the negotiator's power, the explorative–exploitative purpose and cultural distance interact in the negotiation for an international business alliance formation. Our participant observation in some several events of negotiation suggests that the executive's power plays an enabling role in the negotiation for alliance formation. However, cultural distance between the negotiating parties in the international business context hampers the success of the negotiation. In particular, person power supports the explorative alliance purpose. The explorative alliance embodies technical and behavioural uncertainty. On the other hand, position power supports the exploitative alliance purpose. The exploitative alliance purpose more aptly embodies behavioural uncertainty than technical uncertainty does.

Cultural distance has a high negative influence on person power and the explorative alliance, and person power and the explorative alliance indicate high uncertainty. In comparison, cultural distance has a negative influence on position power and exploitative alliance, and position power and exploitative alliances indicate low uncertainty. In other words, cultural distance matters more in the person–explorative combination than it does in the position–exploitative combination. The main assumption is that cultural distance has adverse effects on both power and tasks in the negotiation. However, the notions of power and purpose do not influence the effect of national cultural differences.

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1. Introduction

With rapid institutional and technological changes in the business environment, inter-organizational alliance formation for international businesses has become a ubiquitous phenomenon in recent decades. In this context, senior managers of international business enterprises engage in a variety of negotiations to secure international alliances (Ghauri & Usunier, 1996; Usunier, 1998). Some negotiations lead to the successful formation of the intended strategic alliance, whereas others fail (Beamish & Lupton, 2009; George, Jones, & Ganzalez, 1998). As the negotiation for international alliance formation becomes strategically important for enterprises, the understanding of the concept and its practical implications attract increasing attention in the literature. The extant literature has improved our understanding of the motives (Contractor & Lorange, 2004), performance (Geringer & Hebert, 1991; Olk, 2002) and stability of the negotiated alliance (Parkhe, 1991). However, the role of executive power in the negotiation and

cultural intervention remain under-researched in the literature on international business.

Some researchers have attempted to tackle this issue of power and national culture. One stream investigates the link between the purpose of the alliance and cultural distance, which refers to a perceptual gap between negotiators set apart by differences in national cultures. This stream argues that cultural distance hampers the negotiation process for the formation of an international alliance when the motivations are unclear and outcomes are uncertain (Bülow & Kumar, 2011; Gelfand & Brett, 2004). The uncertain outcome of an explorative alliance falls under this category. In explorative alliances, both parties search for new technologies, the outcome of which occurs far into the future. Exploitative alliances, on the other hand, present various outcome possibilities, which establishes a competition between both parties for a defined win-set. The addition of cultural distance exacerbates the level of uncertainty in the negotiation. According to this stream, the key determinant in international negotiations is cultural distance (Graham & Lam, 2003; Yan, 2004). In other words, cultural distance impedes the progress of the negotiation, as illustrated in the US-Japanese context (Menger, 1999), leading to a higher risk of failure of the negotiation.

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This stream has, however, failed to take into account the position and person power of the negotiator in the negotiation process, and it has not fully embraced whether and how "culture moderates the outcome effects associated with different strategies in different cultures" (Adair et al., 2004: 111). The literature acknowledges the role of *affect* in the international negotiation process (Brett et al., 1998; George et al., 1998), and the notion of affect rests on cultural values. In some cases, position power will play a strong functional role. In other cases, person power will play a strong functional role in the negotiation because of positive or negative *affect*. In the extant literature, these direct and indirect links to culture and purpose have not taken centre stage.

We introduce the notion of power as a positive predictor of negotiation and cultural distance as a barrier to the successful completion of a negotiation for the negotiator. One of the purposes of this argument is to develop a simplified framework that will help us understand the multiple associations between (a) the executive's power, (b) types of international business alliances and (c) cultural intermediation. These links broaden the scope of negotiation by including purpose, power and culture and does not consider each in isolation (Risberg, 1997). Thus, we integrate the two streams of literature to show how executive power, as a multifaceted source, can influence the outcomes of negotiations.

The executive's power, directly or indirectly, contributes to organizational effectiveness (Blau, 1964; Child, 1972; Dahl, 1957; Emerson, 1962; Kanter, 1992; Salancik & Pfeffer, 1974). To trace the roots of executive power in the management literature, French and Raven's (1959) framework of power emerges as the starting point. The empirical studies inspired by this framework find that executive power increases organizational performance (Finkelstein, 1992; Galinsky, Gruenfeld, & Magee, 2003; Rahim, 1988; Stahelski, Frost, & Patchen, 1989). The functional power of the executive can mobilize resources for the success of the negotiation within and between organizations in the international context. In particular, person power induces positive affect (Baron, 2008) through reflective communication and style (George et al., 1998). The introduction of the international context introduces the issue of culture into the negotiation.

The cultural stream of the literature posits that national cultural distance has a greater influence in the negotiation process. National culture shapes the executive's attitude, values and behaviour (England, 1975; Galinsky et al., 2003; House, Gupta, Dorfman, Javidan, & Hanges, 2004; Jacoby, Nason, & Saguchi, 2005; Krull et al., 1999; Lammers & Galinsky, 2009; Sarros & Santora, 2001; Schwartz, 1992; Zhong, Magee, Maddux, & Galinsky, 2006). This plethora of literature provides a strong link between national cultural values and the negotiator's attitude and behaviour. Cultural values and behaviours engender support for the link between affect and cognition (Baron, 2008), leading to the contextual distance between the negotiating partners. This distance is responsible for the uncertainty of the contents, context and behaviour in the negotiation. The existence of uncertainties at various levels inevitably leads to misunderstandings between parties. The process of negotiation comes to a halt or results in failure because of this inter-cultural distance and contextual ambiguity. However, this stream does not fully interact with the stream of power.

These disconnected streams of the literature indicate two types of gaps. First, antecedents of inter-organizational alliance negotiation are not well integrated into the broader framework (Markham, 2010). In particular, the relationship between international culture and the purpose of negotiation in the alliance remains rather ambiguous (Bülow & Kumar, 2011). Second, there is hardly any link between the executive's power in the negotiation and its interaction with cultural distance in international negotiations. An understanding of these interactions between power and uncertainty is important for the development of the organizational literature (Pfeffer & Salancik, 1978). Managers make decisions under a high level of uncertainty (Mintzberg, 1973), and international negotiation is an inherently uncertain event. Therefore, the possible interactions between power and cultural distance merit extrapolation.

We find that the literature on international business negotiation for the formation of the explorative versus exploitative alliance has ignored the role of executive power. Although there exists a link between communication and charisma of the leader (Bryman, 1992), and some discourse of charismatic leaders has been reported in the international business context (Den Hartog & Verburg, 1997), there is no direct link between the executive's power and negotiation. On the other hand, we find that the literature on executive power has ignored international business alliances (Voyer & McIntosh, 2013). Integrating the executive's power into the international negotiation offers unique insight into theory and practice by juxtaposing the enabling role of power and inhibiting the effect of cultural distance on each other (Tushman, 1977).

The next section defines inter-organizational negotiation, the executive's power and the explorative–exploitative duality. The third section provides a brief preview of the events upon which we draw our anecdotal support for the argument. The fourth section develops propositions by introducing the intermediating role of cultural distance into an integrated model. Fig. 1 shows the map of the developed propositions.

1.1. Inter-organisational negotiation

Inter-organizational negotiation for alliances rests on three fundamental assumptions. First, the partners have different types and degrees of resource endowments. Second, the partners enter into the negotiation with different positions regarding their goals and means. Third, despite having conflicting (competitive) positions, the partners voluntarily engage in the negotiation for the exchange of values (Brett, 2000; George et al., 1998; Salacuse, 1999). That is, the negotiation has the potential to move between cooperation and competition for the jointly decided activity (Lax & Sebenius, 1986: 11). It is also true that the cooperative–competitive duality has the potential to lead to a positive or negative outcome in the negotiation for either or both partners. The cooperative–competitive nature of the negotiation applies to an alliance formation as well.
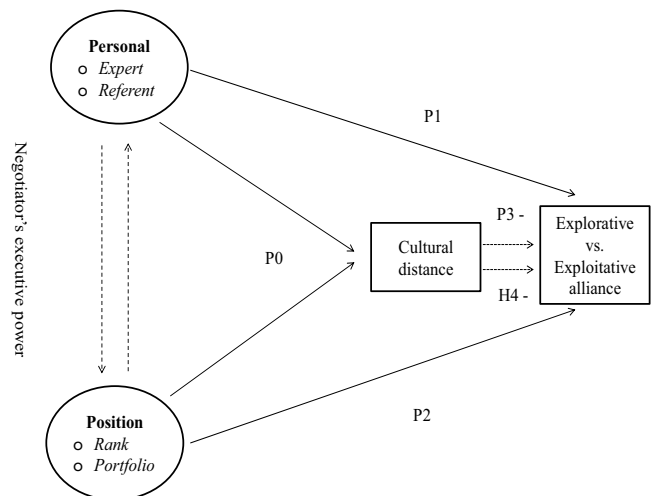

Fig. 1. Conceptual model: Executive power, negotiation and alliance formation.

The cooperative purpose represents an integrative outcome, which refers to the "situations where the potential outcomes can be expanded; inconsistent goals are combined to create a new alternative, on where neither side sacrifices" the ultimate mutual goal (Putnam & Poole, 1987: 172). In the cooperative purpose, the low level of conflict is relatively less complex and uncertain than the competitive purpose. The competitive purpose in the international negotiation, on the other hand, represents a distributive outcome, which refers to the "existence or the appearance of fixed-sum (zero-sum) alternatives; one party must win and the other party must lose" (Putnam & Poole, 1987: 172).

Consistent with the notion of cooperative–competitive dichotomy, the distributive–integrative dichotomy takes the central position in the negotiation theory and the corresponding process (McGrath, 1984; Putnam & Poole, 1987). The distributive purpose aims to realize greater gains for one partner from the assumed fixed-pie, and the integrated purpose aims to realize gains for both partners from the assumed flexible-pie (Putnam & Jones, 1982). This duality of distributive versus integrative in the context of a fixed-pie versus flexible-pie applies to any negotiation event (Ganesan, 1993; Lui & Ngo, 2005; Mohr & Spekman, 1994). Because every international business negotiation has a purpose that conforms to either the distributive or integrative dimension, the actors face certain challenges.

For our purpose, we equate the integrative purpose to explorative negotiation and the distributive purpose to exploitative negotiation in international business negotiation for alliance formation. This reasoning implies that integrative negotiation for the purpose of establishing an explorative alliance focuses on a flexible-pie, and the distributive negotiation for the purpose of establishing an exploitative alliance focuses on a fixed-pie (Putnam & Poole, 1987). Because the strategic motives and guiding assumptions influence the negotiation process (Ghauri & Usunier, 1996; Putnam & Poole, 1987), the role of explorative versus exploitative alliances rises to the central position in the uncertainty-value propositions (Bülow & Kumar, 2011).

1.2. Explorative versus exploitative alliance

The duality (dichotomy) of the explorative–exploitative alliance has roots in the shift from strategic management based on downstream strategies to one that focuses on creativity and innovation upstream (Bülow & Kumar, 2011). In simple terms, creativity refers to the combination of existing concepts in a new way, which aligns with the explorative dimension. The routinization of existing concepts and their combination aligns with the exploitative dimension. March (1991) gave a formal shape to this explorative–exploitative framework with a clear theoretical distinction of the purpose in the organizational literature. In this duality, the explorative purpose refers to the creation of new knowledge and discoveries. Joint research activities represent the explorative purpose and payoffs in the alliance. The payoffs of the explorative purpose are realized far into the future. Naturally, the uncertainty of the future payoffs is high.

By contrast, the exploitative purpose in the duality refers to the development of existing technologies, product lines and process (Levinthal & March, 1993). For instance, alliances concerning the joint development of technology, manufacturing, marketing and sales represent the exploitative dimension in the industrial value chain (Koza & Lewin, 1998). Negotiation partners (sellers or buyers) focus on the exploitative purpose in the context of a given resource as the object of the negotiation. If we take the motive of joint development of new products and processes for a commercial purpose as an example of exploitative negotiation in the alliance, we can suggest that as the product is closer to market downstream

of the value chain, potential payoffs are relatively visible to the negotiating partners and hence predictable.

The explorative–exploitative duality also indicates different types of expertise and knowledge required to support these activities. Technological input, such as R&D activities for new scientific discovery or product development, is the hallmark of an explorative purpose. The expertise of scientists and knowledge of managers become crucial in this regard. The focal organization (i.e., the negotiator) is a buyer as well as a seller of complementary knowledge resources. Clearly, the focus of the explorative alliance is on the upstream and on the input of knowledge. By contrast, the exploitative alliance concentrates on the downstream and the output of knowledge and technology. Skills in engineering, marketing and sales support the exploitative dimension in the duality. Co-distribution of products is an instance of exploitative alliances. The goal of the exploitative purpose and technical payoffs are rather clearer than of those of the explorative purpose.

The level of uncertainty in the means and goals is another distinctive factor in the duality of the explorative–exploitative purpose. As previously noted, the goals of the explorative alliance remain uncertain for a longer duration, and uncertainty reflects the distance between the accomplished future and the time of negotiation. In other words, the intended goal of the explorative alliance is relatively unclear, as explorative activities cannot predict the type (quality) or quantity of the result. The negotiating partners cannot *ex ante* know the accuracy and value of future explorative activities. However, the goals of the exploitative purpose, which focus on the routinization and efficiencies of processes, are rather clearer. The exploitative purpose poses more behavioural uncertainty than technical uncertainty. The joint production of a biopharmaceutical product represents an exploitative alliance in which the roles, responsibilities and rewards are clearer. Behaviour issues become more central than scientific issues. Hence, the explorative alliance invokes technical and behavioural uncertainty, and the exploitative alliance invokes behavioural uncertainty predominantly.

For both explorative and exploitative purposes, it is natural for the negotiating partners to seek uncertainty-reducing predictors. Some researchers in the international business context have addressed certain predictors in the explorative–exploitative duality in the international negotiation (Bülow & Kumar, 2011; Li, Vanhaverbeke, & Schoenmakers, 2008). These researchers elaborate the role of national culture in the negotiation purpose and processes, and the main theme of their arguments is that cultural distance hampers the negotiation process. However, this stream of the literature has overlooked the integration of the executive power as a possible predictor of uncertainty reduction (Kogan & Trommsdorff, 1972), to which we turn our attention next.

1.3. Executives' power

The executive's power has upscale and downscale directions. The upscale direction refers to its antecedents sources, and the downscale direction refers to its functions and implications. Regarding the implications of this concept, Dahl (1957) focuses on authoritative power and suggests that executive power is a strong influencing mechanism that makes others in the organization follow orders. Emerson (1962, p. 32) links the influence of the power of party A over party B to the need of party B for A's resources. In other words, party A's power over B depends on whether and how party B values the resources of A. For instance, if party A has financial capital as a source of power, but party B does not care about financial wealth or need the capital from party A, then party A's power is irrelevant to B. Therefore, the executive's power, in general, has a positive influence on others (Salancik &

Pfeffer, 1974), depending on the value systems of the negotiators (Burns, 1978).

The foregoing definitions of power allude to two functional attributes of power in the negotiation. First, the negotiation partner must recognize the value of the power of the executive (Scott, 2003, p. 310). If the executive has power in the form of wealth but the counterpart does not value money, then that power becomes less relevant in this interaction. Second, the degree of interdependence among the parties alters the power dynamics in the negotiation. The interdependence between the executives predicts the executive's "potential for influence" (Scott, 2003, p. 310). Therefore, the notion of power has effect when it is relevant to the negotiators (Pitcher & Smith, 2001).

The need for the executive's power arises when the contextual uncertainty demands a high level of discretion for solving primarily unstructured problems in the managerial decision-making process (Child, 1972; Finkelstein, 1992). Most executives face unstructured problems that require timely solutions within a very short time frame (Mintzberg, 1983). These unstructured problems do not have clear forms, routines or plans; they are emergent problems rather than espoused ones, and a framework for solving these problems does not exist. The unstructured nature of these problems is a clear source of a high level of uncertainty compared to structured problems. Most often, the negotiating partners in international business alliances face such unstructured problems (Bourgeois & Eisenhardt, 1988). Soloing unstructured problems in a highly uncertain context requires executive discretion, and executives seek their discretionary power from different sources (Child, 1972; Finkelstein & Hambrick, 1987).

French and Raven (1959) classified sources of power into two categories: position power and person power. Person power reflects the individual's acquired power and not power derived from the organization (Finkelstein, 1992; Pitcher & Smith, 2001). Position power reflects formal rank in the organization (Cannella & Hambrick, 1993). Although position power and person power mirror each other in different respects, they have distinct features.

Position power in the organization rests on institutional support in the social structure (Cyert & March, 1963), representing an institutionally supported source of power for the executive. The stability of position power rests on two factors. First, managerial position is a formalized rank in the hierarchy, and legitimate ranks structurally form status (Scott, 2003: 311). The formalization of such ranks makes the position *a prior* observable and difficult to disregard. Second, position power dominates in discourses and actions. For instance, in some cases, position power accounts for approximately 80% of the executive's power (Mintzberg, 1983). In this sense, position power is a type of "hard power" compared with person power, which is a type of "soft power" (Yukl & Tracey, 1992).

Although the sources and visibility of the executive's person power are limited, such power has serious implications for the negotiation process. The influence of person power becomes most visible during the communication process in the negotiation, not before it. The executive's personality, internal psychological qualities, cognitive frames and emotions shape communication in the negotiation. In addition to being less visible, these latent factors fluctuate across negotiation purposes (Brett et al., 1998; Bülow & Kumar, 2011; George et al., 1998). A change in communication and rhetorical style aligns with the motive (Burke, 1950). For instance, the negotiation for procuring new technology is different from one that aims at reconciling political interests or the diffusion of new ideas (Aristotle, Bizzell, & Herzberg, 2001). Thus, person power relates to the purpose, context and process more than position power does (Yukl & Tracey, 1992).

In this respect, the effective communication-driven charisma of the negotiator comes to mind. Indeed, certain executives possess more charisma than others (Bryman, 1992), and communication affects and reflects the charisma of the executive in the international business context (Den Hartog & Verburg, 1997). In other words, a variation in the negotiator's charisma produces a variation in influence and outcome in the negotiation process.

1.4. Power and its influence on negotiation

Several studies provide support for the influence of power on the negotiation. First, a powerful actor indulges in creative activities to a greater extent than a less powerful one does. This power-supported attitude enables the executive to deflect pressure from the environment (Anderson, John, Keltner, & Kring, 2001; Cast, 2003). For instance, the powerful actor is more resourceful and helpful to others than a weak actor is (Chen, Lee-Chai, & Bargh, 2001). By using resources and making offers, the powerful executive induces positive affect and emotions (Schoenewolf, 1990). In doing so, the powerful actor's position attracts the convergence of the counterpart's position. Therefore, the expected outcome of the negotiation will be a positive one (Pfeffer, 1981). In this sense, positive affect nurtures the convergence of information processing and thoughts.

Second, the powerful executive visualizes the "big picture" (Smith & Trope, 2006). High-power executives consider long-term advantages at the cost of short-term benefits. Powerful executives make concessions, which lead to a "positive affect spiral" for a positive outcome in the negotiation (George et al., 1998). These concessions give the impression of a winning position to the counterpart. It is natural for the counterpart to avail of the concessions offered by the high-power executive (Galinsky et al., 2003; Galinsky, Magee, Inesi, & Gruenfeld, 2006). With the ability to influence through positive behaviour and offering incentives, the powerful executive leads toward a positive outcome in the negotiation.

Third, high executive power signals an executive's degree of trustworthiness, which is a necessary element for the success of the negotiation (George et al., 1998). The element of trust between the two negotiators builds rapport to induce a positive spiral and a favourable outcome. One aspect of rapport for trust building is consistent and reliable behaviour of the power holder (Anderson et al., 2001; Chen et al., 2001; Lammers & Galinsky, 2009). Another aspect of the trust element is favour for collective benefits and social welfare from the power holder (Lammers & Galinsky, 2009). To support the trust-building process, the executive's power provides the necessary discretion for taking a position and making instant decisions. Thus, we suggest that the negotiation will have a positive outcome when the element of trust exists between the negotiators.

In the foregoing section, we elaborated on the link between the executive's power (person and position) and successful outcome of the negotiation. In our previous discussion, we also stated that in the context of a business, any negotiation primarily focuses on explorative or exploitative purpose. By making these links, we provide a theoretical contribution to this field of study (Whetten, 1989). Before detailing the *power–purpose* relationship, a preview of the methods and anecdotal evidence used are worth mentioning.

2. Methods and anecdotes

The development of the proposition and the model shown in Fig. 1 rests on several sources of information. The primary source of information is the extant literature and the anecdotal evidence gathered from the negotiation events listed in Table 1. The table shows the negotiation events in which one of the authors had the opportunity to take part as a participant (both as an internal and external) observer, alongside indirect observations through other

Table 1
Negotiation events observations.[1]

Event #	Organization	Partner enterprise	Purpose/task	Sector	Negotiation site	Author's position	Deal
Case-1	Singapore	French	Manufacturing	Electronics	Singapore	Participant	+
Case-2	Singapore	German	Marketing	Net Data Storage	Germany	Participant	0
Case-3	UK	KSA	Marketing	Network solution	KSA	Participant	0
Case-4	Gulf States	US	*Exploration*	Mineral resources	New York	Participant	+
Case-5	Taiwan	UK	Exploitation	IT solution	UK	Participant	+
Case-6	Singapore	UAE	Exploitation	Biotechnology	UAE	Participant	0
Case-7	Singapore	Lebanon	Exploitation	Biotechnology	UK	Indirect	+
Case-8	Singapore	Iran	Exploitation	Biopharmaceutical	UK	Indirect	0
Case-9	China	US	*Exploration*	Education	US	Participant	0
Case-10	China	US	Exploitation	Education	US	Participant	+
Case-11	China	UK	*Exploration*	Education	UK	Participant	+
Case-12	China	UK	Exploitation	Education	UK	Participant	0
Case-13	China	South Korea	*Exploration*	Education	South Korea	Participant	+
Case-14	Korean	China	Exploitation	Cosmetics	China	Participant	0
Case-15	Singapore	Korea	*Exploration*	Education	South Korea	Participant	+
Case-16	China	Sweden	*Exploration*	Education	Sweden/China	Participant	0
Case-17	UK	Pakistan	Exploitation	Biopharmaceutical	Pakistan	Participant	0
Case-18	KSA	UK	Exploitation	Education	KSA	Indirect	+
Case-19	China	Iran	Exploitation	Railway system	China	Indirect	+
Case-20	KSA	Korea	Exploitation	Textile equipment	KSA	Indirect	0
Case-21	UK	Singapore	Exploitation	InfoTech electronic	Singapore	Indirect	+
Case-22	Philippines	UK	Exploitation	Minerals	Middle East	Participant	0
Case-23	Indian	Chinese	Exploitation	Manufacturing	China	Indirect	+
Case-24	Singapore	Turkey	Exploitation	Manufacturing	Turkey	Indirect	+
Case-25	China	Russia	Exploitation	General	Shanghai	Indirect	0

Indirect = interview with participant; exploration versus exploitation based on 60% weight; MOU signed (+), not signed (0).

participants. We draw our insight from data comprising observational notes taken during and after negotiation events. The negotiating parties, their purposes, preparations, power (person or position), styles, industries they were involved in and the places and durations of negotiations varied between events. Table 1 presents selected information concerning the negotiation events that provide anecdotal support for our argument.

The argument was synthesized by an iterative process based on information gathered from the anecdotes and the literature. In this process, propositions were developed and followed by exploration of the literature to support the developed relationships between leading concepts. Inversely, when we recognized a potential proposition from the literature, we used our recorded anecdotes and recollections of events from memory to test this proposition. We excluded those propositions that failed to find support from either the related literature or the evidence.

In addition to combining the literature with the anecdotal evidence in our analysis, we consulted scholars in the field of cross-cultural communication, negotiation and management from various management and policy schools in the UK, China, Singapore and the US. We presented the article at the Academy of International Business Conference in 2013 in Istanbul, Turkey. In addition, we presented the article at several symposiums in Singapore, China, Canada, UAE, the UK and South Korea.

We organized a mini-workshop at our home university and invited business experts who frequently take part in negotiation processes. The experts provided valuable insight into face-to-face negotiation and video conference experiences. For example, a manager from one of the world's most renowned high-tech companies shared his negotiation experience regarding a project that involved 17 participants from 12 countries. The company's clients were other large companies in the world. The negotiation for the project involved several stages: pre-face-to-face interaction, actual negotiation process and post-deal negotiation. At every stage, the negotiation involved different purposes, groups, regions and challenges. Naturally, the manager must set up cross-country teams. We had the opportunity to interact with the manager several times during the negotiation, and we also conducted an interview with him.

Finally, we developed our argument in the course of teaching a negotiation course to postgraduate students. In international business modules, negotiation is a core topic that is relevant during the due-diligence period for the alliance, the formation of the alliance, the management of the alliance and capturing values from international business activity. In particular, our teaching engaged the concepts of culture, communication and rhetoric. Our postgraduate students are from Germany, the UK, Lithuania, Turkey, Egypt, Syria, Yemen, Morocco, Iran, Kirgizstan, Kazakhstan, Ukraine, Pakistan, India, Bangladesh, Russia, North Korea, China, Thailand, Indonesia, Japan, South Korea and many African countries. Prior studies have developed certain propositions based on the interaction with students in the negotiation courses (Salacuse, 1998).

3. Propositions

3.1. Person power: explorative alliance

Person power, as previously noted, comprises expert power and referent power (French & Raven, 1959). Expert power represents the knowledge and experience of the executive, and referent power represents personal qualities, behaviour and style. Indirectly, knowledge power is to cognitive dimension as referent power is to affect (emotional) dimension. Knowledge power exerts influence through cognitive capabilities and behaviour, and affect power exerts influence through rhetorical communication. Thus, the technical power of knowledge and emotional power of affect have relative merits for either explorative or exploitive purpose.

3.2. Expert power and explorative negotiation

Expert power, or the cognitive power of the manager, springs from generic managerial knowledge and specific skills (Becker,

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[1] The first author can provide details on these cases upon request.

1964; Harris & Helfat, 1997). Generic knowledge is easily transferred between organizations and between industries (Castanias & Helfat, 2001). This type of knowledge has greater economic value for cross-context deployment (Grant, 1996). In contrast, specific skills of the individual are private and difficult to observe (Castanias & Helfat, 2001). In a negotiation event, the private knowledge of the focal executive is inaccessible to the counterpart until it appears in the process of negotiation and exerts its influence (Adair & Brett, 2005).

Finkelstein, Hambrick and Cannella (2009) argue that the "expertise power will have the most predictive power among TMT (top management team) members". Such power originates from a variety of sources, such as industrial tenure of the executive (Carpenter & Wade, 2002; Guthrie & Datta, 1997; Hambrick, 1981) or functional experience within the industry (Harris & Helfat, 1997). Functional expertise refers to the input-, output- and throughput-oriented skills of the manager (Finkelstein, 1992; Hambrick, 1981; Katz & Kahn, 1978; Miles & Snow, 1978). Thus, the combination of generic and specific knowledge also fosters effective communication in the negotiation.

3.3. Referent power and explorative negotiation

Referent power reflects the personal characteristics and behaviour of the manager (Kotter, 1990: 3–8). Communication style, charisma and emotions play a significant role in influencing the negotiation outcome (Den Hartog & Verburg, 1997). Pervasive evidence also suggests a positive link between affect and positive cognitive information processing (Baron, 2008). Verbal and non-verbal emotional expressions that arise in the course of communication reflect referent power in the negotiation. In the events listed in Table 1, we observed different styles comprising passion, likeness and emotional appeals that led to various outcomes in cases 4, 13 and 15 in the anecdotal evidence. We observed a failure in case 15. Our respondent translated a negotiation in Shanghai between the VP of a Russian enterprise and his Chinese counterpart. The Chinese executive asked the translator a question. The Russian executive observed the facial expressions of the translator, and he asked what his counterpart had said. The translator replied that it was nothing. After that exchange, the Russian executive wanted to have facial expressions translated. Despite all efforts, the negotiated ended without an agreement. The referent power that enhances communication and the affect that precedes it emerge only during the negotiation process and it is *ex ante* unobservable (Yukl, 2006, 2009).

There are several explanations for the link between positive affect and the potential for success in the international negotiation (Baron, 2008; George et al., 1998). The executive's personal imagination and flexible style positively influence creativity and innovation in the negotiation. The executives with knowledge and affect become flexible in the range of information processing and concessions offering to their counterparts (Smith & Trope, 2006). This effect does not suggest that executives lose sight of their goals (Galinsky et al., 2003; Smith & Bargh, 2008); it suggests that positive affect induces creativity, flexibility, opportunity recognition and influence over counterparts in the negotiation for resources (Baron, 2008). This cross-fertilization of the mind enables executives to be creative and innovative in their problem identification and solution, thoughts and propositions (Lammers & Galinsky, 2009). Therefore, a positive value of person power (cognitive and affective) can draw a positive response from the counterpart in the international business negotiation (George et al., 1998).

The combination of knowledge and referent power is more relevant to explorative alliances than to exploitative alliances. First, executives with a high level of person power are able to use

positive affect and logical tools to influence their counterpart in the negotiation. Second, uncertainty associated with the explorative alliance offers the executive flexibility in style, delivery, emotions and other forms of discretions. Indeed, uncertainty provides discretionary opportunities. Third, person power and explorative alliances take a new shape during the negotiation. The room for meandering and manoeuvring for explorative alliances through person power can lead to a successful outcome.

Hypothesis 1. The person power of the executive will positively influence negotiation for explorative alliance formation.

3.4. Position power: exploitative alliance

In the anecdotes of the events of negotiation presented in Table 1, we observed that certain negotiation partners used formal titles in interacting with their partners, delegates and themselves more so than they did with others. Chinese and Koreans were particularly alert to the use of titles, whether professional (e.g., professor or doctor) or administrative (e.g., dean or director). Irrespective of the presence of the referent person, a position such as "The President" took precedence in the negotiation. Arabic negotiators, however, had two ways to address the position. Sometimes out of respect and other times out of habit, they used an expression meaning "May you live long!" However, they used formal titles if the referred person was not at the negotiation table. In response, the Western negotiator, who generally used an informal style, quickly adapted to these titles in Arabic. In Asia, cases 12, 10 and 14 reflect how the role of position power gradually creeps into negotiation.

Management literature indicates that position power captures approximately 80% of managerial power (Mintzberg, 1983). Position in the organization implies that the manager has access to a high quality and quantity of information (Hambrick & Mason, 1984). A high position also suggests that the executive will not hide or cheat when confronted with challenging issues. By being consistent and reliable, the negotiating executive provides a sense of commitment to the negotiation, and low-ranking counterparts find these signals conducive to cooperation (Haccoun & Klimoski, 1975; Herman & Kogan, 1968; Kogan & Trommsdorff, 1972).

Position power provides a greater latitude of action to its holder (Haccoun & Klimoski, 1975) and allows the manager to be flexible in decision making (Hambrick & Mason, 1984). This flexibility is a source of a potential deviation from the position of the team in the negotiation; therefore, it enables cooperation between the position holder and the counterparts to achieve the intended agreement (Haccoun & Klimoski, 1975: 342). Although difficult to achieve, this position-driven latitude of action provides a clear competitive advantage for the executive (Finkelstein, 1992; Hambrick & Mason, 1984). In this sense, a high position should be more effective than a low position in influencing the negotiation outcome (Druckman, 1968; Jackson & King, 1983; Vidmar, 1971).

A portfolio of positions, both internal and external, should therefore serve as a source of additional power for the executive (Scott, 2003: 317). A portfolio reflects the combination of multiple functional positions, and the combined influence of these positions becomes stronger than the sum of the influences of these positions (Hardy & Clegg, 1996, p. 626). For instance, it is common for some CEOs to hold the position of chairperson, which illustrates the CEO's duality. Naturally, the duality should enhance position power more than the sum of the two positions (Finkelstein, 1992). Similarly, other executives hold several positions, such as vice president of R&D and vice president of marketing.

Position power signals stability, commitment and behavioural uncertainty reduction. An exploitative purpose, which requires commitment to the process-, project- or product-specific

agreement, benefits from position power because of its clarity and consistency. One reason why position power plays a role in the exploitative purpose is that the position represents the entire organization. For instance, a deal made by the CEO suggests that there is support from the entire organization. If the CEO leaves the organization, the deal with the organization remains the same. A lower-level executive negotiating the deal indicates a weaker level of organizational support to the negotiator. Especially for Chinese, the counterpart must hold a high position because China has a culture of avoiding high uncertainty. The position of the counterpart provides some level of certainty. Because position power is unambiguous, stable and consistent, it is a suitable predictor for exploitative alliances in the negotiation.

Hypothesis 2. The position power of the executive will positively influence negotiation for exploitative alliance formation.

3.5. Mediation of cultural distance

The view presented herein is that the executive's power has a positive (+) influence and cultural distance has a negative (−) influence on the outcome of the international business negotiation. Analytically, a mediation effect occurs when a third variable reduces the size of the effect of a previous relationship (Baron & Kenny, 1986). The mediating effect of cultural distance thus refers to its explanation vis-à-vis the original predictors. In simple terms, cultural distance plays an inhibiting role in the success of the negotiation. Cases 1, 5, 9, 10, 16 and 19 revealed that the negotiators encountered a conflict for two reasons.

One source of conflict was the nature of the question or answer. Party A posed a problem–solution scenario and party B a problem–problem scenario. The former suggests that the problem already exists in the mind frame of party A. The latter suggests that the problem is not there but to be found. The distances pertaining to meanings, norms and values of the parties were preludes to these conflicts. The other source of conflict was the predisposition of the goals versus means. Certain conflicts emerged because of the focus on goals or means, and other conflicts occurred because of the disagreement over the means to achieving the goal agreed upon. In a broader analysis, it appeared that cultural backgrounds dictated behaviour.

National culture has many definitions, each derived from a different perspective, for example, informal rules of the game (England, 1975; North, 1990), paths in the social environment (Arrow, 1974), sense-making mechanisms (Weick & Roberts, 1993) and a scheme of thoughts that shape individual behaviour (House et al., 2004; Morosini, 1998). We adopt the view that national cultures are "collective habits of thoughts: and these habits nurture the collective attitude; therefore, they shape the individual's action (Vygotsky, 1978). Because collective habits of thoughts reflect history and path dependence, and history differs among nations, cultural variation reflects differently on the notion of power.

For instance, the negotiator in a Western culture has a high level of individual executive power; the negotiator in an Eastern culture (e.g., Asia) has a low level of individual executive power (Galinsky et al., 2003). In other words, power is concentrated in the individual in the individualist culture, and it is dispersed within the organization in the collective culture. Naturally, the Western manager is highly independent; the Eastern manager is interdependent when making decisions. Because cultural background shapes perceptions and assumptions, the level of the individual's cultural freedom leads to different conceptualizations and applications of power.

Zhong et al. (2006) find that Western managers perceive their power as a personal reward for their achievements. In other words, they believe their power to be a type of *right*. These perceived rights and rewards lead to an attitude of freedom from society and its influence. In contrast, East Asian executives associate power with an increased level of *responsibility*. They believe their duties have expanded in the collective system. Krull et al. (1999) note that individuals in collectivist cultures (e.g., China) attribute a successful outcome to external factors; individuals in individualistic cultures (e.g., USA) attribute a successful outcome to the celebrity manager.

House et al. (2004) reaffirm the influence of national cultures on the manager's behaviour. Jacoby et al. (2005) find that the US executive attributes more importance to the share price of the company, whereas the Japanese executive attributes more importance to the stability of employees' jobs. Sarros and Santora (2001) note that harmony is important in Eastern cultures (collective power), whereas individual power is important in Western cultures. Goals and potential indicators of success vary between the two cultures. Thus, cultural distance does matter in international negotiations (Salacuse, 1998).

Now we return to the role of cultural distance in the explorative–exploitative duality. First, explorative goals imply a distant future for technology and its products. This temporal distance has different meanings across national cultures, which poses a dilemma. On one hand, Western cultures prefer short-term performance and Asian cultures prefer long-term performance. On the other hand, Western cultures are low-uncertainty-avoidance cultures compared with Asian cultures, which are high-uncertainty-avoidance cultures. Indeed, temporal distance implies a high level of uncertainty.

Second, the scope of explorative alliances is broader than that of its perceived industrial application; hence, explorative alliances offer more opportunities. These opportunities, however, open the door for more opportunism and expropriation of the partner's technology. In other words, there is a high risk of pilferage in the explorative alliance. Cultural attitudes shape assumptions about intellectual property rights, and the meaning and value of the spillover effect of the partner's technology is a cultural and institutional phenomenon. Hence, the role of national cultural distance has a stronger influence in explorative negotiation than in exploitative negotiation.

Affect plays an important role in the management of emotional issues (George et al., 1998), and the role of person power can transform the mind of the counterpart in favour of forming explorative alliances for a greater pie (Kanter, 1992: 178). Additionally, rhetorical power, as we know it, is a source of power for the charismatic negotiator. Rhetorical discourse enhances one's charisma, and charisma is a source of influence, leading to winning concessions and compromises from the counterpart. Therefore, the rhetorical power of the communicator can enhance emotional, rational and social devices for the *power–purpose* link.

However, culture provides cues for emotional, rational and social devices in communication. In other words, communication is highly context dependent (Burke, 1950). Some researchers propound that the rhetorical communication for social action should follow the pathos, logos and ethos sequence (Green, 2004). We observed that international negotiation varies in its sequencing. In some cases, negotiation begins with ethos (culture) that dictates the purpose (logos). In other cases, its begins with pathos (affect) (George et al., 1998) that leads to logical information acquisition and processing. In some other cases, the purpose (rational/logic) comes first and becomes the starting point in the rhetoric of the negotiation. Interestingly, the shadow of culture remains influential on logos and pathos. We observed that culture

plays a strong role in determining the frequency and diversity of communication and use of rhetorical devices.

For instance, we observed that some negotiators used logic more frequently\than others did. We refer this concept as frequency. Other negotiators used a variety of devices to refer to one or multiple issues. We refer to this concept as diversity. It was observed that culture also dictates the sequence, rate and speed of the iterative process of using communication devices. In particular, the explorative purpose provides opportunities for the scope of frequency and diversity of communication devices.

By comparison, the negotiation of exploitative purpose relies on position rather than the person. We observed that exploitation relies on organizational commitment, and the managerial position connotes organizational support. As previously noted, a negotiator's high position suggests greater support for the commitments made in the negotiation. However, the position and therefore the organization cannot strongly support the person power and explorative alliance. Both are distal from the organization of the negotiator. Therefore, explorative alliance relies on personal power (Lammers & Galinsky, 2009: 67–68). If an explorative alliance depends on person power, and person power follows national culture, then cultural distance has a strong influence on the explorative alliance.

Hypothesis 3. The mediating effects of cultural distance on explorative alliance will be stronger than those on exploitative alliance

4. Conclusion

Cross-cultural negotiation is a continuous and pervasive phenomenon in the modern business environment because it plays a significant role in the formation, management and evaluation of inter-organizational alliances (Kumar, 2014). The question we posed was twofold: whether and how the negotiator's power influences the negotiation outcome for the explorative–exploitative duality of the purpose, and how national cultural distance mediates these relationships. The focus of this question is negotiation for the formation of an international alliance. An MOU (memorandum of understanding) signed by two parties is an instance of a successful negotiation for the formation of an alliance. We used anecdotes from real settings and related literature to support the analysis that led to the formulation of the model shown in Fig. 1. The theoretical development of the model takes the following form: 'why Z for Y in the X → Y relationship' (Whetten, 1989, 2009). In the negotiation process, the *power–purpose* relationship is the X → Y link, and the cultural distance is the Z in this link.

This study identified several ways in which cultural distance affects and reflects the *power–purpose* relationships. First, the negotiator's power influences the outcome of the purpose-based negotiation. Propositions 1 and 2 project these relationships. On the opposite side, the P0 link suggests that the executive's power does not change the culture. Culture is pervasive and somewhat unique to every nation, and it shapes the identity of the negotiator. Second, national culture influences the *power–purpose* link more negatively than it does positively. Nevertheless, we do not suggest that cultural distance can never induce a positive outcome. The anecdotes and literature support the direction of the model. Third, the intermediate influence of cultural distance partially influences two types of powers and two types of purposes.

Fourth, we are cognisant of the literature about the negotiator's affect and emotion in the negotiation. The reason we did not incorporate affect into the discussion is that we follow the argument about goal-driven information processing in which negotiators selectively access and process strategic information "in ways which are supportive of motivational goal" (George et al., 1998: 764). Another reason for neglecting affect is that person power encompasses the element of rhetorical communication for strategic purpose and information processing (Burke, 1950). Strategic purpose and rhetorical style follows national culture. Moreover, national culture guides the expression and management of emotions. In particular, the argument rests on the assumption that the negotiator represents the organization and not vice versa. Thus, the purpose, organization and national culture subsume the emotional factor.

Fifth, the parsimony we have shown in the model is clear, testable and heuristic in representing a highly complex context. The reason underlying this parsimony, at the cost of high detail, is that relevant methods are developing in the international business negotiation literature for using this framework for empirical purposes. For instance, the notion of rhetorical communication in the negotiation can guide three clear paths: psychological in pathos, economic in logos and sociological in ethos (Green, 2004). In the explorative alliance in particular, rhetorical communication plays a significant role. Because the explorative alliance is highly uncertain (Wilken, Jacob, & Prime, 2013), the role of rhetorical communication merits a central position in the negotiation.

Regarding the contribution of this study, we expect that the simple framework is rich in scope and scale for future analysis. Researchers studying power-based cross-cultural negotiation have the opportunity to introduce new variables as antecedents, intermediaries or consequences into this framework (Whetten, 1989, 2009). Moreover, within the framework, the model offers the opportunity for researchers to explore whether the person or position power of the negotiator reflect each other in the presence of cultural distance. We inferred that position power influences person power in a negotiation; however, we do not know whether person power from the behavioural perspective neutralizes cultural or power distance. In both directions, the framework provides discourse for guiding future research. We also anticipate that the role of cultural distance varies with the size and composition of the negotiating parties. In some contexts, the number of participants supports the position power of the organization's members; in other contexts, the size of the group reduces the effect of position power.

The model is also simple enough for practical purposes. For teaching and learning, the model is useful for class discussion and analysis. The negotiating organization must select the right negotiator in an international alliance. In the *power–purpose* link, the foremost requirement for the negotiator is to acquire the communication skills that are compatible with the relevant culture. Position power alone cannot complement the negotiation when the purpose relates to an R&D project. Although the *power–purpose* link provides the first guiding principle for practice, it should not be construed that a culture distance will lead to a clash or that cultural proximity will lead to agreement. The argument proposed in this article suggests that cultural distance is a source of failure. However, there is an alternative side to the claim that cultural distance is a source of value rather than a source of cost. In some situations, knowing about other cultures leads to conflicts more so that it does to convergence. Thus, the simple duty of the organization is to ask what, how, why and in which context something is valuable for the specific motive (Burke, 1950).

The article shares several limitations with the literature (Salacuse, 1998). First, it does not touch upon the size of the deal, the nature of the specific technology under negotiation, organizational culture or the intended duration of the alliance. Second, there is a controversy surrounding the 80% share of position power (Mintzberg, 1983). A majority of the literature builds on aspects of person power such as affect and emotion, communication style, the charisma of the negotiator and other behavioural factors.

Natural tension arises from the emphasis on either position or person power. Third, this study does not provide systematic empirical support to validate the model but rests on the literature and anecdotes.

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