MARKETERS’ PERCEPTIONS OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

By

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Promoter: Prof NE Mazibuko
DECLARATION

I, Ahmad Mtengwa Burhan, hereby declare that this thesis entitled: ‘Marketers’ Perceptions of Negotiation Behaviour in a Global Firm” is my own research work, which has not been previously submitted for a degree at any university. I also declare that all authors, whose studies have been cited and reported here, have been acknowledged by means of complete references.

Signature:
7 December 2012

Language editing declaration:

I hereby declare that I have performed the language editing of the thesis entitled “Marketers’ Perceptions of Negotiation Behaviour in a Global Firm”.

FC Geel
7 December 2012
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ABSTRACT

The success of international business depends on effective negotiations. Such negotiations do no happen in a vacuum, but usually in a specific environment that includes; time, surrounding, place, culture and people. The business environmental setting includes legal and political pluralism, currency fluctuations, foreign exchange, foreign government controls, bureaucracy, instability, change, ideological and cultural differences, as well as the influence of external stakeholders. These business negotiations environments can influence the behaviour of negotiation in global firms, impacting firms internationally. The reasons to negotiate on an international level may include considerations such as: choice of venue, culture to observe; and the outcome of the negotiation process.

The aim of this study was to determine the influence of the international marketing environment, awareness of negotiation skill, interest groups and negotiation atmosphere on behaviour of marketers in a global firm. The study assessed the impact of negotiation behaviour on business agreements based on trust and certainty and level of commitment. The purpose of the study was to gauge the impact of negotiations behaviour pertaining to failure of business negotiations in Tanzania. In addition, the study endeavoured to determine the impact of environmental variables on the negotiation behaviour of marketers. The questionnaires used in the study comprised seven variables with statements linked to a five-point Likert-type interval scale varying from “strongly agree” to “strongly disagree. Self-administered questionnaires were used for data collection from global firms’ marketers and their management representatives; 323 questionnaires were collected from respondents.

This study contributed to the literature on negotiation behaviour in a global firm and the perceptions of such global marketers in Tanzania. Many international companies in Tanzania find it difficult to formulate and implement a comprehensive business strategy; therefore, this study intends to equip international business managers with the leadership skills required. Based on the findings of this study, the negotiators and government are expected to play a major role in business negotiations to promote effective trade agreements despite limitations of political influence in the negotiation process. Political stability in a country enhances foreign business which in turn improves negotiation behaviour. A just legal system, with clear and unambiguous business guidelines and policies would benefit and promote local businesses and government
representatives and negotiators in respect of international business negotiation behaviour. Reasonable tax and interest rates and fair business policies should improve international trade negotiations and business practices.

In order to conduct successful international negotiations aspects such as culture, language differences, customs and traditions are important and should enjoy high priority. Aspects such as these mentioned influence the conducting and atmosphere and outcome of negotiations. The study reveals that the use of specialists and interpreters are imperative to guarantee understanding and successful outcomes.

According to the findings negotiators should possess good negotiating skills to be able to steer the negotiation process through the different phases of negotiation that requires different negotiating skills at each stage of negotiation. It is clear that to have successful win-win negotiation outcomes the leading negotiator should put together a good team, with expert knowledge of product or conditions and negotiating skill, as well as possessing the attributes mentioned in the previous paragraph. The negotiator should also be able to determine authority limits, patience and observe negotiation ethics. No team disagreements concerning the business/project matters should be aired in front of counterparts during negotiations and professional conduct must prevail at all times.

The findings of the study indicated that awareness of the practice of offering concessions regarding government tariff laws and price discounts that is in line with traditions in Tanzania. Concessions should not be made until all issues have been discussed, to avoid granting unnecessary benefits during negotiation that might be interpreted as bribery.

This study concluded that it is important that marketers meet the requirements of business practices by sharing clear guidelines and policies regarding business practices, as this will lead to fruitful decisions. It was also found that negotiation behaviour improves when negotiators are willing to share information and agree that all communication must be in writing; marketers are more comfortable when there is a clear understanding of matters agreed upon, the choice of trading partners and that all trading agreements are written and a contract signed by all the parties, including governments where necessary.

Marketers’ intentions are derived from the common interests of both parties and the negotiations should always take place in avenue that is suitable to both parties,
conducted in fairness and offers must be reasonable and attainable with a positive outcome as the ultimate aim for both parties.

This study reveals that negotiators insist on the use an agent or agents and subcontractors to ensure mutually beneficial strategic business partnerships. However, when the role of the interest groups is explained to all participants, negotiation behaviour improves. It can also be concluded that negotiators allow interest groups to participate as team leaders and their number should be equal to the number of foreign negotiators, to ensure that marketers feel more at ease and comfortable to participate. An atmosphere based on bargaining power exerts a positive influence on the level of commitment among negotiating partners; and can be a predictor of the range of agreement as well as shape limits and priorities among dimensions of rivalry. However, it is important for marketers to express willingness to accept the terms of their counterpart’s bargaining zone regardless of non-profitable quotas at stake; identify areas of bargaining from foreign traders even if they are not attractive enough for local traders and are comfortable with the counterparts’ bargaining zone regarding fixed rates on exporting and importing quotas between trading partners to build trust among negotiators.

In conclusion, it was found that negotiation behaviour has a positive influence on the level of commitment of trading partners. A positive business relationship is created on trust and a high-level of commitment which should be of great satisfaction to negotiating parties for future prospective negotiations.
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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Negotiation is a complex phenomenon, but in this study the focus is on negotiation in a global firm or an international business negotiation. International business negotiation can be defined as the deliberate interaction of two or more social units, originating from different nations. The aim of this interaction is to define or redefine their interdependence in a business context. The nature of interaction could be company-company, company-government, or solely interpersonal interactions over business matters such as sales, licensing, joint ventures, and acquisitions (Weiss 1993:270).

A firm has to negotiate with various parties. These negotiations can end successfully or unsuccessfully. The parties used their various models to explain how a firm can be successful when negotiating, by studying these negotiations with a global firm in an international business context. It is possible to conceptualise the output of marketing planning in international markets in terms of mutual agreements that have to be negotiated, by using the ideal of negotiation and interpersonal interaction (McCall & Warrington 1989:3-9). McCall and Warrington (1989) further suggested that global firms’ negotiation is the basis of problem solving, conflict resolution, change agent and decision making skills within negotiations interaction.

1.2 BACKGROUND OF THE STUDY

The process of international business negotiations was developed by Ghauri (Fjellstrom 2005:26). According to Ghauri (2003:5) the process of negotiations needs to serve as an overall framework for global firm negotiations taking into consideration the background factors, the process and atmosphere (Ghauri 2003:5). The process of international business negotiation is divided into three different stages namely pre-negotiations stage, face-to-face negotiations and post negotiations. Fjellstrom (2005) explained that, a stage of the process refers to a specific part of the process and includes all actions and communications by any party pertaining to negotiations made during that part. In each stage parties communicate and exchange information with each other. When a particular stage ends, parties decide to continue on to the
next stage or to abandon the communication if they see no point in further negotiations. But in the pre-negotiation stage, parties attempt to understand each other’s needs and demands, which are done through information gathering and informal meetings. According to Ghauri (2000) the negotiation stage is where parties have agreed on most of the issues, and are to agree on contract language and format and signing the contact. Furthermore, each stage has two dimensions, namely, cultural and strategic dimensions which play different roles at different stages. These dimensions occur in the business environment.

Fjellstrom (2005) explained that since the international business environment variables on negotiation process and its different stages vary in intensity, it is possible that one of these variables may influence one stage positively and another negatively. This means that, the process saves time or continues smoothly if the influence is positive but if negative the process can be delayed of experience obstacles that can cause further delays. When parties enter into the negotiation, they have their own objectives which can create a conflict of interest which the parties have to resolve by hosting the negotiations. The business environmental factors refer to political, social and cultural environment which tend to hinder the progress (process and the outcome) of negotiations.

According to McCall and Warrington (1989), the environment influences negotiation and it also has an impact on the results. In the domestic country, it is the business culture as well as the executives’ objectives and guidelines that affect the behaviour of the global firm’s negotiators. If the negotiation manoeuvring freedom is limited, it might have an impact on the final outcome of the negotiations. McCall and Warrington (1989) further argued that, when negotiations take place between parties from different countries in a global firm negotiating context, there are additional factors that influence the negotiating parties’ possibilities to act on the final outcome. It can be specific business trade barriers or special market entry barriers, and/or cultural factors of different kinds that the negotiators are expected to consider and adapt to. The market position at a particular time, position of the parties in the market, and the number of sellers and buyers also influence the negotiation process. Moreover, most of the international business negotiations involve third parties other
than the seller and buyer. These could be the government or consultants who have an influence on negotiations (Ghauri 2002:190).

Since the attainment of independence in 1961, and the formation of the United Republic of Tanzania in 1964, Tanzania has tried to improve its social economic welfare by promoting trade and investment. In the 1960s, and in the late 1980s, the trade and investment policy was based on a socialist approach, which meant that the government was the major owner of the means of the economy. In the early 1990s, Tanzania started to implement policies in favour of liberalising the economy. This resulted in the withdrawal of the government from trade and investment activities. Therefore, government reaction to the liberalisation of the economy was to develop new policies and strategies which were expected to improve the social welfare of Tanzanians (ESAURP1996:217).

The Tanzanian investment policy was launched in 1996, aiming at promoting and attracting investors. Since that period, Tanzania has made considerable progress towards establishing an open, transparent and consistent legal framework for foreign direct investment (FDIs). The trend of FDIs flowed to Tanzania; during the period 1995 to 2002, it was US$1 billion compared to the less than US$2 million during 1986-1991 (UNCTAD 2005). Conversely, the Trade policy, which was launched in 2003, aimed at ensuring effective participation in the rule-based multilateral trading system (URT: Trade Policy 2006).

The existence of these two policies made Tanzania attractive for investment and trade in the Great Lakes Region. The main issue on the operationalisation of these new policies, and engagement of Tanzania in various negotiations, resulted in concluding contracts either on trade or investment issues both in the private and government sectors.
1.3 THEORETICAL FRAMEWORK OF THE STUDY

1.3.1 Negotiation and international business negotiations concept

(Saner 2000) referred to negotiation as a process whereby two or more parties seek an agreement to establish what each shall give and take, or perform and receive in a transaction between them. Alternatively, it is an act of discussing an issue between two or more parties with competing interests, with the aim of identifying acceptable trade-offs for coming to an agreement (Raihan 2004). The negotiation process may be distinguished from the structures in which it takes place. The process includes which strategies negotiators choose, how markets and negotiators influence each other, whether negotiators add tactics to detect joint gains, to what extent do they use tactics to guard against their own biases, and how they go about forming and splitting coalitions. The process includes how the negotiators’ moves interact with domestic politics.

The success of international business relations depends on effective business negotiations. Business negotiations may be understood as encounters between firms or economic organisations with the goal of reaching agreements to derive at economic benefits. Numprasertchai and Swierczek (2006) defined international business negotiations as the deliberate interaction of two or more social units (at least one of them a business entity) originating from different nations, and attempting to define or redefine their interdependence in a business matter. The business unit which establishes mutual relations could be a company–company, company-government and solely interpersonal interactions over business matters such as sales, licensing, venture and acquisitions (Weiss 1993:270).

1.3.1.1 Negotiation behaviour styles

According to Saner (2000) negotiation behaviour is based on the following choices and Bhattacharya (2005) Adler (1997) and Dupont (1986) supported this notion:

- **Compromise behaviour**
  Parties in the negotiation may come to a compromise in order to achieve a satisfactory alternative that might be partially acceptable to both of them.
• **Collaborative behaviour**
  Collaboration requires the parties to familiarise themselves thoroughly with the conflict and its causes in order to seek a constructive joint approach.

• **Avoidance behaviour.**
  This behaviour combines non-cooperative behaviour with a lack of assertiveness, generally leading to a no-win outcome in which the interests of none of the parties are met. This strategy could be used to defer or postpone awkward issues that might not be amenable.

• **Accommodative behaviour**
  This behaviour gives the highest priority to cooperation and reaching an agreement. Negotiator is willing to adjust most self-interest objectives in order to satisfy the interests of the other party.

• **Competitive behaviour.**
  The essence of this power-oriented behaviour lies in its effort to achieve goals by trying to persuade the other party to make concessions.

### 1.3.2 International marketing environment

According to Kapoor (1975) the environmental context consists of variables such as, political, social and economic factors relevant to both parties. These forces are beyond the control of either of the parties involved in the negotiations.

According to Worthington and Britton (2006) these forces are acting on global firms from different nations which are not familiar to each other and can affect global business activity in a variety of ways. On the other hand, international negotiations in a global firm influence marketing environment for example, variation of the parties with respect to the environment often hinders the international business negotiation process. Ghauri (2003) postulated that when unfamiliar parties coming from different backgrounds, interact with one another the risks of interaction interference are greater. Some of the characteristics directly influence the process while others directly influence the atmosphere.
1.3.3 Awareness of negotiation skills

Robin and Foster (2002) suggest that negotiation skills are skills that impose to make a negotiator capable to negotiate effective deals across a variety of contexts such as different industries, products and services. Furthermore, a negotiation skill is proficiency, facility, or openness that is acquired or developed through training or experience. It is an embodied personal capacity partly inborn and partly acquired through experience and training (Ghauri 2002:45). Negotiators influence the negotiation process with their own experience and negotiation skills. They operate within two limits. Firstly, they act to increase common interests and to expand cooperation among the parties; secondly they act to minimize their own interests and to ensure an agreement valuable to themselves. The personalities of the negotiators are also important, especially when information about the other party is lacking. A good personality is defined as an individual with the ability to make others understand his position, to approach strangers with ease and confidence and to appreciate the other person’s position. However, the skills of negotiators are related to different objectives and motivations, pertaining to different people and professionals. Negotiators with a technical background may place more emphasis on technical issues, while those with a business background might consider other issues to be more important.

1.3.4 Interest Groups

Interest groups represent the third parties that have an immediate impact on the outcomes of negotiations. Third parties are people other than the buyer and the seller who have a significant influence on the negotiations, depending on their interests and objectives in the negotiation process. Interest groups are measured by determining their level of interference, for instance the government, agents, consultants and subcontractors in the global firm negotiations (Braithwalte & Drahos 2000; and Wilson 1988). Ghauri (2002), argued that governments are often involved and they influence the buyer towards complementary objectives, such as infrastructure, employment opportunities, foreign exchange considerations and any other prospective relationship between the countries involved. This means, parties other than the buyer and the seller have a significant influence on negotiations, depending on their interests and objectives in the negotiations process. Monning and Feketekuty (2004) explained that interests are at the core of what drives parties in a
negotiation. Therefore, Interest groups could be government, agents, consultants and subcontractors.

1.3.5 The negotiation atmosphere

According to Ghauri (2003), atmosphere is the perceived milieu around the interaction. This means the manner in which the parties view each other’s’ behaviour and the properties of the process, that is, perception and progress. The more parties understand each other, the more positive the atmosphere around the process and the more the parties are willing to compromise and see common benefit. Therefore, atmosphere is of fundamental importance to the negotiation process as a whole, for it clears confusion and uncertainties during the negotiation process between the parties. These characteristics are common interest, conflicting interest, willingness to co-operate, willingness to compromise, power and avoidance. Some characteristics are dominant at one stage, others at another stage. Common interest and willingness to co-operate for instance are dominant in the pre-negotiation stage since parties look for mutual solutions.

1.3.5.1 Negotiation atmosphere characteristics

The following are some of the important characteristics of negotiation atmosphere according to Ghauri (2003):

- **Common interest and conflicting interest** is a basic characteristic of the negotiation process. Parties always have some common interests in finding solutions that fit both parties. However, that interest may develop into a conflicting interest between parties. The magnitude of a conflicting interest and common interest in the atmosphere depends on the objectives of the negotiating parties.

- **Willingness to co-operate and willingness to compromise**, is a characteristic arising in the face-to-face negotiation stage. After identifying their objectives, parties have to adopt the behaviour which leads to the mutual solution. When one part is willing to cooperate that means negotiator is willing to adjust most self-interest objectives in order to satisfy the interests of the other party. The parties are persuaded to compromise in order to achieve a satisfactory alternative that might be partially acceptable to both of them.
- Power-dependence and avoidance behaviour are other basic characteristic of all negotiation processes. Power-dependence relationship is closely related to the actual power relations, which is influenced by the value of the relationship to the parties and their available alternatives. The ability to control a relationship is related to the perceived power of two parties, their relative expertise and access to information. Fjellstrom (2005) further argued that, power is the property of the relationship and not an attribute of the actor. Therefore the power relationship is in balance if both parties perceive equal power. The power relations could unbalance negotiations if one of the parties perceives more power (Ghauri 2003).

If power relations become unbalanced a party may choose avoidance behaviour. This behaviour combines non-cooperative behaviour with a lack of assertiveness, generally leading to a no-win solution where the interests of none of the parties are met. Furthermore, this strategy could be used to defer or postpone awkward issues that might not be amenable to an agreement until a more favourable moment. It is a position that is extremely versatile and possibly useful, but it should be used in a focused and targeted manner, since frequent avoidance of conflict reduces the chances of satisfactory results in the future.

### 1.3.6 Business agreements and the level of commitment

The review of literature on negotiations also shows that the end–result of negotiation processes has been defined using a wide variety of indices. It may be possible that end-results include an agreement, a deadlock, a non-agreement, a mutually satisfactory agreement for both side, an agreement that represents victory for one side or an agreement in which both sides have, to some extent, modified some of their objectives (De Dree, Harink & Van Vianene 1999:376-405). The end result or outcome of negotiations exist in such diversity, but due to the purpose of this study, the end-result of negotiation is considered as an agreement based on trust and certainty as well as the level of commitment. Saorin-Ibora (2006: 14-16) suggest that generally, there are imbalances of information in negotiations that favour the existence of the opportunistic behaviour. Therefore, any relationship that has trust,
reduces costs associated with such imbalances that are typical of co-operative exchange.

An agreement is a satisfactory end-result for both sides. It reflects the perception of the relationship created between negotiators. Achieving a positive relationship and a long-term commitment must constitute the main objective for parties. Therefore, being satisfied with the relationship that has been created will enable the correct implication for the agreement and achieve a better performance later on. All relationships created between the parties are determined by the level of trust and uncertainty. Both parameters provide information on satisfaction with aspects related to the development of the negotiation process (Fisher, Ury & Patan 1983).

The level of trust can be defined as the expectations of good faith on behalf of the other party as well as the fulfilment of those expectations (Ring & Van de Ven 1994:90-118). Trust can be viewed as the expectation of fair negotiation in a situation in which opportunism may creep in. It is true that in all negotiations, there are imbalances of information that favour the existence of opportunistic behaviour. Therefore, any relationship that has trust, reduces costs associated with such imbalances that are typical of co-operative exchange (Saorin-Ibora 2006:14-16).

Therefore, if the level of trust is higher, long-term commitment of the parties on agreements will be created. The perception of satisfaction has repercussions on resolving future conflict by avoiding opportunism which helps to establish and maintain a long-standing relationship. The created relationship should not only be based on an essential degree of trust but also on a minimum degree of uncertainty about the basis of the business relationship. A negotiator has to reduce the degree of uncertainty in order to create a high-level of commitment in the form of positive relationship of significant satisfaction for both parties.

1.4 STATEMENT OF THE PROBLEM
International business negotiations have become one of the main instruments to reach consensus on business transactions between two parties, for example between the government and other parties. Negotiation can also be between the government and foreign investors most of which concentrate on the privatisation of
public enterprises and mining. Lastly, negotiation can also concern the government and regional organisations or multinational organisations (Kweka 2004:2-4).

According to McCall and Warrington (1989), the basic question in business negotiation concerns how the parties strategically use the information in order to influence each other. Moreover, the behaviour of the negotiators influences the outcome of the negotiation, particularly in international contexts where the parties have different experiences, knowledge and backgrounds as well as different perspectives on life. These factors govern the negotiators' behaviour and thus influence their reactions to the different steps and situations of a negotiation process.

Many negotiations attempts on trade and investment in Tanzania, resulted in agreement and signing of contracts. This meant that all parties had their intentions fulfilled. Trade and investment negotiations are not new to Tanzania. For example, in 1972 Tanzania, Zambia and China signed an agreement after negotiations to construct the Tazara railway line, from Dar es Salaam to Kapirimposhi (Chokoti 2008:26-31). The purpose of the negotiations was the issue of tax exemption on imported raw materials.

During the liberalisation period, public and private sectors held negotiations either with the government or among themselves. Various negotiations that took place were observed between companies. The international business negotiations to which Tanzania has subscribed can be categorised into the following conventional levels; multilateral, regional, bilateral and foreign direct investment (Kweka: 2004).

Despite the participation of Tanzania in various international business negotiations the outcomes after the implementation of the agreement in most cases have become unfavourable to the Tanzanians. Most of the contracts have been terminated. As observed by Kweka (2004), a number of international trade agreements and negotiations, in both the multilateral and regional framework, have been rather limited in performance by a number of constraints. Questions that now arise are:

- Whether negotiation behaviour has an impact on the failure of trading negotiations in Tanzania?
Whether business environment variables have an impact on negotiation behaviour of marketers?

1.5 RESEARCH OBJECTIVES

1.5.1 Primary research objective
This research will investigate and analyse the impact of the international marketing environment, awareness of negotiation skills and atmosphere on negotiation behaviour in a global firm. The study will also assess the impact of negotiation behaviour on agreements based on trust and certainty and level of commitment as depicted in Figure 1.1. It is theoretically possible that Tanzanian marketers may have different perceptions of the negotiation outcome. Thus, the primary research objective is to canvass opinions regarding relationships, analyse these opinions and report on the opinions of marketers on negotiation behaviour in a global firm and the impact of negotiation behaviour of marketers on agreements based on certainty and trust and as well as level of commitment among marketers. These concerns are indicated in the conceptual model in Figure 1.1.

1.5.2 Secondary research objective
This study identified eight secondary research objectives, which will form the basis of the research programme:

- To investigate the effects of the legal, political, cultural, technological variables of the marketing environment on the negotiation behaviour of marketers in a global firm.
- To investigate the impact of negotiation approaches on trading agreements amongst international marketers.
- To investigate the impact of awareness of negotiation skills on negotiation behaviour in a global firm.
- To investigate the effect of interest group participation on negotiation behaviour in a global firm.
- To determine whether negotiation behaviour does have an impact on agreements and level of commitment among the negotiators.
- To determine whether bargaining power does have an impact on agreements and level of commitment among the marketers.
• To determine whether negotiation atmosphere does have an impact on the negotiation behaviour of marketers
• To determine whether negotiation atmosphere does have an impact on interest groups during the negotiation process.

1.5.3 Research questions
Given the purpose and objectives of the study, the following research questions are posed:
• What is the impact of the international marketing environment on negotiation behaviour?
• What is the impact of awareness of negotiation skills in negotiation on a global firm?
• What is the impact of interest groups on negotiation behaviour in a global firm?
• Does negotiation behaviour influence better agreements and levels of commitment of negotiators?
• Does negotiation atmosphere impact negotiation approaches in a global firm?
• Does atmosphere impact interest groups?
• Does negotiation atmosphere have an impact on trust and certainty of agreements in a global firm?

1.6 RESEARCH HYPOTHESES
Figure 1.1 shows nine sets of hypotheses to be tested empirically, as substantiated by secondary sources (literature) on international business negotiation. The alternative hypotheses that will be addressed in this study are:

Hypothesis HA¹: There is a relationship between the international marketing environment and negotiations in a global firm.
Hypothesis HA²: There is a relationship between awareness of negotiation skills and negotiations in a global firm.
Hypothesis HA³: There is a relationship between interest groups and negotiations in a global firm.
Hypothesis HA⁴: There is a relationship between negotiation atmosphere and interest groups.
Hypothesis HA\(^5\): There is a relationship between negotiation atmosphere and negotiations in a global firm.

Hypothesis HA\(^6\): There is a relationship between negotiation atmosphere and agreement based on trust and certainty regarding international marketers.

Hypothesis HA\(^7\): There is a relationship between negotiation atmosphere and commitment of international marketers.

Hypothesis HA\(^8\): There is a relationship between negotiations in a global firm and agreement based on trust and certainty regarding international marketers.

Hypothesis HA\(^9\): There is a relationship between negotiations in a global firm and commitment of international marketers.

1.7 THEORETICAL MODEL OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

Saorin-Iborra (2006) suggested that negotiation outcome is the end-result of the whole process of negotiations or bargaining process. However, the outcome can be an agreement or non-agreement and can also be the level of commitment that will lead to marketing strategies for the negotiators. In this modified model, the three variables identified to have influence on negotiation in the global firm are the international marketing environment, awareness of negotiation skills and interest groups. The negotiation atmosphere plays a significant role in influencing the negotiation behaviour in the global firm and interest groups. Negotiations in the global firm should have results from which a marketer can expect to obtain an agreement and level of commitment. According to the reviewed literature on negotiation’s atmosphere, the negotiation atmosphere can influence the end result of negotiations as shown in Figure 1.1.

Since the research aims to study the behaviour of marketers on global firm negotiations, informative models were studied and used to develop a modified model which will be used in this study. McCall and Warrington’s model (1989) of international business negotiation variables such as environmental influence, negotiation approach (situational influence) influence strategies and skills will be
adopted to develop a modified model for the study. The other model is the international business negotiations model of Ghauri (2003), indicating variables such as environment, atmosphere and third party processes in the model, will be used to develop a modified model. Three independent variables that impact on the moderating (interaction) variable are listed in Figure 1.1. The moderating variables, negotiation behaviour in a global firm and negotiation atmosphere are presented as key drivers of end results of negotiation behaviour, which affects dependent variables as well. This construction reflects the objective of assessing the perceptions of marketers on the negotiation behaviour of global firms in Tanzania. Furthermore, nine sets of hypotheses, which will be tested empirically, are shown in Figure 1.1.
1.8 DEFINITIONS OF THE KEY TERMS

Business environment of global firms

Business environment is defined as forces acting on global firms from different nations which are not familiar to each other. These forces affect global business activity in a variety of ways and which can impinge not only on the transformation process itself, but also on the process of resource acquisition and on the creation and consumption of output (Worthington & Britton 2006:5).

Interest group

In this study an interest group is defined as a third party who in one way or another have impact with negotiation process, thus they will enter in a negotiations process to try to protect their interest (Braithwaite & Drahos 2000; and Wilson 1988). Monning and Feketekuty (2004) explained that interests are at the core of what drives parties in a negotiation.
Negotiation approaches

Negotiation approaches is defined as strategies marketers and negotiator can choose, for attaining an optimal solution, which is minimising conflicts and maximising gains. Walton and McKenzie (1965) identified two approaches negotiators can choose to adopt; distributive and integrative approaches. The distributive approach can be described as a set of behaviours for dividing a fixed pool of resources. In this regard, negotiators come with attitudes based on zero-sum or win-lose to the negotiation. Conversely, the integrative approach is a set of behaviours of a co-operative nature. It is an agreement-oriented approach. Negotiators come with an attitude based on win-win or mutual-gain outcomes.

Negotiation skills

A negotiation skill is proficiency, facility, or ability that is acquired or developed through training or experience, it is an embodied personal capacity partly inborn (born negotiator) and partly acquired through experience and training (Ghauri 2002:45).

Agreement

Agreement is an end-result or outcome of negotiations, but in view of the purpose of this study, the end-result of negotiation is considered an agreement (De Dree, Harink & Van Vianene 1999:376-405). An agreement is defined as satisfaction end-result for both sides. It reflects the perception of the relationship created between negotiators.

Trust

Trust can be defined as the expectations of good faith on behalf of the other party as well as the fulfilment of those expectations (Ring & Van de Ven 1994:90-118). Trust can be viewed as the expectation of fair negotiation in a situation in which opportunism may creep in.
**Commitment**

Schemerhorn, Hunt and Osborn (1997) defined commitment in relation to employees as the psychological attachment between the employee and an organisation. Negotiations commitment can be viewed as willingness of the parties to exert effort on implementing that what has been agreed upon.

**Negotiations**

For the purpose of this study, negotiation may be defined as a process whereby two or more parties seek an agreement to establish what each shall give and take, or perform and receive in a transaction between them (Saner 2000). In addition, for this study, a modern definition of negotiation is considered which is two or more parties with common (and sometimes conflicting) interests who enter into a process of interaction with the goal of reaching an agreement (preferably to mutual benefit).

**Negotiations behaviour**

Saner (2000) defined negotiations behaviour as a range of mannerism adopted by negotiators in order to affect the negotiations process. For parties to choose the behaviour to use it may be particularly useful to rank the issues related to the negotiation according to their importance and relevance to the problem. In this study, negotiator behaviour and negotiation style mean the same.

**Negotiations atmosphere**

According to Ghauri (2003), atmosphere is the perceived milieu of the interaction. This means the manner in which the parties view each other’s behaviour and the properties of the process, that is, perception and progress. The better parties understand each other, the more positive the atmosphere around the process and the more the parties will be willing to compromise and seek common benefit. Therefore, atmosphere is of fundamental importance to the negotiation process as a whole, for it clears confusion and uncertainties during the negotiation process between the parties.
1.9 RESEARCH METHODOLOGY

There is a range of research approaches or methodologies available for inquiry. The philosophy of research focuses on two dimensions of research which are: Ontological and epistemological assumptions, as the primary steps in determining the choice available from which to select a methodology for use in the investigation (Burrell & Morgan 1979:1-37).

Ontology refers to the nature of social reality. It represents a particular view or reality held about the situation in question. The methodological inquiry on ontological assumption, as suggested by Burrell and Morgan (1979) could be either by observing the reality, through inquiry, as to how little, or if any impact on the object of the study has been observed, or the reality which consists of an individual’s mental constructions of the objects with which to engage, and that the engagement impact on the observer and situation has been observed (Roberts 2001).

Conversely, epistemology relates to how assumptions of ontological nature can be known. The relation between the knower and what is known or being sought to be known is what we call epistemology. The nature of knowing and the construction of knowledge can be either objective or subjective. Barrell and Margon (1979) suggested that the relationship can derive from accepting that knowledge can be either viewed as objectively knowable and predictable. The debate on epistemological assumption comprises two dimensions of understanding reality as knowledge which are: anti-positivism and positivism. These are two main research paradigms or philosophies.

The positivistic paradigm advocates for one to seek to explain and predict what happens in the social world by searching for patterns and relations between people or objects. In this paradigm one can develop hypotheses and test them and that knowledge delivery is what is called “Cumulative process” (Burrell & Morgan 1979). Positivism is based on realism through which it searches for truths out there; perceptions and opinions for example, of marketers in negotiations in a global firm in Tanzania, as noted above. The truth, in this paradigm, can be recognised in two ways, either by adopting a deductive approach (hypothesis) or by recognising that it is supported by empirical evidence (Jonkowicz 2005:110).
In this study, based on ontological assumptions, assumptions can be made that the external reality does not deny the reality of a marketer’s behaviour in negotiations of global firms in Tanzania; it has to be viewed by externalists. Externalists are people who do not engage in the negotiations; and those who do, engage so as to have their own perceptions and interpretations of what is occurring, which will be the reality of situations. Epistemologically an assumption can be made, that while some information can come from others, it is only by experience that valuable knowledge is generated at a personal level. Consequently, the positivism paradigm will be used in this study.

Given the nature of the research problem the positivism paradigm seems most appropriate to gauge the perceptions of marketers on negotiations in global firms in Tanzania.

1.9.1 The pilot study
Prior to the data collection and the distribution of the questionnaire stage, a pilot study was conducted. The main purpose was to detect any possible oversights and to gather any pertinent observations or suggestions regarding the study. Twenty copies of the questionnaire were distributed to interest groups and private individuals who owned firms that are engaged in international marketing trading activities. Interest groups and international marketers located in various areas in Tanzania (Dar Es Salaam) and with businesses ranging in size from medium to large businesses were given an opportunity to complete the questionnaire in order to identify any problem areas and to offer ideas. The pilot study identified the problems of marketers who were selling their products through other large businesses. Clarification was provided with regard to these marketers as they were not considered in respect of negotiation behaviour in global firms and also did not qualify as international marketers. Generally, respondents were willing to assist but complained about the length of the questionnaire.

1.9.2 Population and sampling procedure
In this study, a cross sectional survey design will be applied, so as to study samples of a population at a point in time. The study population comprises two main sectors,
the Government and the private sector institutions involved in negotiations. For the purpose of this study, the sampling method is based on purposive and stratified sampling. The actual sampling frame is limited to marketers in private and government sectors in Tanzania. This limitation is based solely on practical considerations in sourcing the required data. Non-probability (convenience) samples were drawn by administering the research instrument to the identified sampling frames. The desired sample size was a function of the number of statements in the research instrument times five (5) in order to perform the required statistical analysis. Questionnaires were distributed to Interest groups and international marketers located in various geographical areas in Tanzania (Dar Es Salaam, Arusha, Mwanza, Dodoma and Morogoro). Four hundred and fifty (450) questionnaires were distributed to marketers and interest groups. The number of questionnaires to be posted was stratified according to the size of each of these firms. All interest groups and marketers were reminded telephonically and the researcher and fieldworkers had to visit various firms of each area to motivate respondents to complete the questionnaires. In total three hundred and twenty-three (323) usable questionnaires were returned which indicated a seventy-two per cent (72%) response rate.

1.9.3 Data collection

The study of negotiation behaviour of global firms makes use of the survey method for data collection. According to Gupta (1999:12), the survey method is appropriate to gather data from a relatively large number of cases at a particular time. A sample of a large population is used in the survey, as resources in terms of funding and time to study every member are limited. In this study, a survey method is employed.

Based on the literature study, a questionnaire was constructed and used in the empirical investigation to gather information concerning the international marketing environment, interest groups, awareness of negotiation skills, perceptions of negotiation behaviour, negotiation atmosphere, agreements, and level of commitment. The empirical investigation made use questionnaires that were distributed to selected respondents that were readily available. A survey descriptive instrument, specifically, a “questionnaire” was designed. The instrument comprises two sections, Section “A” consisted of statements, which was linked to a five point Likert response scale secured by parameters of “strongly agree” (5) and “strongly
disagree” (1). The purpose was to measure interval levels, between values, since it makes sense to compute an average of an interval variable. Therefore, it enabled researchers to perform a statistical data analysis. The designed instrument begins with a theoretical review. Section “B” of the questionnaire deals with the biographical data of the respondents, which include the respondent’s gender, status and position in the firm. The new instrument was however, first tested in a pilot study to ensure reliability, validity and generalisation of the research findings. The questionnaire was administered using a printed copy of the questionnaire.

### 1.9.4 Data Analysis

Data analysis is the activity of evaluating information gathered in order to obtain answers to the research questions. It is therefore, the process of making sense out of the data Merrian (1998:178). In this study, data analysis was conducted in four phases and statistical analysis was carried out to appraise the internal reliability of measuring instruments used and validity of the various instruments used to measure the bases of variable relationships and alternative hypotheses under consideration. The multiple regression analysis method was used to measure the strength of the theories on the relationship between negotiation behaviour and independent variables to the dependent variable which is an international business negotiation outcome as illustrated in Figure 7.1. The method will measure the magnitude of the association between variables in hypotheses according to Siegel and Castellan (1988).

### 1.10 PURPOSE OF THE RESEARCH

In the early 1990s, Tanzania started to implement policies in favour of liberalising the economy. This resulted in the withdrawal of the government in trade and investment activities. Therefore, the government reaction to the liberalisation of the economy was to develop new policies and strategies which were expected to improve the social welfare of Tanzanians.

In 2002, the government proposed many strategies including the one called Vision 2025. Its main purpose was to enable all Tanzanians to have a better life by 2025. In order to successfully implement the Vision 2025, the government started to promote investment and trade. This was done by launching three policies namely, Investment
Policy, Trade Policy and the New Tanzania Foreign Policy. The Tanzania investment policy aimed at promoting and attracting investors was launched in 1996. Since then, Tanzania has made considerable progress towards establishing an open, transparent and consistent legal framework for foreign direct investment (FDIs). The existence of these three policies made Tanzania attractive for investment and trade in the Great Lakes Region. The main issue on the operationalisation of these new policies, and engagement of Tanzania in various negotiations, resulted in concluding contracts either on trade or investment issues both in the private and government sectors. Consequently various negotiations took place between companies in Tanzania; of which another form of negotiation was between companies and the government or other parties. Tanzania is making deliberate efforts to negotiate with companies, multinational organisations, regional economic organisations and other government institutions with varying business agendas. The negotiation process in Tanzania takes place between various government agencies depending on the matter, and in collaboration with other stakeholders. Most negotiations on trade and investment resulted in agreement and the signing of contracts. However, there are many cases which signify the need to study the bargaining zone of business negotiations in Tanzania. Furthermore, there is a need for better understanding of one’s own interests as well as those of the counterparts, which will lead to a successful negotiation outcome. The ability to identify the divergent interests or varying priorities of the different negotiating parties and their stakeholders can provide the basis for generating workable solutions.

The purpose of this study is therefore, to gauge marketers’ perceptions of negotiation behaviour in the global firm in Tanzania. To achieve this objective an analysis of factors such as international marketing environment, awareness of negotiation skills, and interest groups that influence global firm negotiations and their impact on the end result of negotiations (agreements and level of commitment) is required; establishing the basis for the modified conceptual model underlying this research. Secondly, it is to measure the Tanzanian marketers’ perceptions regarding the negotiation atmosphere, the interest group (independent variable), and whether it influences agreements, level of commitment and market strategy (the dependent variable).
1.11 SCOPE AND DELIMITATION OF THE RESEARCH

This research focuses on the negotiation behaviour of the global firm. The study endeavours to perform a descriptive analysis, evaluating the perceptions of marketers in global firm negotiations, and how to devise strategies that would secure successful negotiation outcomes. The study will be conducted in Tanzania. The main limitation of this study is that it is limited to Tanzania in respect of the factors identified in the modified model (Figure 1.1). The other limitation is that although there are many business negotiation practices taking place in Tanzania, only a few cases will be selected on specific criteria in this study.

1.12 PRIOR RESEARCH

In this study an initial step of a comprehensive international as well as national literature search on negotiations was undertaken, with particular emphasis on aspects of international business negotiations. At the international level, the literature search entailed making use of various library facilities to obtain relevant and appropriate sources of information. A computer search through online databases such as Google was conducted to obtain relevant indices and international dissertation abstracts. Simultaneously, at national level, an in-depth library search was undertaken. To assist in this regard, an internet search was conducted for relevant monographs, articles and other applicable literature. Ghauri’s (2002; and 2003) research findings on international negotiations proved valuable in clarifying important aspects on the nature of negotiation behaviour in a global firm. Salacuse (1991; 1998 and 2003) excelled in an isolated research area of government negotiations and the research findings reported, presented a solid grounding for this study. Various sources research literature and empirical findings such as that of Sebenius and Lax (2002 and 2006) on negotiation behaviour/approaches; Fisher et al. (1983) on agreement and negotiations; Usinier’s (2007) study on culture of negotiations, as well as Weiss’ (1993) research findings on culture and negotiation contributed to clarifying and identifying the need for further research on negotiation behaviour, with specific reference to a global perspective, as this has been an untapped area of research. In the field of international business negotiations between 1996 and 2005, there are more than 172 empirical researches. The nature of these studies is based on experience, survey, mix of experience and survey and
case studies. Of the 183 studies, only 78 studies focused on culture or cross cultural situations. All these studies focused on culture and none of the studies were concerned with issues of international business, especially, on the African continent (Agndal 2007:6). Therefore, the initial search showed that no study has been conducted to assess the marketers’ perceptions of negotiation behaviour in a global firm.

1.13 DEMARICATION OF THE STUDY

The study is divided into eight chapters. The outline of the chapters is as follows:

Chapter One describes the scope of the study. Six aspects of negotiation in the South African business environment are discussed, namely, negotiations and international business; international marketing environment, awareness of negotiation skills, interest groups, negotiation atmosphere, business agreements as well as level of commitment of negotiators. This chapter focuses on the objectives pursued, the hypotheses addressed, the methodology used and the demarcation of the study.

Chapter Two, discusses the international business environment with specific reference to the Tanzanian setting under the following sub-headings: A brief overview of international marketing environment; Tanzania business environment; and the role of the global firm in the business environment. Historical Growth and globalisation of International business Tanzania are briefly outlined in this chapter. Participation in Trade Liberalisation and the World Trade Organisation (WTO), trade blocks and trade partners and the Tanzania Competitive and Comparative Advantages are also discussed in this chapter.

Chapter Three describes business behaviour of the global firm. The behaviour of the firm in the international market, namely, confrontation with competitors and cooperation with business partners are discussed. This chapter also describes the confrontation strategies that are used by marketing managers when dealing with competitive challenges in the marketing environment (frontal attack, flanking, market encirclement and bypassing). Cooperation approaches and market entry modes, namely, exporting, licensing, strategic alliance and wholly-owned manufacturing
subsidiaries are briefly explained. Behaviour of the firm on the internationalisation process and types and supporting theories of business rules are discussed extensively in this chapter.

Chapter Four discusses some literature on negotiations, the nature of negotiation as well as the different approaches of claiming value and creating value. The chapter also explains the three different phases involved in the global business negotiation process in Tanzania. The required skills of the negotiator are discussed as well as the relationship between skill and the phases in the global business negotiation process. The chapter further explains how to establish negotiator positions, the role of third parties, how negotiations are engaged in Tanzania and describes some examples of failed and successful negotiations in Tanzania.

Chapter Five elaborates on the modelled influences of marketers' negotiation behaviour, and their perceptions are discussed in this chapter. Furthermore this chapter focuses on the international marketing environment, awareness of negotiation skills, interest groups, negotiation atmosphere and the effects and consequences of negotiation behaviour.

Chapter Six explains the research design and methodology of the study. It assesses the sample and statistical techniques, as well as various measuring instruments used in this study to empirically evaluate the theoretical model and analyse data collected from the questionnaires.

Chapter Seven discusses the empirical results of the study. The reliability and the validity assessments of the measuring instruments are also described. This chapter also reports the results of the empirical evaluation of the perceptions of marketers towards the business negotiation environment, awareness of negotiation skills, negotiation atmosphere with regard to negotiation behaviour in a global firm and the outcomes of negotiation behaviour.

In Chapter Eight the empirical results are summarised and concluding remarks are provided in this chapter. The research findings of other relevant studies are
contrasted with the empirical results. The limitations of the study are deliberated on and recommendations are made for future research.

1.14. PLAN OF THE RESEARCH

Table 1.1 lists the different chapters of the research report.

Table 1.1: Structure of the study

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
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<td>Introduction and background of the study</td>
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<td>2</td>
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CHAPTER TWO
INTERNATIONAL BUSINESS ENVIRONMENT

2.1 INTRODUCTION
Since the 18th century global economics was dominated by the feudal system of agriculture and local and international business were dominated by merchants (Galbraith 1994:1). The Industrial revolution and advancement of technology brought about new business ideas and possibilities of international trade and market. Thus most of business at domestic and international levels had to conform to the business environment. Firms at both levels that is, domestic and international had to evaluate, analyze and understand the forces driving the global firm. The purpose of this chapter is to review literature on the international business environment and to provide an understanding of the various concepts involved in international trade. In addition, the chapter will also endeavour to explain the business environment from the Tanzanian perspective.

2.2 IMPORTANCE OF THE INTERNATIONAL BUSINESS ENVIRONMENT
Business has facilitated modernisation and technological advancement of countries to eventually progress from the barter system to global business. Global trade plays a primary role in the growth of the economy of any nation. For instance, in Tanzania there has been an increase in the contribution of global business practices between 1998 and 2008 which contributed 11% of GDP. This was facilitated by more than 200 global enterprises in the country with a capital stock of foreign direct investments (FDI) of US$ 512.5 Million (The Economic Survey 2007:38).

According to Hill (2001) the boom of global business had outcomes of liberalisation, privatisation and globalisation (LPG) in various countries particularly the developing countries. These stimulated the rise of the following:
- Massive FDI’s from developed countries to developing countries with total stock of FDI’s Globally of 84.7 billion in 1997
- Flexible imports and export policies and regulations;
- Increasing employment and the standard of living.; and
- Expansion of world currency reserves and globalisation of financial institutions.
The operational global business needs to assess different environments and factors like the economy, politics, culture, law, and technology, according to Ball, McCulloch, Frantz, Geringer and Minor (2003). This environment comprises two dimensions, namely the controllable international business environment and the uncontrollable international business environment.

The international business environment is defined as forces acting on global firms from different nations which are not familiar to each other. Furthermore, these forces affect global business activity in a variety of ways and which can impinge not only on the transformation process itself, but also on the process of resource acquisition and on the creation and consumption of output (Worthington and Britton 2006:5).

Ball et al. (2003) suggested that the dimensions of the business environment is about classifying the types of business environments according to its markets, Figure 2.1 illustrates three types of business environments, the macro environment, marketing and micro environment.

According to Ball et al. (2003) macro environmental dimensions constitute all environments where management does not have the ability to control it; these are the external forces. The firm has a certain amount of control and ability to influence the market environment. The micro environment constitutes the firm and its 4Ps. That is its marketing mix (price, promotion, product and place). This micron micro environment comprises those elements in the firm’s internal environment over which the firm has complete control within the context (parameters) of its market and macro environments.
The expansion of a firm from a domestic to a global firm is faced with two main forces which determine market entry and understanding of the negotiations environment of global marketers. These are the controllable and uncontrollable forces that have an impact on the firm and the successful transition of a local firm to a global firm which need to be considered. The controllable forces are conceptualised as those forces which are internal, thus management can administer the adoption of changes in the uncontrollable forces that affect the firm. On the other hand uncontrollable forces are external to the firm and management cannot control them although they may have some influence through proper analysis of controllable forces (Ball et al. 2003).

Source: Adapted form Ball et al. (2003)
2.2.1 Controllable forces in international business environment

Worthington and Britten (2006) reported that a controllable force is the immediate or operational environment and it can be termed as the micro environment. Essentially these are forces that are closer to the global firm, since the organisation interacts most immediately with it. These include suppliers, customers, competitors, organisation resources and resource markets.

a) Suppliers

The supplier force is divided into two categories, namely, the supply of the firm's product to the market and the supply of resources needed by the firm for production of various goods and services. The supply of the firm's products is defined as the quantity that a firm is willing and able to supply to the market at a particular price (Worthington & Britton 2006:319). Thus the activities of producing the capacity of the firm which is due to a firm's intention to design products at a price that is reflective of the market needs.

An important force in the firm's micro environment is the suppliers that supply the inputs of raw materials and components to the firm. The importance of a reliable source of supply to the smooth functioning of the business is crucial. Worthington & Britton (2006:319) argued that uncertainty regarding the supply or other supply constraints often compels companies to maintain high inventories causing significant cost increases. Because of the sensitivity of supply, many firms attribute high importance to vendor development or vertical integration, where feasible, to solve overcome the problem of supply.

Furthermore, the risks are high for the firm should it have to depend on a single supplier because of strikes, lock out or any other production impediment that could seriously affect the firm. Similarly, a change in the attitude or behaviour of the supplier may also affect the firm. Hence, multiple sources of supply often help reduce such risks (Worthington & Britton 2006:319). The supply management assumes greater importance in a scarcity environment. Firm purchasing agents have to wine and dine suppliers in order to obtain favourable treatment during periods of shortages. This boils down to the purchasing department having to market itself to suppliers.
b) Customer
The major task of a business is to create and sustain customers. A business exists only because of its customers. Monitoring the customer sensitivity is therefore, a prerequisite for the business success. A firm may have different categories of consumers like individuals, households, industries and other commercial establishments, government and other institutions. The customer of a tyre firm, for example, may include individual automobile owners, automobile manufacturers, public sector transport undertakings and other transport operators.

According to Worthington & Britton (2006:319), depending on a single customer is often too great a risk because it may place the firm in a poor bargaining position, apart from the risks of losing business as a consequence of the winding up of business by the customer or due to the customer’s switching over to competitors of the firm. The choice of the customer segments should be made by considering a number of factors including the relative profitability, dependability, and stability of demand, growth prospects and the extent of competition.

c) Competitors
A firm’s competitors include not only the other firms that market the same or similar products, but also all those products that compete for the discretionary income of the consumers. The competition for a firm’s televisions, for example, may come not only from other Television manufacturers but also from two-wheelers, refrigerators, cooking ranges, stereo sets and the others from firms offering savings and investment schemes, such as, banks, Unit Trusts, financial companies. This competition among these products may be described as desire competition, as the primary task here is to influence the basic desire of the consumer. Such desire competition is generally very high in countries characterised by limited disposable income and many unsatisfied desires and, of course, with many alternatives for spending or investing the disposable income (Worthington & Britton 2006:319).

Ball et al. (2003) noted that if the consumer decides to spend his discretionary income on recreation or (recreation cum education) he will still be confronted with a number of alternatives from such products as television, stereo music centres and other diverse products. The competition among such alternatives, which satisfy a
particular category of desire, is called generic competition. If the consumer decides to acquire a television set, the next question is whether it should be a black and white or colour television with or without remote-control etc. In other words, there is also a product to choose from the competition and between different brands of the same product form. The implication of these different demands is that the marketer should strive to create primarily and selective demand for his products.

2.2.2 Uncontrollable forces of international business environment
In contrast to controllable forces, the uncontrollable forces are forces which comprise the macro environmental factors such as, economic, political, socio-cultural, technology and legal influences. These forces can emanate not only from local and national reserves, but also from an international perspective have an influence on global firms. A firm is said to have no control over these forces but it can adapt to it after careful scanning (Worthington & Britton 2006:6).

a) Economic and socio-economic forces
As a global firm considers where in the world it would build factories and sell products, it needs to scan the economic performance of the target country(s). Before a marketer makes a decision to confront a greater number of economic environments and in a situation where it needs to consider only the purely economic factors that exist, a scan of the economic system, or the current industrial sectors is important. Ball et al. (2003) maintain that a modern economy is characterised by what comprise the bases of a country’s economic wealth namely, skills and flexibility of its population, available infrastructure and wealth of technology, and as well as the relative level of ecological balance.

Furthermore, when a global firm enters overseas markets, economic analysis becomes more complex because new managers must now operate in two new environments. Foreign and international marketers should provide economic data both actual and prospective markets, by identifying and analyzing economic variables, which include population, natural environment, technology, the economic system, national income, balance of payment, exchange rate and foreign trade reserves. The analysis of this variable will determine the decision of the global firm.
regarding the favourability of the economic and source economic forces (Ball et al. (2003:237).

Managers require data on the size of the firm and the rate at change or many other economic and socio-economic factors for a global firm to estimate the foreign market potential as well as to provide input to the other financial aspects of the firm. Socio-economic data provide information on purchasing power. This means that, potential markets must have sufficient people with the means to buy the firm’s products (Ball et al. 2003:236).

Whilst, an analysis of the economic dimension of the economic and socio-economic forces is focused on economic indicators, gross national income, distribution of income, and private consumption expenditure. Personal ownership of goods, private investment, labour cost, exchange rates, inflation and interest rates, and the gross national income aggregate is the total of all final goods and services produced in a country; its gross domestic product (GDP) (Ball, et al. 2003). This is a value used to measure the size of economies. The question is, what is the relevance of GDP for an international marketer in a global firm? For instance, the GDP differs from country to country. Tanzania’s GDP was US$20,490 in 2009 compared to that of South Africa US$363.704million in 2009 (Mundi Index 2012).

Figure 2.1 shows the GDP data for economic regional integration in Africa despite the fact that some member states have dual membership. International marketers will be interested in the region which has a high real growth rate in its GDP, in this case the Southern African Development Countries (SADC). Marketers will calculate the economic data for individual countries and compare growth rates with that of their subsidiaries. This data will possibly give an indication of the existing market share. Figure 2.2 shows the GDP, growth rate of four regional blocks in sub-Sahara Africa from 2000-2005. The four regions depicted on the graph are: Common Market for Eastern and Southern Africa (COMES), East African Community (EAC), Southern African Development Countries (SADC), and the South African Customs Union (SACU).
When global marketers consider the market potential of a country or foreign region, they must have detailed information about the population’s physical attributes as a measure of social economic dimensions. Ball et al. (2003) identified total population and age distribution as the main concerns for the social dimension.

b) **Political environment**

It is clear that politics and business cannot be separated. Business activity takes place within and across state boundaries and frequently involves the government either directly or indirectly (Worthington & Britton 2006:42). The politics of the state can have a fundamental impact on business operations. The global marketer therefore has to make a detailed analysis of the political environment as well as making a number of general observations regarding political change and uncertainty and its impact on the business activities. Worthington & Britton (2006:42) provided the following useful guidelines for political environment assessment:

- Firstly, the nature of a country’s political system including its governmental institutions – tends to reflect certain underlying social values and philosophies
which help to determine how decisions are made, including decisions about the allocation of resources. Thus, while governments may come and go, the values on which their decisions are based, tend to be more enduring and as a result disputes normally centre around ‘means’ such as, sources of revenue, rather than ‘ends’ such as, controlling inflation. While this provides a certain degree of stability to the business environment, this stability cannot be taken for granted, as events in Eastern Europe have readily demonstrated. This indicates that, the political environment of business is a dynamic environment, containing elements of continuity and change, therefore students and practitioners of business alike, need to be constantly aware of developments in this area, if they are to gain a greater insight into the background of business decision making. (Worthington & Britton 2006:42).

- Secondly, changes in the political environment also emanate from a country’s institutional arrangements. The tendency in democratic states, for example, to have regular elections with competing political parties offering alternative policies, as well as a system of pressure groups, all help to generate a degree of discontinuity that renders predictions about the more uncertain future. For a business, such risks (or opportunities) are also normally reflected in the attitudes and behaviour of a country’s financial and other markets, this represents a further variable which at times can be critical for an organisation’s future prospects. Therefore, for many businesses, taking steps to maximise opportunities (or to minimise risk) may ultimately make the difference between short-term failure and long-term survival (Worthington & Britton 2006:42).

- Thirdly, it is important to emphasise that political influences are not restricted to national boundaries - a point emphasised by the increasing importance of international and supranational groupings such as, the G8 nations, the European Union and the World Trade Organisation, These external politico-economic influences form part of the environment in which a country’s governmental institutions take decisions; their impact on domestic policy and on business activity can often be fundamental (Worthington & Britton 2006:42).

- Fourthly, the precise impact of political factors on a business tends to vary according to the type of organisation involved. Multinational corporations operating on a global scale will be more concerned with questions such as, the
stability of overseas political regimes than the small local firm operating in a localised market, where the primary concern will be with local market conditions. There will undoubtedly be occasions when even locally based enterprises will be affected either directly or indirectly by political developments in other parts of the globe – as in the case of an interruption in supplies or the cancellation of a foreign order in which a small business is involved as a subcontractor. This indicates that, while some broad generalisations can be made about the impact of global (or domestic) political developments on an individual organisation, each case is to some extent unique in both space and time, and observers of the business scene need to be cautious and open-minded in their analysis if they are to avoid the dangers of over-simplification and empiricism (Worthington & Britton 2006:42).

• Finally, it needs to be recognised that businesses are not merely reactive to changes in the political environment; they can also help to shape the political context in which they operate. Furthermore, businesses can influence government decision makers, often in a way which is beneficial to their own perceived needs. One of the hallmarks of democracy is the right of individuals and groups to seek to influence government, and businesses – both individually and collectively. It would be a short-sighted to underestimate their impact on government policy or on the shaping of values in the established capitalist nations of Western Europe and elsewhere (Worthington & Britton 2006:42).

For international marketers to carry out political assessment of a country, variables such as, ideological, government stability, government policy and international commitment may be involved.

• **Ideology**
  During the 1960s up to the end of the 1980s Tanzania embraced socialism and the economic philosophy by that time was socialist economic approval whereby the government is the main owner or factors of production. The changes in this ideology altered the business environment. This manifested in the early 1990s when Tanzania transformed its political ideology from socialism to a mixed ideology (i.e. capitalism and socialism). This was followed by changes of
various economic policies among which was the liberalisation of means of production and privatisation.

When a global marketer analyses a political environment, it would be necessary to assess the ideology of the target country. An ideology is a set of integrated beliefs, theories and doctrines that help to direct the actions of a society. It is true that in all cases political ideological aspects are always intertwined with economic approaches or philosophies.

An International marketer has to be in a position to identify the bases of political ideology of communism, capitalism, socialism, conservatism or liberalism. Rugman and Collinson (2006:102) classified ideology in terms of resource allocation, market driven versus centrally determined and property ownership as well as private versus public. Whilst, market driven economic goods and services are allocated on the basis of a demand and supply driven market; in a centrally determined economy goods and services are allocated by a committee who decides what is to be offered in the market. In this system ownership of the factors of production is based on private ownership, for a market driven and public ownership for centrally determined economy. In between these two systems existed, the mixed economies, which are characterised by a combination of both systems. It means the private owners/firms owned some of the factors of production and the government owned some of factors of production. In this kind of system governments own utilities and infrastructure.

In Tanzania the economic system now in operation is a system of mixed economies. About 208 of the public companies in Tanzania have been privatised and the government maintains the key infrastructural systems such as telecommunications, post offices, the railways and others.

Apart from ideology, the international market has to assess the political party involved as well as other interested groups. Muhlbacher et al. 2006:140) postulated that political parties and interest groups play a significant role in influencing a country's market and political environment because they channel public opinion into the variation of government policies and laws.
• **Government stability**

In carrying out political analysis, an international marketer has to assess the government stability. According to Ball *et al.* (2003:348) government stability is stable if it remains in power and when its fiscal, monetary, and political policies are predictable and not subject to sudden or radical changes. Based on this perception government stability can be two dimensional namely, economic stability and political stability. Economic stability is the ability of a particular government to maintain its economic policies without a sudden or radical change. For example, since 2000 the Zimbabwean economic policy was unstable, which was due to land distribution and a political dispute between ZANUPF and MDC. Due to instability in the economic policy and massive inflation, Zimbabwe was regarded a great risk to new and existing Multinational enterprise (MNE) investment. On the other hand, political stability determines the investment attractiveness of a country. For example, Tanzania during the 1960s -1980s was politically stable, but political ideology of Tanzania, lead to political instability and was dangerous for global firms to invest in the country. Two important tasks of a stable government are to ensure a security pattern on investments, and the protection of investments.

• **Government Policy**

All policies governing trade and business, such as, trade policy, investment policies or the industrial policy and other related policies are formulated by professionals but sanctioned and endorsed by politicians. An international marketer has to evaluate the country’s trade and investment policy, which sets laws and rules that govern the flow of goods and services across the country’s borders (Muhlbacher *et al.* 2006:140).

These policies provide a framework for investment flow, exports and imports. For instance the trade and investment policies of Tanzania between the 1960s and 1980s were formulated in a way not to allow private companies to run businesses or to make investments due to political ideologies. The other dimension of government policy is the assessment of privatisation and
nationalisation. The last items regarding political assessment by global firms are called international commitment and regional integration.

c) Legal Environment

A global firm is confronted with the legal environment both in domestic and foreign countries. According to Muhlbacher et al. (2006) these are systems created by a society to govern its members' behaviour. International marketers should take note that rules and regulations are not unique to a particular country; in the global market each state has its own legal system. It is essential for global marketers to assess the legal systems of the target countries. In doing so, international marketers can assess the legal system and regulations that exist and the enforcement thereof.

As noted by (Muhlbucher et al. 2006:152) a country’s legal system determines the rules that govern the conduct of business. Each country has its own laws due to legal heritage. Laws are categorised into: common law, code law, socialist law and Islamic law. In Tanzania the country is governed by the common law. The code law spells out precisely what constitutes proper behaviour attainment; sometime interpretation is required. Contrary to those legal systems is the socialist law, the legal system of socialist countries is based on different views of a society. For Islamic law, whose main principal is the rule of God. It has significant distinguishing characteristics that sets it apart it from other legal systems which it is based on the Koran and Sunna. The Islamic legal system governs all dimensions of human behaviour and its rights are extensively concerned with the defiance of moral conduct.

An international marketer has to be able to analyse the implications these legal systems could have on the firm’s needs. A global firm that has an interest in acquiring or establishing a business, for example, in North Korea must appreciate that private ownership of means of production is not allowed. Thus, a business deal has to be concluded that includes government partnership. It should be noted that the objective of the business firm is shareholder wealth maximisation and the objective of the government could be to provide or stimulate employment or otherwise; which means these two objectives do not allow intersecting.
In assessing the legal environment, international marketers have to analyse various regulations that could impact on their business operations. These are taxation regulations, antitrust laws, the firm law, regulations on competition, and regulations concerning the market mix.

d) Social cultural

- Component and effect of culture in international business practices
  
  Culture has been defined in various ways, but most anthropologists view culture as the sum total of the beliefs, rules, techniques, institutions, and artefacts that characterise a human population (Ball et al. 2003:292). This means culture consists of the learned patterns of behaviour common to the members of a given society. According to Muhlbacher et al. (2006:180), culture is the collective programming of the minds that distinguish the members of one group of people from another. Therefore, global firms have to be concerned with culture, a firm must realise that there are cultural differences of their own, and need to also analyse that new culture in which they wish to establish their business. Since culture cannot distinguish itself from business practices, it is partly an external force that impacts on the operation of the business. Culture can harm business functions in marketing, human resource management, production and finance. In marketing, there are diverse variations in attitudes and values which prevent many firms from using the same marketing mix in all markets.

- Socio-Cultural Components
  
  Global marketers have to assess the cultures of the particular countries to be successful in their relationships with people in other countries. Ball et al. (2003) postulated that it is important for international business people to have cultural knowledge, which is relatively easy to obtain but they must also be sensitive to cultural differences and this is more difficult to manage. The concept of culture is very broad and it has to be broken down to facilitate this study. In this regard, in order to assess culture in foreign countries, marketers have to focus on, for example, the components of culture illustrated on Table 2.1.
Table 2.1: Socio-cultural components

<table>
<thead>
<tr>
<th>Degree of Sensitivity</th>
<th>Individual Behaviour</th>
<th>Norms and values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual</strong></td>
<td>Attitudes</td>
<td>Norms are accepted rules, standards and mode of behaviour, they influence buying decision.</td>
</tr>
<tr>
<td></td>
<td>Attentive to long term</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attitude toward achievement and war</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attitude toward change</td>
<td></td>
</tr>
<tr>
<td>Global firm marketers have to minimise what to cede of the global firm performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Global firm product</strong></td>
<td><strong>Aesthetics</strong></td>
<td><strong>Social-organisation</strong></td>
</tr>
<tr>
<td>Global firm’s product has to reflect the individual’s personality and buying behaviour</td>
<td>It is sense of beauty</td>
<td>Formal or informal congregate of the people behaviour</td>
</tr>
<tr>
<td></td>
<td>It is sense of good taste</td>
<td>This affects people’s behaviour in the buying decision</td>
</tr>
<tr>
<td></td>
<td>It is expressed in form of :-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● artistic product design</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● drama shown in the advertisement and promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● music and dance included in the advertisement and promotion</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed by researcher (2011)

Table 2.1 illustrates the four components of socio-cultural components that can be used as tools for analysing the cultural environment (Ball et al. 2003 and Muhlbacher et al. 2006). These are attitudes, norms and values, social organisation and aesthetics. Attitudes, norms and values are individual or personal characteristics of culture which have performance implications for the firm. Attitudes are those components which influence nearly all aspects of human behaviour and help to bring order in the society and individual. The role of an international manager is to understand why people behave as they do. International marketers have to analyse the buyers’ attitudes and belief implications on a firm’s performance. Attitude has a wide coverage but in respect of international business it refers to attitudes toward time, achievement, work and change (Ball et al. 2003:298).

Muhlbacher et al. (2006:99) defined value as an enduring belief with a specific mode of conduct or end state of existence and is personally or socially preferable to alternative modes of conduct or end states of existence. Furthermore, value influences customer perceptions as well as consumption behaviour. This indicates that, it underlies social norms, that is, accepted rules, standards and models of
behaviour that directly affect the buying decision process (Muhlbacher et al. 2006:199).

Values and norms have an implication on performance. Based on individual perspective such as, religion, for example, the Seventh Day Adventists do not work on Saturday, Muslims not on Friday and the Christian groups do not work on Sundays. For a global firm wanting to operate in a multi-religion environment like Lebanon or India, they need to assess the implications of these values on the firm’s performance. According to Hill (2000:88) values and norms that potentially have a significant impact on customer behaviour on consumption are related to risk and wealth concerns.

The other dimension of culture consists of aesthetics and socio-organisation. This is a socio-cultural component which is sensitive to the product of the global firm. An international marketer wanting to enter the foreign environment must ensure that their products do not conflict with activities and social groups they intend to offer to in these countries. These include production campaigning, product design, labelling, packaging and colour.

Muhlbacher et al. (2006:213) noted that aesthetics can be an expression of colour, forms, shapes and sounds. This means that aesthetics is perceived as a cultural sense of beauty and good taste. Ball et al. (2003:296) suggested that art, drama, music, folklore and dances express a sense of beauty and good taste in a culture. For global marketers it is important to take note of any form of product, shop and office or apartment design. It is an expression of aesthetics of a particular culture or subculture. Nike is out of the Middle East market because the art design on their shoes uses the word Nike and it is written in flaming letters which, according to Muslim culture has the connotation of the word Allah. However, global marketers should avoid market failure, for example, the poor assessment of aesthetics and art cause the market failure of Nike in Muslim countries. The market failure of John Player cigarettes, an English cigarette brand, which was introduced in China during a New Year festival, was associated with aesthetics of colour. John Player Special cigarettes, for example, are packed in a black box with gold trim, while to the Chinese community the black colour is an expression of bad fortune and bad luck.
On the other hand, a social organisation provides the framework of culture. This means that, social groups are unions of people, either formal or informal, with their own goals and needs which they share. Moreover, social groups create behaviour patterns for their members, and strongly affect members’ experiences in the buying decision. A global marketer should therefore strive to understand and have knowledge of social organisation in relation to the target market (Muhlbacher et al. 2006:215).

2.3 TANZANIAN BUSINESS ENVIRONMENT

It is observed that the Tanzanian economy has grown over a number of years, partly due to the rapid growth of mining, construction, trade, tourism and manufacturing. There are a number of factors that contribute to this performance of Tanzania. The business environment in Tanzania is favourable compared to neighbouring states such as Burundi, Rwanda and Uganda. An example, is the cost of exportation, which is lower in Tanzania than in the neighbouring states.

2.3.1 Historical growth of international business in Tanzania

The Tanzanian economy has grown rapidly in recent years because of the growth of international business transactions in various sectors. Compared to the early 1960s and late 1980s, the export trade of Tanzania has increased from about 15% of Gross Domestic Product (GDP) in 1990 to 22% of GDP in 2006. Various sectors that participate in international business transactions such as mining, construction, trade, tourism, manufacturing and agriculture have contributed to this growth. The growth of international business practices stimulated the growth of the GDP at 6.5% per year between 2000 and 2007. This signifies the increase from the 1980s and the 1990s when the growth average was 3.1% per year (ICA: 2009).

It is evident that the export of mining by foreign multinational corporations (MNCs) between 2001 and 2006 grew at an average rate of 15.7% per year followed by the agricultural sector, construction, trade, tourism, and manufacturing (ICA: 2009). Table 2.2 indicates Tanzania’s trade balance with EAC, SADC and the world during the 2003 – 2010 periods.
Table 2.2: Tanzania's trade balance with EAC, SADC and the world, 2003-2010

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-0.024</td>
<td>-0.296</td>
<td>-0.521</td>
<td>-1.084</td>
<td>-1.523</td>
<td>-2.114</td>
<td>-2.13</td>
<td>-1.973</td>
</tr>
<tr>
<td>EAC</td>
<td>-35.6</td>
<td>-42.3</td>
<td>-64.0</td>
<td>-56.7</td>
<td>66.5</td>
<td>110.7</td>
<td>-46.7</td>
<td>164.8</td>
</tr>
<tr>
<td>SADC</td>
<td>-233.7</td>
<td>213.4</td>
<td>-103.2</td>
<td>-284.8</td>
<td>-355.4</td>
<td>-510.2</td>
<td>-417.8</td>
<td>-202.6</td>
</tr>
</tbody>
</table>

Source: Tanzania Economic Survey (2010)

The significant growth of international business practices is a result of the good international business environment created by the Tanzanian government.

2.3.2 Globalisation of international business in Tanzania

Globalisation signifies the growing interdependence of countries resulting from the increasing integration of trade, finance, people and ideas in one global market place. International business becomes the main element of this integration. International business has created a network of globalisation that bind Tanzania with other institutions and individual countries to trade with in various sectors. The globalisation of international business was started in 1986 during structural adjustment programmes but massive growth of globalisation of international business was experienced during 1990s. Since, Tanzania was in a close economy, the globalisation of international business made the availability of international products and services possible to be accessed by private individuals.

Tanzania’s integration with other countries can be seen through one key economic indicator of globalisation, which is capital flows. The impact of capital flows can be viewed in foreign establishments by their export, import and technical know-how.
The figures in Table 2.3 show an increasing trend in the amount of FDI capital inflows and inward stock to Tanzania from 1995 to 2007. This indicates that Tanzania has attracted an increasing amount of foreign investment. There are a number of factors that have been driving the globalisation process in Tanzania. There are four categories of market globalisation drivers as identified by Yip (1992): Market globalisation drivers, Cost globalisation drivers, government globalisation drivers and competitive globalisation drivers. Other researchers viewed at globalisation as a result of Technological advances, trade and Investment liberation, internationalisation of business activities and human migration (ESRF & CUTS 2002).
Nevertheless, the question that remains is ‘what is the possible driver of globalisation of international business in Tanzania’ and ‘what impact does globalisation have on international business in Tanzania?’

a) Market globalisation
Tanzania has a population of 38 million people and its GDP Tsh 21,948,403, which increased at 6.1% from year 2000 to 2007 with an average income of TSh 548,388 in 2007. Tanzania found itself a target market of various multinational corporations (MNCs). For example in 1980 to 1990 there were 208 MNCs and from 2000 up to 2007 it grew to 1147 MNCs. The increase in the population and the MNCs in Tanzania is significant in terms of market globalisation (Economic Survey 2007).

b) Government Globalisation.
Another factor of globalisation of international business is a change in the political governance of Tanzania. Since its independence the country adopted a socialist political approach which comprised a closed economy that administered all business activities. In the early 1990s the Tanzanian government started to open up the economy by introducing economic liberalisation measures. The reforms that have been undertaken included trade liberalisation, privatisation of state-owned enterprises, public sector reforms and encouragement of foreign direct investment (FDI). This was done through the liberalisation of investment laws and markets. This measure attracted global corporations and increased the number of foreign companies. Due to these drivers, the globalisation of international business led to the final impact on Tanzania’s business activities: foreign corporation establishment, export and import trend (trade) as well as technical know-how.

- Foreign corporation establishment
Due to a number of reforms undertaken by the Tanzanian government, the country facilitated new entrants of foreign corporations. Most of these companies entered Tanzania in the form of FDIs, Joint Ventures and Franchises. A number of foreign corporations were established between 1990 and 2000. Tanzania for instance, from 1993 to 2005, received a total of US$250 million in FDIs. This is a remarkable acceleration for a country that received a zero inflow the preceding 15 years. Thus,
globalisation of international business has a significant impact growth in MNCs and capital inflow.

- Export and Import trade
Globalisation leads to an increase of export due to an increased number of Multinational Corporations. Tanzania shifted from an inward-oriented to an open market system, which impacted on trade performance at global and regional levels. Tanzania’s exports have increased by 18% between 1999 and 2003. However, the country faced some setbacks and experienced a high and continued impact on its growth that exacerbated the balance of payment situation. The globalisation in Tanzania intensified the deficit balance of payment, and the country depends on importation of goods and services.

- Technical know-how and spill over
Globalisation, which influences the flow of FDIs in Tanzania, encouraged the transfer of technical know-how from external sources. This transfer took place either through equity involvement or joint entries with local enterprises, licensing, turnkey projects, management contracts and subcontracts. In Tanzania there is a conforming of the transfer of technology, embodying products such as machinery, equipment and tools, as well as acquiring technical skills such as, management and organisational expertise, marketing, quality control and other skills. Standard Chartered Bank, Mtibwa Sugar Firm and Wonder Poor (T) Ltd have been documented as successful cases that show transfer of technical know-how (Musonda 2000).

2.3.3 Trade liberalisation and World Trade Organisation (WTO)
The Tanzanian economy progressed faster than ever due to the country utilising opportunities presented by the trade liberalisation and joining the WTO in 2005. Trade liberalisation can be defined as the gradual lifting of restrictions on trade through the removal of non-tariff barriers (NTBs) and the reduction in tariffs. Through the liberalisation of trade Tanzania has accrued the following advantages such as enhanced domestic productivity, efficiency; improved quality and low prices which ultimately led to improved consumer welfare.
The trade liberalisation reform started in 1984 and the process was gradual until 2005 when Tanzania decided to join the WTO which replaced GATT (General agreement of trade and tariffs). This decision has had a considerable impact on the performance of Tanzania’s international business practices, such as, increasing of MNCs; increasing contribution of the GDP on trade volumes; and significance of tariff reduction.

Due to the trade liberalisation process, the WTO in 2000 reported that Tanzania was doing well in eliminating export restrictions and foreign exchange control and had overall, made a concerted effort to create an environment conducive both to domestic and foreign investment (WTO Report 2008). As a member of the WTO, Tanzania is obliged to comply with the WTO principles namely, transparency, non-discrimination, special and differential treatment, and most fevered national.

2.3.4 Trade blocks and trade partners
Matambalya (2002) argued that, Tanzania at the primary level of international business practices influence a set of trade blocks and trade partners. Tanzania participates in two major blocks, namely, the East African Community (EAC) and the Southern African Development Community (SADC). Due to specific agreements, Tanzania links the European Union (EU) with 77 African, Caribbean and Pacific (ACP) states as a member of the ACP group of nations. Because Tanzania subscribes to the World Trade Organisation (WTO) its trade policies must be WTO-compatible.

At the secondary level, cooperation between regional blocks to which Tanzania subscribes and other regional blocs, constitute developments which affect the country’s trade policies. SADC, for instance, signed a cooperation agreement with the Association of South East Asian Nations (ASEAN), and made initial moves to introduce relationships with the Mercado Comun del Sur (MERCOSUR) which is the major trading block of the Latin American sub/region, and the North American Free Trade Area (NAFTA) (Matambalya 2002).
2.3.5 Tanzania’s competitive and comparative advantage

Tanzania is part of the globe, both as a market and as a production centre. For Tanzania to speed up growth, an analysis of Tanzania’s comparative and competitive advantages needs to be recognised and analysed. By doing so it will be possible to identify the growth drivers needed.

Comparative advantage is a situation in which a country specialises in producing goods more efficiently than its source country. It produces most efficiently and buys products less efficiently produced from other countries even if it could produce the goods more efficiently itself (Hill 2001:133). Thus, it has the ability to produce and deliver goods and services to the market at lower costs than others. It is based on a combination of readily available natural resources that provide a cost advantage and a positive market locally and internationally that takes up the production output.

According to Hill (2001) Tanzania’s comparative advantage is derived from its natural resource base, namely its strategic location (for transport and logistics), geological resources, for instance, minerals, ecological conditions, biodiversity and landscape for tourism. Much of Tanzania’s labour is of low quality, and hence, cheap labour cannot be a source of comparative advantage for the country. Tanzania once possessed a comparative advantage by producing a large range of agricultural products. However, much of this advantage has subsequently been lost through changes in global agricultural production and market parameters. However, to have a comparative advantage in agriculture requires knowledge and innovation which Tanzania does not currently possess. Despite its extensive land and large number of unskilled labour, Tanzania has lost ground in the global market over decades. This is a reminder that comparative advantage can be gained and lost. Similarly, the manufacturing sector requires a technically skilled labour force.

Competitive advantage, by comparison, is not based on naturally available resources, but rather on the basis of competitiveness such as productivity, quality, diversity and innovation. Comparative advantages will determine the initial choices of growth drivers because competitive advantages develop over time, depending on the level of technical and managerial expertise which is currently lacking in most sectors in Tanzania. It is logical that poorer countries such as, Tanzania need to focus first
on their comparative advantage, while striving in the longer term to develop areas of competitive advantage. Comparative and competitive advantages need to be sufficiently large to make a real impact in terms of growth. Internal markets alone are unlikely to support the scale for cost competitiveness. Table 2.4 shows the current and future comparative and competitive advantages of Tanzania in year 2007.

Table 2.4: Current and future comparative and competitive advantages in Tanzania

<table>
<thead>
<tr>
<th>Current Advantages</th>
<th>Future Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource Advantage</strong></td>
<td><strong>Potential Market</strong></td>
</tr>
<tr>
<td>Agricultural land</td>
<td>Domestic market</td>
</tr>
<tr>
<td>Specific ecological conditions</td>
<td>Europe</td>
</tr>
<tr>
<td>Geological conditions</td>
<td>Europe and North America</td>
</tr>
<tr>
<td>Tourism resources</td>
<td>Europe and North America</td>
</tr>
<tr>
<td>Geographical position</td>
<td>East/South Africa</td>
</tr>
<tr>
<td>Competitive labour costs</td>
<td></td>
</tr>
<tr>
<td>Logistics Hub</td>
<td></td>
</tr>
<tr>
<td>Technology based manufacturing and services</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Ministry of Planning, Economy, and Empowerment (2007)

a) Competitiveness of local firms and potential entry barriers

For an economy to effectively participate in global production, the degree of accessibility of the market needs to be determined. Production cost is the main factor that determines the accessibility of a market. However, there are other costs such as storage, transport costs, taxation, the cost of utilities, for example, water and electricity, the cost of labour, accessibility and the cost of financial capital, and accessibility of land. The manufacturing sector in Tanzania is dominated by food processing, beverages, agri-business, light manufacturing, and some textiles and footwear manufacturing, but still underdeveloped. The competitiveness of local firms
is still low, except for a few beverage, beer and cigarette firms, which have been able to compete with imported products.

Musonda (2000) postulated that production cost is very high in Tanzania, making its products less competitive in the international market. In Tanzania for instance, electricity costs US$1.11/kwh. The same unit of power costs US$0.075 in Uganda and US$0.035 in Kenya. Telephone charges per minute and connection costs are also comparatively high. Whereas in Kenya a telephone connection costs only US$99.70, Tanzanian users pay US$123.68 (Musonda 2000).

In Tanzania, large industries are few and medium sized ones are linked through cross directorship or equity holding. This means there is a high concentration of ownership and control. In the past there were significant barriers to market entry caused by extensive establishing and licensing procedures; to some extent these barriers have now been eased. Nevertheless, other obstacles to entry, such as difficult business licensing procedures, the legal framework, a lack of credit, high taxes that limit imports of raw materials and machinery, small local markets, protection, and a lack of export markets still prevail (ESRF & CUTS 2002).

- **Competition Policy**

The Competition Policy can be defined as a set of laws, regulations and institutions that control the behaviour of a dominant firm by preventing companies from becoming monopolistic through mergers and forbidding anti-competitive behaviour of the firm in a specific industry (Kahyarara 2008). Furthermore, the competition policy contains some instruments which include the competition law and competition regulations. Therefore, in Tanzania, it is through the adoption of legislation that it can be possible to prohibit anticompetitive conduct by the companies which could hinder competition in the markets.

Whilst, the competition law is one of a range of policies adopted by governments to advance the process of liberalisation and market development, others include trade, investment, and other general government policies which affect competition within an industry or market. The other instrument that is used by countries like Tanzania is regulation, of industries or markets in which market failures or particular sensitivities
and unfair competition are expected. According to Kahyarara (2008), a framework should be in place to regulate prices, trends, quantity or quality of products in a country. The competition policy shares many of the same tools (such as, rent and cost-of-capital) within that industry or market. Thus, regulation can be considered as an extreme instrument of competition law applied. However, regulation is different, for example, there is a principal/agent relationship between the regulator and the private sector provider (Taimoon, Clarke & Joekes 2007:17-19).

A competition policy is important to any development process to ensure the effective utilisation and allocation of resources, marketing, and pricing of those resources. In that regard the competition law as an instrument becomes an important source of market malfunction created by the market power.

According to Taimoon et al. (2007:18), the issue of competition addresses three main matters as follows:

- **Abuses of dominance.** Dominance, in an economic sense, refers to a disproportionate amount of market power in the hands of one firm. If a firm is sufficiently powerful, for instance, large enough relative to its market that it can act without taking into account how its competitors may respond, it may then be defined as dominant. Abuses of dominance include predatory pricing (pricing below cost to drive competitors out of a market and then raising prices after their demise), tying up distribution networks (not allowing distributors to carry competitors’ products) to exclude competitors in the market, denying competitors access to essential facilities without which they are unable to provide related goods or services and tied selling (requiring the purchase of a product not linked to the primary purchase).

- **Anticompetitive agreements,** including collusion by two or more firms to fix prices, create price inflating scarcity through jointly limiting production, divide markets geographically amongst colluders and rig bids in tendering for government contracts.

- **Merger control regulation** (MCR) generally requires that firms with joint market share above a designated percentage have to notify the competition authority of their intention to merge. The authority investigates and determines
whether the merger would lead to over concentration in the product markets in which the firms trade, or would substantially lessen competition in the markets. In most cases, mergers are allowed, with a requirement to divest products and production facilities where markets would be substantially affected by a lessening of competition. MCR ensures that prospective mergers do not lead to over-concentration in product markets and excessive market power that would expose the economy to a firm’s possible abuse of its dominant position. MCR is more powerful than the instruments available for abuses of dominance or anticompetitive agreements. This is because MCR is pre-emptive – economists would say ex-ante – whereby an authority can block an event (the merger) from occurring. Responses to the other two situations are reactive (ex-poste) whereby the events have already occurred. However, several countries do not provide for MCR in their law. The debate goes on whether MCR is relevant for developing countries, particularly small economies, where concentration may be necessary to achieve economies of scale and competitiveness, both in domestic and export markets. For instance, neither Peru nor Jamaica provide for MCR in their laws. However, there is a trend toward adoption of MCR because its value is increasingly being recognised (Taimoon et al. 2007:18).

b) Competition policy in Tanzania
A close look at manufacturing firms in Tanzania provides evidence in favour of the competition policy. Some studies show that efforts to protect consumers against anticompetitive practices have had a positive impact on the firm’s productivity and business investments, and thus, on economic performance as a whole (Kahyarara 2008).

Tanzania is one of the world’s poorest countries with an average gross domestic product of US$300 per capita, which is less than half the average level of other low income sub-Saharan African countries. Tanzania, like many other lesser developed nations, depends extensively on its agricultural sector, which employs 80 per cent of its population, but contributes just 45 per cent of the country’s GDP. The agricultural sector with low relative productivity indicates that there is a need to reach higher levels of investment and productivity in order to build the economy and reduce poverty (Kahyarara 2004). Therefore in Tanzania, a competition policy very quickly
activates significant increases in productivity and investment in the manufacturing sector.

According to Kahyarara (2004), the competition policy prior to the 1980s, did not exist in many developing countries and many manufacturing firms in developing countries were natural monopolies under state ownership. The presence of a large state sector partly explains why many did not find it necessary to have a competition policy. Manufacturing has been one of the key economic sectors to benefit from the competition policy. The existence of a competitive environment always motivates firms to make different decisions concerning investment, training, technology, and the selection of inputs, and thereby raising their productivity levels. Through fair competition domestic firms can be assured of future certainty, which gives them substantial incentives to invest in improving the efficiency of their operations. However the effects of strong competition can of course reflect negatively on some enterprises (Kahyarara 2008).

2.3.6 Challenges of Tanzania’s business environment

a) On balance of trade
The balance of trade is the difference between the total monetary value of export and the total import of goods and services. The balance of trade explains the relationship between export and import for a given country’s economy. Furthermore, it shows two dimensions of a country’s performance in trade, which could have a positive or favourable balance of trade, or a negative or unfavourable balance of trade. A favourable (positive) balance of trade is a situation where exports are more than the imports for a particular country. It is also known as a surplus balance of trade. On the other hand, an unfavourable (negative) balance of trade is a situation where the imports are more than exports for a country; this is also known as a deficit balance of trade. Since the balance of trade forms part of the current account it is preferable for a country to have a surplus balance of trade. The main participants in export and import trade are multinational corporations.

A major challenge associated with Tanzania’s business environment is the status of its balance of trade. Despite impressive macroeconomic performances in the
business environment, Tanzanian exports over the past decade (1995-2005) remained dismally low. Data showed that between 1996 and 2003 exports were increasing, but from 2003 to 2005 it declined by an average of 0.6% per annum, resulting in a deficit trade balance. The trend of deficits on merchandise trade up to 2007 increased by 32.5% of US$2,820.3 compared to 2005 and 2006 which was US$2,128.1. This became a challenge to Tanzania. Much needs to be done to improve the merchandise export (Kweka & Mboya 2004, and Economic Survey 2008).

b) Productivity

Productivity can be defined as the proper use of resources such as labour, capital land and technology. It explains the relationship between the output generated by a production or services system and the input provided to create this output (Prokopenko 1992:3). In any economy it is essential to measure productivity, thus enabling a country to predict to what extent the resources are utilised in the country.

The structure of Tanzania’s economy is dominated by agriculture, while that of the manufacturing is dominated by food and beverages, mainly for historical reasons. These structures have not changed for decades, due to limited resources to implement structural changes. Between 1990s and 2000s Tanzania made many reforms in the production sectors, including reform of various policies and establishment of various authorities and institutions in order to stimulate production and improve competitiveness in the country. The significance of this reform can be observed from the investment policy and trade policy. Through the investment policy, the number of potential investors has increased consequent investment in production activities; manufacturing, especially, has increased as a result of improved productivity. In addition, the trade policy managed to raise the efficiency and extended linkages in domestic production, and building a diversified competitive export sector as a means of stimulating higher rates of growth and development.

Table 2.5 indicates that Tanzania experienced a general growth in labour productivity and total factor productivity over the past decade; however, there was capital deepening during 1967-1985 compared to the reform period 1986-2000. This means that capital was less productive during 1967-1985, and for the period 1986-
2000 labour productivity growth declined marginally by 0.4%, while total factor productivity growth was the highest, implying that the impressive growth performance during 1986-2000 could be associated more with the growth in total factor productivity, as shown in Table 2.5.

Table 2.5: Change in the growth of GDP and source of growth in Tanzania

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Capital depending</td>
<td>-1.6</td>
<td>4.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Labour productivity growth</td>
<td>0.7</td>
<td>1.3</td>
<td>-0.9</td>
</tr>
<tr>
<td>Total factor productivity growth</td>
<td>2.4</td>
<td>-0.3</td>
<td>6.2</td>
</tr>
<tr>
<td>GDP growth</td>
<td>3.3</td>
<td>2.8</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: UNIDO data (2005)

The decline in productivity during the period 1986-2000 can be ascribed to the political environment and economic structure in which Tanzania was operating at the time. The frustration was caused by the government decision of 5 February 1967 that promulgated the “Arusha Declaration” whereby government exercised the effective control of principal factors of production. This was a time that most of the MNCs left the country.

2.4 THE ROLE OF THE FIRM IN THE BUSINESS ENVIRONMENT

a) The Tanzanian setting

In order to explain the role of firms in the business environment, it is necessary to focus on the survey conducted by Doing Business 2011, “A case of Tanzania.” According to the Index of Economic Freedom, Tanzania's ranking improved (2012) reflecting some improvement in six out of ten economic freedoms. The country scores above the world average in fiscal freedom, investment freedom, and government size. The economy has grown at the rate of 7% annually for the last five years. Over 70% of the firms in the Enterprise Survey (2006) ranked electricity as the greatest obstacle to a firm’s investment decision. According to the World Economic Forum’s Global Competitiveness Report (2007-08), the three most problematic factors for doing business are inadequate supply of infrastructure, access to financing, and tax rates.
(b) The setting of the firm

To determine the main role of the firm in the business environment is to analyse a firm’s best practices either at the time of entry decision or during negotiations. Traditionally two approaches were used to determine the SWOT position of the firm. A marketer has the task of developing a strategic plan as a process of evaluating the enterprises environment and its internal strengths and then identifying long and short range activities. The market has to develop three sets of strategies; strategic formulation, strategic implementation and strategic control and evaluation.

This is a process of analysing the firm’s business environment as to which are uncontrollable/controllable or external/ internal environments. The process also evaluates internal strengths of the firm for the purpose of establishing the firm’s opportunities. In this process external and internal analyses of the firm’s business environment have to be assessed.

External (uncontrollable forces) can be analysed through the following activities: firstly, information gathering and secondly information assessment. Marketers often have to use qualitative and quantities approaches of data collection strategies to collect information about important issues of the external environment.

Rugman and Collinson (2006) developed the following four methods of evaluating the environment and forecast the firm’s future:

- Question industrial experts on industry trends;
- Use secondary data of historical trends to forecast the future;
- Asking a knowledgeable manager to develop scenarios and indicate the way forward for the firm; and
- The use of computer simulation.

Information gathering helps the firm to determine its strengths and weaknesses. The second activity a marketer has to perform is information assessment. It is recommended to use Porter’s Five Forces analysis to make an overall assessment of industry competitiveness in terms of the buyer, suppliers, potential entrants to the
industry, the availability of substitute commodities and rivalry among the competitors. Furthermore, the internal environment can be analysed by using the value chain model. The aim of an internal environmental assessment is to determine the strengths and weaknesses of the firm. A marketer has to assess physical resources and personnel competencies.

c) **Strategy implementation**

This is a process of attaining goals by using a firm’s structure to execute the formulated strategy properly. The strategy implementation can focus on the following areas: location, ownership and function.

d) **Strategy control and evaluation**

A firm, after formulating a strategy and implementing the formulated strategy, has the role of controlling and evaluating these formulated strategies. The logic of this process is to examine how well a firm has done, and what corrective actions should be taken in the light of this performance.

2.5 **SUMMARY**

In summary Chapter Two described the business environment and its importance to the global firm. The main objective of this chapter was to illustrate the setting of Tanzania’s business environment and trends in the business environment. As observed from literature, Tanzania is striving for the best in its business environment. Both the investment climate and business environment attracted a number of foreign companies to invest in Tanzania. Most of the MNCs that evaluated the micro and macro business environments of Tanzania found it to be a good destination for investment.
CHAPTER THREE
BUSINESS BEHAVIOUR OF THE GLOBAL FIRM

3.1 INTRODUCTION
The business behaviour and business rule help the firm to establish its position in the market and identity suitable market-entry approaches. At first the chapter provides literature on how marketers behave when a new marketer penetrates the marketing environment. In this chapter an overview of types of marketers’ behaviour, such as confrontation and cooperation with various attributes will be discussed. Secondly, the chapter also focuses on internationalisation of the firm as well as exit and market entry approaches of the firm. Lastly, business rule as part of the firm behaviour is explained in this chapter.

3.2 BEHAVIOUR OF THE FIRM
The behaviour of a firm is the development of methodology where abstractions from policies and practices of the firm are adopted and used. They are in a form to be utilised by managers and subordinates in order to establish a monopoly in the mind of a customer. Anderson (1997) suggested that the behaviour of the firm is intended to assert the business structure or control or to influence the rule of a firm. Furthermore, the behaviour of the firm helps a corporate business to implement its strategic position that realises the decision of a firm’s expansion in the market through various negotiations. On the other hand, the position of the firm is the ability of the monopoly of its customers, which needs a balance of management on the behaviour of the firm. However, due to challenges existing in the international business environment most of the firm behaviours’ set by the management can be either more, or less aggressive.

The behaviour of the firm in the international market can be in two ways; confrontation with competitors and cooperation with partners and this determines the rule of business behaviour.

3.2.1 Confrontation
In global market competition a firm may find itself losing the target market. This is not a zero sum game; instead the firm can win its competitor if it sets the confrontation
strategies properly. This means that the firm’s rule of business behaviour must contain a statement on when and how to seek confrontation with all outsiders such as suppliers, stakeholders, competitors and others. Muhlbacher et al. (2006:366) identified four confrontation strategies, namely, frontal attack, flanking, market encirclement, and bypassing. These strategies become useful to marketing managers when dealing with the challenges of competition in a marketing environment.

(a) Frontal attack

The global firm may use the frontal attack as a hostile movement of force towards the competitor’s tactics. Kotler (1981) maintained that the frontal attack occurs when a company takes all of their forces and places them directly opposite of the opponent. For a firm to use the frontal attack it should be a large firm or an asset of the firm in the industry. Nevertheless, these firms must have substantial resources and significant competitive advantages through their products and services. According to Muhlbacher et al. (2006) referred to the frontal attack that focuses on the limited price and value as a cost-and quality based frontal attack. Chinese and Korean firms, for example, use this strategy, in a global market where quality, price, and low cost are the main focus to participate in competition with profitable benefits. Samsung and Life Good (LG) for instance, have launched the frontal attack with their home appliance products. Their products are of high quality and lower prices compared to other products from different producers such as Sony, Hitachi and others.

However, Kotler (1985) suggested that another type of the frontal attack is the pure limited frontal attack. This strategy focuses on specific customers and tries to lure them away from competitors. A firm which decides to use the limited frontal attack needs to pay much attention to the specific needs of the target customer so that they can convince them of the superior benefits of the product. When the Samsung, for example, introduced their mobile phone handset, they used the limited frontal attack which targeted the middle class consumer and it had all the needed attributes. This was a contention against the Nokia and Sony. Muhlbacher et al. (2006) further suggest that another type of frontal attack is the price based frontal attack. It relies on commodity features that are similar to those of competitors. The aggressor
focuses mainly on the price of a product to gain more customers. This strategy was used by the Samsung Company when they introduced the Samsung Galaxy to compete with Ipad from Apple Companies. The product essentials are the same despite the fact that the galaxy was more developed by the Android technology. The prices of Galaxy were relatively cheaper than those of the Ipad. Value-based frontal attack is another type of frontal attack, which relies on product or service differentiation through distinctiveness other than price. Since the global firm engaged in research and development of their product, it is easy for them to attain competitive advantages, thus creating differences which determine the company's distinctive capabilities. LG and Samsung, for example, constantly improve their products. Therefore, a value-based frontal attack can succeed only when customers and intermediaries in the distribution system perceive the firm's product as more attractive than competitors' offerings. Kotler (1985) suggested that the frontal attack strategy also involves matching a competitor's product in all areas of marketing. This means that the product's price, promotional tools, and other attributes of the product are matched versus other competitor's marketing mix elements. Basically, the pure frontal attack is taking a "look alike" or "me too" strategy. When using the pure frontal attack, companies should be prepared to spend large sums of money.

(b) Flanking
Major competitors hold a strong position in the primary segment and when no existing brand fully satisfies the needs of customer, and then a flank attack can be used. A flanking attack is an offensive marketing strategy used to utilise competitors' weaknesses. Yannopoulous (2011) maintained that flanking attacks are based on the principle of the path of least resistance, attacking competitors in areas which they are least capable of defending. Furthermore, a global firm may be able to capture a significant share of market size by concentrating primarily on one large untapped segment. According to Muhlbacher et al. (2006), this usually can be done through developing product features or a service tailored to the needs and preferences of the target customers together with the appropriate promotional and pricing policy to quickly build the selected demand. The Chinese mobile phone maker HUAWEI, for instance penetrated the global market by focusing on a low-price but to the best quality segment. Furthermore, Spulber (1998) suggested that a global firm using the flanking attack should try to escape detection by established competitors to avoid
retaliation as well as try to appear as a specialist interested only in its niche and not in its competitors’ markets. It should also give the impression that it is in a different line of business. Thus, the more different the entrant’s product is, the better the chance of not being detected. Also, successful flanking attackers differentiate their products in a way that appears to be in a different category to avoid direct confrontation with established competitors (Spulber 1998).

(c) Market encirclements

The encirclement strategy involves the firm targeting several smaller untapped or undeveloped segments in the market simultaneously (Kotler & Keller 2012). Furthermore, the ideal of this behaviour is to surround the main competitive brand with a variety of offerings aimed at several peripheral segments. This strategy makes most sense when the market is fragmented into many different applications, segments or geographical regions with somewhat unique needs or tastes. In addition, a firm should strive for superiority in all areas. Encirclement attacks the competitor from all sides simultaneously. In Tanzania, for example, in the soft drinks industry, the main players are Pepsi Cola and Coca Cola, but, a new brand came on the market of soft drinks with the name of Azam Cola giving the customer a number of varieties of flavours such as Apple Soda, Malt, Cola, Strawberry and Mango. This was an encirclement attack at all angles for Coca-Cola and Pepsi Cola, and even some brewery companies are producing malt. According to (Kotler 1981) there are two types of encirclement strategies namely; product encirclement and market encirclement. Product encirclement introduces products with many different qualities, styles, and features that overwhelm the competition’s product line, Bakhresa food products with the brand name Azam serves as a good sample in the soft drink line. The market encirclement strategy even goes beyond the end user, and focuses on the distribution channels. There are some risks to be aware of when employing the encirclement strategy. Having substantial resources and organisational commitment are factors needed before using the encirclement strategy. Because it is necessary to have these two requirements; winning a battle through encirclement takes a great deal of time.
(d) Bypassing
According to Muhlbacher et al. (2006) and Kotler (1985) there are basically three types of bypass strategy, namely, develop new products, diversify into unrelated products, and expand into new geographical markets for existing products. Developing new products is a fairly easily understood bypass method. Rather than copying the leader, the competitor creates entirely new products thus gaining a larger market share of an untapped market. Diversifying into unrelated products is a second type of bypass strategy. Rather than remaining in a single-industry business the firm will venture out into product lines that are different from their one single product. Sony has employed this bypass strategy through entering the restaurant and construction business. One reason companies may use this bypass strategy is the large amount of congestion in the competitive battleground. For example, if a company produces a new product, the company basically moves the new product to a new level within the same product market area. Moving into digital and electronic watches may bypass the mechanical watch market. However, the company is still fighting for a position within the watch industry. Conversely, Kotler (1985) maintained that movement into an entirely new geographical market usually allows a company to bypass competitors completely.

3.2.2 Cooperation
A firm can behave friendly by adopting the cooperation behaviour strategies. Muhlbacher et al. (2006) reported that there is a range of approaches that can be used, namely, defining ‘new’ product markets, changing the “rules of the game” and entering strategic partnerships. For example, a company creates a “new” product market, that is, by defining target customers and benefits provided to them in a highly sophisticated manner (Muhlbacher et al. 2006). For example, Japanese Bandai Digital Entertainment, instead of seeking head-on confrontation with PC manufacturers, unveiled Pippin, a stripped-down Macintosh developed with Apple that looked like a videogame machine, offered internet access and CD-ROM, and plugged into a TV set. The company created its own new market (Muhlbacher et al. 2006). Potential customers either do not perceive well-positioned companies and products as directly comparable to each other or they appreciate having a choice between various offers for different purposes. All stakeholders in the market may subjectively profit or benefit from it.
(a) Changing the “Rules of the Game”
An approach that can be used once a company does not blindly imitate the way its competitors behave in a market but bases its actions on a thorough business intelligence tool to analyse business systems and how customer values can best be created. By doing this analysis it is possible for business to change some “rules of the game” hence, a firm can establish a “new” market with less competition. Muhlbacher et al. (2006) has found that experienced business clients and knowledgeable consumers looking for example, for the most cutting-edge PC models know what they want – and therefore, are ready to order hardware over the phone or internet.

(b) Entering into strategic partnerships
The globalization of markets and the increasing speed of technological developments as well as international market introductions of new products force even traditionally fervent competitors to enter strategic partnership. For example, more than 25 major truck companies worldwide have joined together in over 300 strategic partnerships. Peugeot and Fiat as well as Ford Land Rover and Volkswagen have joint ventures where minivans are produced and sold under the brand names of each of the partners. Renault, Europe’s fourth-largest producer of heavy trucks, cooperates with MAN, Germany’s second-largest heavy truck maker, and in another business with General Motors to develop and market light commercial vehicles called panel vans (Muhlbacher et al. 2006).

Many small and medium-sized companies that wish to become international marketers possess the required technical know-how to offer attractive products and services. But they lack the international experience or financial and personnel resources to confront their competitors in many markets simultaneously or to acquire business to reach the competitive advantages needed for success. Thus, cooperation may allow companies to enter more markets, faster, cheaper, and with a broader product line than if they tried it alone (Muhlbacher et al. 2006).
3.2.3 Cooperation and entry market modes

(a) Form of Cooperation
Root (1994) suggested that a global firm can happen to experience problems on financial, and human resources. Moreover, a company can add-on its strengths or weakness with those of partners through cooperation. Cooperation can be in various forms, namely, business clusters, supply agreements, licensing agreements, joint ventures, and strategic alliances even with competitors.

(b) Market Entry Modes
According to Root (1994) international businesses have long been known to belong to the large and rich companies. However, this view has changed in the last few years since evidence indicates that small and medium-sized companies have emerged and they play the most important role in international business as most companies and economies are affected by today’s global events. Root (1994) defined an entry mode as an institutional arrangement that makes it possible for a company to enter a foreign market through the means of products, technology, human skills, management or other sources. This definition covers a host of a country’s production and marketing modes as well as export modes. The decision of how to enter a foreign market can have a significant impact on the results. According to (Johasson 2006) expansion into foreign markets can be achieved via the following four mechanisms:

- **Exporting** - exporting is classified into two groups; indirect exporting and direct exporting. Indirect exporting refers to the use of home country agencies (trading companies, exporting management firms) to get the product to the foreign market. Direct exporting means a firm itself contacts the buyers abroad, be their independent agents and distributors or the firm’s own subsidiaries. The firm may decide to use direct sales including mail order and e-commerce.

- **Licensing** involves offering a foreign company the rights to use the firm’s proprietary technology and other know-how, usually in return for a fee plus a royalty on revenues. Among licensing modes, franchising has become a well-
known alternative with the expansion of global hotel and fast food chains. In franchising the firm provides technological expertise to the reseller abroad and also helps with the management of the franchise and often with capital investment that is needed to start up.

- **Strategic alliance** is the collaboration between companies, sometimes competitors, to exchange or share some value activities. Examples include joint research and development (R & D), shared manufacturing, and distribution alliances. Furthermore, strategic alliances are in the form of joint ventures. Joint ventures are a type of strategic alliance in which partners create an equity based new unity.

- **Wholly owned manufacturing subsidiaries** occur when the production takes place in the host country through a wholly owned manufacturing subsidiary, the company commits investment capital in plant and machinery that was at risk in the country. This mode of entry to the foreign markets is referred to as Foreign Direct Investment (FDI). A wholly owned manufacturing subsidiary can involve investment in a new manufacturing assembly plant (such as Sony TV plant in San Diego) or the acquisition of the existing plant (Matsushita’s purchase of Motorola’s TV plant outside Chicago).

### 3.3 BEHAVIOUR OF THE FIRM IN INTERNATIONALISATION PROCESS

The motivation for firms to enter into a particular overseas market is either to exploit advantages that the firm possesses, to strengthen an existing one or to develop a new product through the normally related one. On the other hand, the choice of the MNCs to participate in the overseas market can be described as a decision regarding the mode of entry through Transaction Cost (TC), Organisation Capacity (OC) or Bargaining Power (BP). The decision on an entry may be reached after MNCs have made careful considerations of the options mentioned above. Furthermore, the decision to enter an overseas market is stimulated by theories on the entry mode approach, which are grouped into three different paradigms: Market Imperfect Paradigm, Behaviour Paradigm and Market Failure Paradigm. Table 3.1
below, adapted from Sharma and Erramilli (2004), illustrates the paradigm of entry mode theories

### Table 3.1: Market entry mode theory

<table>
<thead>
<tr>
<th>Paradigm</th>
<th>Entry mode choice theory</th>
<th>Explanatory constructs</th>
<th>Entry mode alternative choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market imperfection Paradigm</td>
<td>1 Hymer’s theory</td>
<td>This factor paradigm is created by controlling a number of existing and potential competitors through mergers, acquisitions, contract binding and binding on higher entry barriers.</td>
<td>1 Foreign direct investment</td>
</tr>
<tr>
<td></td>
<td>2 IPLC theory</td>
<td></td>
<td>2 Joint venture</td>
</tr>
<tr>
<td>Behavioural paradigm</td>
<td>1 Internationalisation theory</td>
<td></td>
<td>1 Direct and indirect export</td>
</tr>
<tr>
<td></td>
<td>2 Organisation capacity</td>
<td></td>
<td>2 Licensing and contracts</td>
</tr>
<tr>
<td></td>
<td>3 Evolutionary and revolutionary</td>
<td></td>
<td>3 Joint venture and subsidiaries</td>
</tr>
<tr>
<td></td>
<td>4 Bargain power theory</td>
<td></td>
<td>4 Wholly owned manufacture and FDIs</td>
</tr>
<tr>
<td>Market failure paradigm</td>
<td>1 Managerial theory</td>
<td>This paradigm argues that if the MNCs on entry are left to their own devices, they cannot always operate on economic or social desirability. It considers that market and hierarchies are the alternative modes of performing an economic function for MNCs, and the choice of one market’s entry mode over another is based upon its relative efficiency.</td>
<td>1 Direct and indirect export</td>
</tr>
<tr>
<td></td>
<td>2 Transaction cost theory</td>
<td></td>
<td>2 Licensing and contracts</td>
</tr>
<tr>
<td></td>
<td>3 Eclectic theory</td>
<td></td>
<td>3 Joint venture and subsidiaries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4 wholly owned manufacture and FDIs</td>
</tr>
</tbody>
</table>

**Source:** Sharma and Erramilli (2004)

### 3.3.1 Entry mode theory

The entry mode alternative choice originated from theories of international investment decisions. These theories focused on the explained problem of
international production and international marketing. The decision on the choice of alternative mode of market entry is not dogmatic. In this study a number of theories that explain how decisions can be reached more accurately are discussed. According to Sharma and Erramill (2004) theories of the market entry can be classified into the following three paradigms:

(a) **Hymer thesis theory**
This theory was propounded by Sterfen Hymer in 1960 and published for the first time in 1971. The Hymer theory gave great insights to the market entry mode of Multinational Corporation as it focuses on international production rather than on trade. This theory considered that the key requirements for an individual firm in a given industry are to invest overseas and become an MNC. Hymer (1960) pointed out that the home grown monopolists, due to segmentation of the national market, brought monopolists into the contract. The competition between monopolistic firms would generate (peculiar) externalities, through a merger of those firms, or through the acquisition of one firm by another. As noted by Jean and Wacziarg (2003) the crux of the Hymer theory was that MNCs were instruments by which competitors reduced competition in industries where larger barriers to entry had been created and were sustaining local monopolists.

Hymer’s (1960) thesis made two contributions. The first one is the Foreign Direct Investment (FDI) which responds to attractive returns on capital. MNCs will thus respond to the overseas market if they ensure that they have positive returns on capital. The second one is the association between the market failure and FDI. Yamin (2000) argued that the important theoretical shortcoming of the interest differential theory was that it did not explain control. Furthermore, FDIs are referred to as an “international operation” because of equity ownership, licensing, formal cartels or tacit collusion. As a result, the firm of one nationality can control the decision of another firm. Yamin (2000) revealed that, Hymer’s (1960) thesis specifically, was concerned with the internal operation of a firm. The interest was mainly in explaining the initial act of an international operation rather than the growth of a Multinational Corporation on the foreign market. Therefore, the theory raises the foundation for the firm to control other firms in foreign countries through merges rather than foreign direct investment.
Despite the contribution from Hymer’s thesis, the theory does not provide sufficient reasons for the emerging and development of multinational corporations (MNCs). Hymer also failed to explain the presence of MNCs in highly competitive industries, such as textile, car rental and fast food (Johnson & Vahlne 1977). Furthermore, this theory falls under the category of market imperfection, because it maintains that an entry mode of the firm is a function of the degree of market imperfection for its existing monopolistic advantage.

(b) Evolutionary and re-evolutionary
The behavioural theory takes into consideration the behavioural factors in the internationalisation process of MNCs because it looks at behavioural factors as a driving force. Luo (1999) as well as Johnson and Vahlne (1977) argued that any given step is seen as an integral part of the whole process. The fulcrum of the theory is evolutionary return rather than revolutionary. This means that, the movement from the law commitment mode occurs gradually, over time although some firms may leapfrog over some steps or speed up the whole process (Luo 1999). Actually, the MNC expansion behaviour, especially, of small or inexperienced firms, follows the learning of current accumulating competence, knowledge and confidence.

The significance of this theory is that it recognises the fact that MNCs initial foreign involvement usually takes place in the markets that are culturally and geographically proximate (Luo 1999). Furthermore, Chung (1995) stated, that the internationalisation process, is one that increases its commitment to foreign markets. MNCs more specially form no international operation (foreign market) to export to, than to oversee sales or subsidiaries and ultimately to oversize production (foreign direct investment). The process of the firm, in becoming involved in the oversize market, relates to the ability of MNCs to accumulate experience and local knowledge.

Relevant knowledge and experience are acquired prominently through the actual presence and activities in a foreign market. Without appropriate experience and knowledge there tends to be a stronger sense of risk and uncertainty among decision makers, which is likely to constrain the entry decision.
(c) Managerial theory
According to this theory, the entry mode selection is a result of the managerial decision process, which is influenced by the expectations of economic performance as well as the dynamics of internal and external organisation demands (Tallman & Shenkar 1994). The emphasis of this paradigm is that in the process of choosing the entry mode the manager has to assess and investigate the economic and non-economic factors and all limited information a firm has in order to make a satisfactory choice. According to Luo (1999) decisions are made by humans, not merely driven by the invisible forces of technology, transactional cost and economics or resource dependency. Due to their divisional, functional and interpersonal affiliations, managers have variable degrees of access to relevant information, depending on the benefits and costs that they may accrue personally. It is clear that the management choice of the entry mode is an attempt to reduce uncertainty and to improve performance in the host market. Managers in MNCs are constrained by idiosyncratic resources, world expansion strategies and concerns related to their inherently bounded rationality.

(d) Organisational capacity
Another paradigm addressing the entry mode decision is the capacity of the organisation. This perspective is based on the notions of bounder rationality and incrementally provides a control role to organisational routines in determining some form of behaviour (Cyert & March 1993). This paradigm regards the firm as a bundle of relatively static and transferable resources, which are transformed into capabilities through the dynamic and interactive firm-specific process in which individual skills, organisation and technology are inextricably woven. Capabilities therefore encompass resources and give them sustainable value.

(e) International product life cycle (IPLC)
This theory asserts that the internationalisation of MNCs is a long, slow, and incremental process. According to the IPLC firms engage in domestic production in the early stage of the product life cycle. As the marketing of the processed product reaches maturity during that time, product specification and manufacturing processes are stabilised, price competition becomes intense and the markets in developing countries become essential to the firm’s success. The theory was
proposed by Johnson and Vahlner (1977). Later on it was enhanced and applied by Brooke (1986) to explain the market entry mode decisions. According to Zhao and Decker (2004) the entry mode decision depends on the stage of a firm’s development. The theory still has some shortcomings, for it provides a set of feasible entry modes but not the right ones (Young, Hamill & Davies 1989). It also fails to explain why a newly established firm starts entry with a wholly owned venture but not export and that is why it is not dominant on the market entry literature.

(f) Transaction cost
Transaction cost explicitly views a firm as a governance structure. This theory argues that the MNCs governance structure is chosen with the desire to minimise transacting costs and as a tool to explain economic problems where asset specificity plays a key role (Williamson 1975; 1989). The costs of conducting economic exchange in a market may exceed the costs of organising the exchange within a firm. Therefore, transaction costs are costs of running the governance systems of the business which may include ex-ante costs, such as drafting, negotiating contracts and export costs such as monitoring and enforcing agreements.

Cost, for the decision makers is the basis of their decision. If for instance, the transaction costs are low, MNCs will prefer market governance where less control is needed, which could be export and license. But if the costs of concluding a business transaction are very high then MNCs will prefer an internal governance structure which may include joint ventures and wholly owned subsidiaries (Luo 1999). Therefore, the main contribution of this theory is that it explains clearly how transaction costs can be used to make a decision about controlling the foreign market. This means that a proper analysis of the economic costs of MNCs to the host country has to be undertaken before a decision is taken.

3.4 BUSINESS RULE
Ronald (2003:3) defines a business rule as “a directive intended to influence or guide business behaviour”. This means that business rules shape the behaviour of a business and guide the behaviour of the business’ employees. Therefore, business rules explain what is allowed and what is not allowed. A business rule model also explains the consequences of violation: what happens when a rule is violated. On
the other hand, Zachman (1987) perceived a business rule as a statement that defines or constrains some aspect of the business. Furthermore, it is anticipated to support the business structure or to control or influence the behaviour of the business. Thus, business rule can be viewed from two perspectives, first, as a directive to enhance business performance, secondly, as guidelines to shape business behaviour between customers and employees. The rationale of a business rule is to shape behaviour and provide the guideline for customers and employees.

The following are the categories of the statement of the business rule according to Guide Business Rule Project (2000) in Ronald 2003:

- **Definitions of business terms**
  The most basic element of a business rule is the language used to express it. The very definition of a term is itself a business rule which describes how people think and talk about things. Thus, defining a term is establishing a category of business rule. Terms have traditionally been documented in glossaries or as entities in an entity/relationship model.

- **Facts relating terms to each other**
  The nature or operating structure of an organisation can be described in terms of the facts which relate terms to each other. To say that a customer can place an order is a business rule. Facts can be documented as natural language sentences or as relationships, attributes, and generalisation structures in a graphical model.

- **Constraints (here called ‘action assertions’)**
  Every enterprise constrains behaviour in some way, and this is closely related to constraints on what data may or may not be updated. To prevent a record from being made is, in many cases, to prevent an action from taking place. Constraints are discussed in Chapter Five as ‘Action Assertions.’

- **Derivations**
  Business rules (including laws of nature) define how knowledge in one form may be transformed into other knowledge, possibly in a different form. Derivations are discussed in Chapter Six as ‘Derivations.’
3.4.1 Business rule forms

Formulating a business rule statement is often iterative and heuristic, where most rules begin as general statements of procedure. It is possible for the policy to be formal and specific but it can be described in a general and informal fashion, and it often remains for the employees to translate it into meaningful specific statements of what to do. Most of these statements are often still in the nature of business ramblings, without discipline. As noted by Halle (1994) rambling implies “that these sentences are sometimes clear, sometimes (perhaps deliberately) ambiguous, and most of the time, contain more than one idea.” In spite of these shortcomings, business ramblings are usually an analyst’s starting point for deriving more formal statements of business rules. Thus in order to formulate good business rules the following principals have to be taken into consideration:

- **Explicit expression.** The statement of business rules needs an explicit expression, either graphically or as formal (logic-based) language.
- **Coherent representation.** Business rules have to become part of the commonly practiced system; it is desirable for there to be a single, coherent representation for all kinds of business rules.
- **Evolutionary extension.** Conceptually representation of constraints can be thought of as an extension, for example, to entity/relationship diagram notation, adding constraints to the structural elements of a diagram.
- **Declarative nature.** Business is not procedural it can be conditional. It portrays a desirable, possible state that is suggested, required or prohibited.

Bridgeland and zahavi (2009) identified six forms of business rule that a global negotiator may encounter. These are: Obligation Statements, Permissive Statements, Restricted Possibility Statements, Impossibility Statements, Necessity Statements and Restricted Permissive Statements. The matrix below provides a guideline with more detail on how to formulate a business rule statement.
### Table 3.2: Business rule forms

<table>
<thead>
<tr>
<th>Operative rule</th>
<th>Constrains on operative rule</th>
<th>Structural rule</th>
<th>Constrains on structural rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligation statement: <em>what business should try to ensure</em></td>
<td>A business rule which obliges users to ensure that something is true. A formation of obligation statement begins with the phrase “it is obligatory that” and then continues with what is demanded. For example greenbacks only.</td>
<td>Necessity statement</td>
<td>It is a statement on anything that remains true. Truths about the world and the way business is defined in the world. The necessity statement starts with a/the phrase “it is necessary that”; it includes the assurance statements.</td>
</tr>
<tr>
<td>Prohibitive statement: <em>what business should try to prevent</em></td>
<td>This is the rule that presents preventive measures to users. The statements start with the phrase “it is prohibited that” then followed with phrases which show a banned situation, an expression of what must be false.</td>
<td>Impossibility statement</td>
<td>These are statements which always state what is always false. In design, the business rule reflects impossibility; it starts with a phrase of an incorrect situation and condition of impossibility in scope.</td>
</tr>
<tr>
<td>Restrictive permissive statement: <em>what business should allow under certain conditions</em></td>
<td>This is the rule which allows something but restricts the condition under which it is allowed. The statement includes the permitted situations which describe what is allowed then follows a restriction statement.</td>
<td>Restricted possibility statement</td>
<td>These are structural statements describing something that is true by definition.</td>
</tr>
</tbody>
</table>

Source: Developed by researcher

### 3.4.2 Types of Business Rule

(a) **A structural assertion**

These are rules which define some aspects of the structure of a business. They include a statement that something of importance to the business either exists as a concept of interest or exists in relationship to another object of interest. Structural assertions are frequently portrayed by entity/relationship models. It details a specific, static aspect of the business; expressing things known or how known things fit together Ronald (2003).

(b) **An action assertion**

It is a statement of a constraint or condition that limits or controls the actions of the business. An action assertion is a statement that concerns some dynamic aspect of the business. It specifies constraints on the results that
actions can produce. The constraints are described nonprocedural, in terms of the other atomic business rules. Where the structural assertions describe possibilities, action assertions impose constraints ‘must’ or, ‘should’ or ‘must not’ or, ‘should not’ (Ronald 2003).

(c) A derivation

It is a statement of knowledge that is derived from other knowledge in the business. A base fact is a fact that is a given in the world and is remembered (stored) in the system. A derived fact is created by an inference or a mathematical calculation from terms, facts, other derivations, or even action assertions (Ronald 2003).

3.5 SUMMARY

In this chapter the theoretical review on behaviour of the firm in local and foreign markets was presented. A review of various scholars’ proposition on behaviour of the firm was discussed. The purpose of this chapter was to link global firm negotiation practices, which will be discussed in the next chapter to the understanding of the behaviour of the firm in the market. Since most of the firms’ negotiations involve customers, suppliers, rivals and government agents, thus, by knowing firm behaviour, Marketers would be in a position to prepare a set of negotiation strategies based on understanding the opponent’s behaviour in an aggressive market structure.
CHAPTER FOUR

GLOBAL BUSINESS NEGOTIATION PRACTISES IN TANZANIA

4.1 INTRODUCTION

Business survives within the environment of negotiators from the procurement of means for production up to the selling of final products. This chapter focuses on describing the details of the negotiation process in a global firm. The chapter commences by providing the details of the phenomena of negotiations and proceeds by briefly discussing the main dimensions of negotiation. The global business perspective, some practices of negotiation in business transaction in Tanzania as well as challenges and success practices of negotiations in a global firm will be discussed in this chapter. Success story and failure story will also be discussed.

4.2 NATURE OF NEGOTIATION

Due to the lack of a generalised definition of negotiation, the term has been defined and interpreted in various ways by researchers depending on their research perspective. However, despite the differing existing definitions of negotiation, there is a somewhat general agreement of what the term implies, which is that negotiation in the first place involves a group of persons or parties and secondly, a course of interaction leading to agreement.

According to Salacuse (2003:3), the term negotiation stems from the Roman word “negotiation” meaning to carry on business and is derived from the Latin root words “neg” (not) and “otium” (ease or leisure). By implication negotiation, starting from its definition up to practice is not an easy task.

The search for a definition of negotiation by researchers began in the 1960s. Social psychologists consider negotiation as a preparation process, where two or more parties consisting of individuals, groups or other social entities, together prepare a potential future agreement (Sawyer & Guetzkow 1965;466-520).

The other groups of psychological strategies try to explain negotiations as a process of satisfying certain needs. This is because negotiation is a situation that stresses
every ambition made by individuals in order to satisfy a need for something (Nierenberg 1968:4). Furthermore, from a psychologist's approach, and the researcher's perspective, negotiation is defined as the possible means of getting things accomplished when parties need to deal with each other to get those things done. Therefore, it can be said that negotiation is all about the social decision making between two parties either through persuasion or bargaining (Drukman 1977:416; Strauss1978; Pruitt 1981).

Another approach to define negotiation is by looking at political scientists. For them negotiation is a process in which two or more parties make a joint decision having presented their contractual demands and then moved towards an agreement. For political scientists, negotiation advocates for parties which share mutual interest as well as facing some disagreement.

Global business negotiation can be defined as a process whereby two or more parties from different countries interact in a business deal with the goal of reaching an agreement (Phatak & Habbiy 1996:1). Moreover, these parties may have common interests in various business transactions including the sale of a product to a foreign buyer, the promotion of a joint venture between two companies of different nationalities to share distribution channels in a third country, an acquisition or franchising.

4.3 NEGOTIATION APPROACHES
Global business negotiation consists of two distinct processes which are creating value and creaming value (Sebenius 1992:28). These are two fundamental aspects of negotiating strategy that exists in cycle with one another. In any negotiation, parties must decide whether to be competitive, cooperative or some of both. In other words, parties have to create values or claim values. The two concepts comprise what is called “negotiator dilemma” because the best outcome for one person is not necessarily the best for both, but if both parties pursue their best options, they will often both get the worst outcome (Lax & Sebenius 1986).
4.3.1 Creating value

Creating value is a cooperative process whereby the parties in negotiation seem to realise the full potential benefits of the relationship. Sebenius (1992:28) explained that creating values is a process of reaching mutually beneficial agreements, with the aim of jointly deciding and preventing conflict escalation. In order for the parties to do this, they require an approach which is associated with a “win-win” integrative or variable sum (Lax & Sebenius 2004). The key to creating value is finding interests that the parties have in common or that complement each other, thus, to generate gainful options. It is normally helpful for information to be shared openly, communication enhanced, creativity spared, joint problem solving emphasised, and hostilities productively channelled. Negotiation analysts such as Walton and Mckensie (1965); Fisher et al. (1983); Raiffa (1996); Pruitt and Rubin (1986) offered insights into creating value by cooperative behaviour.

If parties adopt the integrative approach, in other words the cooperative style, it is necessary for the parties to have an analytical guide as to the underlying bases for joint gains. Lax and Sebenius (1986) developed three factors which call for possible mutual benefits from cooperation; they argued that these factors are raw materials from which negotiators “can create values”. The first factor is to cultivate shared interest; although this is not paramount, global business negotiators may want the same settlement on some issues and agreement. Furthering their relation or acting in accordance with an identical interest such as a shared vision, ideology or norm of equity may “create value” in an agreement in line with an integrative approach.

The second factor is exploiting scale economies. This can be achieved if parties have collective goods alliances, economies of scale or they have a certain requirement for minimum numbers of parties that exist. In that case the agreement among similar bargaining parties can create value.

The third factor is dovetailing differences. People instinctively seek common groups and believe that differences divide people. It is often precisely the difference among negotiators that constitutes the raw material for creating values. Each class of difference has a characteristic type of agreement that facilitates its conversion into
mutual benefit. For example differences in the tax status, liquidity, or market access suggests arbitrage.

There are a number of empirical studies which have taken various differences and analysed their implied joint gain which is creating value interest. The emphasis is on cooperative behaviour, whereby negotiators use an integrative approach in order to arrive at a win-win situation.

4.3.2 Claiming value
Claiming value is essentially a competitive behaviour. In this process negotiators use a distributive approach in order to attain a zero sum or win/lose outcome. The distributive approach originated from the field of labour negotiations, and it is described as an asset of behaviour, for dividing a fixed pool of resources (Walton & Mckensie 1965).

Claiming value is a crucial aspect of most negotiations, in this process, the value claimed by one party implies less for others. Cross and Rosenthal (1999) argued that a gain for one party translates into equal losses for the other. The objective of the claiming value by using the distributive approach is the maximisation of unilateral gain through which each party strives to obtain the largest possible share of the fixed benefit (Walton & Mckensie 1965; Raiffa 1982; Lax & Sebenius 1986).

Several broad classes of tactics can be adopted by global business negotiators for claiming value. Various examples have been cited by Walton and Mckensie 1965; Raiffa 1982 and Lax and Sebenius 1986, in their analysis of tactics involved. This analysis includes withholding information, cloudy communication, shaping perceptions of alternatives to agreement, making company commitment to positions, influencing aspirations, taking strong positions, manipulating patterns of concessions, holding valued issue “hostage”, linking issues and interests for leverage, misleading other parties as well as exploiting cultural and other expectations. If a negotiator uses these tactics, it implies that one party seeks advantage by influencing another’s perception of the bargaining range (Sebenius 1992:30).
4.4 GLOBAL BUSINESS NEGOTIATOR’S DILEMMA

Lax and Sebenius (1992) referred to a negotiator’s predicament as a situation where each party comes with a different approach, behaviour, tactic and desired outcome. This makes the process of negotiation difficult to manage as each party tries to push the deal in favour of their side. Therefore, the tension which is developed by negotiators on their approaches between cooperative (creating value) and competitive (claiming value) results in a dilemma for negotiators. Table 4.1 illustrates the global business negotiators’ approaches, behaviour, tactics, and outcomes matrix.

Table 4.1 Global Business Negotiation Matrix

<table>
<thead>
<tr>
<th>Global Business negotiator</th>
<th>Claiming Value</th>
<th>Creating value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach</td>
<td>Distributive</td>
<td>Integrative</td>
</tr>
<tr>
<td>Behaviour</td>
<td>Competitive</td>
<td>Cooperative</td>
</tr>
<tr>
<td>Tactics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Withholding information</td>
<td></td>
<td>• Share interest</td>
</tr>
<tr>
<td>• Opaque communicate</td>
<td></td>
<td>• Collective goods alliance</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Zero some win-lose</td>
<td>win-win mutual gain</td>
</tr>
</tbody>
</table>

Source: Developed by researcher

The negotiator’s dilemma can be avoided, if both parties cooperate. They will both have a win-win (favourable) outcome, but if one party cooperates and the other competes, the cooperative party will definitely not succeed in achieving the desired outcome whilst the competitive party will be achieving his desired end result at the expense of the other. If both parties compete, they both will get unsatisfactory results. Therefore, the dilemma is that both parties are better off if they both cooperate; however, this depends on whether parties can persuade one another to cooperate or find a common ground in terms of achieving the same goal. Either way, this creates a tension which has to be minimised by both parties.
It is true that most of the negotiation literature advocates for negotiator to avoid a ‘win-lose’ or ‘lose–win outcome’. But they stress the actual approach of minimising the tension among the global business negotiators. Based on various literatures global business negotiators can minimise their tension of creating value and claiming value through the following suggestions:

Global business negotiators have to apply principles of negotiations. The outcome of negotiating depends on terms of agreement, however, that agreement can have a number of parameters, such as, win-win, win-lose, and lose–win outcomes. A satisfactory agreement is the sensible one that is effective and resourceful to both parties’ relationship. Fischer et al. (1983:7) noted that a sensible agreement satisfies both parties’ interests and are fair and lasting. The essential point is how the negotiator’s dilemma can be balanced so as to reach reliable and trustworthy agreements. The principled negotiation is a more effective way to reach sound and beneficial agreements and this certainly will balance the negotiators dilemma (Mc Call & Warrington 1989:28, Fisher et al. 1983:13-42).

Fisher et al. (1983) developed principles of negotiation that provide clear and simple method of managing the predicament in negotiations on business transactions that can be used under any circumstances. According to Fisher et al. (1983) the following are the four principles:

- Separate the people from the problem
  This entails accurate perceptions of the problems or conflict which lay, not in objective reality but in people’s fears, hopes and emotions. Any solution has to address this in terms of the needs of the opponents. In the process, the problem should be separated from the people, for example, not reacting directly by being subjective and opinionated for example, that is, being vocal about the idea, situation or opinion being unacceptable. A more acceptable response would be to express a personal view in a more self-directed manner for example, express one’s feeling of concern that one has and needs to considerately suggest different interpretations regarding the matter under discussion, which gives an open view that can be shared by all participants without personalising it.
• Focus on interests not positions
Negotiators can talk just as hard about their interests as about their positions. It is the combination of support and attack which is most effective in achieving satisfactory outcomes, for instance, support in terms of trying to meet both parties’ interests which may be related to their security, recognition or sustenance of self-image, attack in terms of fighting hard on the substantive issues.

• Invent options for mutual gain
This is the creative aspect of negotiation and seeks to broaden the options of the parties. If for example, agreements cannot be made on substantive issues, then it can possibly be made on procedural issues. Also, if comprehensive agreement cannot be made, perhaps partial agreement can and if unconditional agreement cannot be achieved, then perhaps a contingent agreement can.

• Insist on objective criteria
This focuses on principle not pressure, and involves a joint search for objective criteria which would include fair standards and fair procedure. Such an approach produces wise agreements and protects a relationship which would be threatened by an approach in which there is a constant battle for dominance.

Global business negotiators are reluctant to use these four principles since they suggest a mutual gain based on conflict of interests. Negotiators have to insist that the result be based on some fair standards independent of the will of either side. This method can balance the global business negotiators dilemma on creating and claiming value, by the virtue that the method employs no tricks and no posturing.

Retaliation approach is the other solution to balance the global negotiator’s dilemma in creating value and claiming value. Under this approach global business negotiators can adopt three characteristics, namely, forthcoming, provicable, as explained by Sebenius (1992) that, if an exchange of information is permitted between parties, there is a possibility that both negotiating parties will create value, and this will prevent ‘provicable’ by value claimer.
4.5 GLOBAL BUSINESS NEGOTIATION ENVIRONMENT

Any business negotiation is taking place within the setting of business environment which consists of common interest, conflicting interest, compromise and criteria. This is referred to as intercultural atmosphere surrounding global business negotiators.

4.5.1 Components of global business negotiations

Kapoor (1975:2) maintained that common interest, conflicting interest, compromise and criteria (4Cs) are the reflection of both parties in negotiations. The Common Interest is something to negotiate. It implies that each party has or does something to negotiate about what is considered to be a common conflict, for instance, one party wants to buy a product and the other party wants to sell the product, here the conflict is what we call barging price within the realisation point. Areas of interest can vary due to the nature of the negotiations, for example, Hendon, Hendon & Herbig (1999) suggest a few, such as payment distribution, profits, contractual responsibility and quality as common areas where conflicts can arise, due to the existence of common interest, parties found in the context of give out and taking in. Kapoor (1975) suggested that compromise involves resolving the conflict which exists between parties. Furthermore, the compromise can translate into outcomes of the negotiators which could be agreement with outcome in win-win, win-lose or lose-win negotiation technique. This compromise is done under a specific criterion which is determined by the negotiation objective as well as the conditions under which the negotiation takes place.

4.5.2 Business environment and global firm negotiations

Global business negotiation takes place in the context of environment which includes the political, economic social and cultural environment (Ghauri (2003). Salacuse (2003:76) explained these environments as barriers for deal making in international business negotiations. Phatak (2007) viewed this context as a contextual environment which negotiators cannot control but they can influence after carrying out an analysis of the external forces. Despite the various interpretations of the scholars the environment is important in any negotiation. Thus, global firm negotiators have to perform an in-depth analysis of the environment before deciding on the strategies for negotiation.
4.5.3 Inter culture and global business negotiations

Zartman (1993:19) viewed culture as a “vague” concept, difficult to define or at least with no real consensus, form all the different approaches and disciplines that are concerned with the concept.

Global business negotiators must be confident with their own culture and counterpart's culture since the great diversity of the working cultures makes it impossible for any global business negotiators (GBN), no matter how skilled and experienced, to understand fully all the cultures; to understand the negotiating style and approaches of the counterpart from a cultural point of view. It may help a negotiator on Global Business Negotiations (GBN) to determine how their own styles appear to those counterparts on the other side of the bargaining table (Salacious 1998).

4.5.4 Scanning the business environment and 4Cs

The global firm negotiator has to scan these environments because of the following: Firstly, international business transactions that involve negotiations are shaped by certain factors which are not similar to domestic business, and secondly these factors are different from one country to another. A negotiator has to develop a mechanism which will be used to scan the environmental context as global business negotiations are done in the context of the 4Cs, and the environment. Also, the negotiator, needs to be aware that the four Cs are within their ability of control and influence by assessing their strengths and weaknesses.

However, if a party will be in a position to identify the problem and common interest and common conflict, then it will be possible to determine strengths or weaknesses of the other party. This means that, based on the strength, the party has a mutual interest and is willing to cooperate, whilst, based on weaknesses, the party has failed to identify their position interest and they cannot cooperate. The advantage is that, the party can adjust the negotiable transaction for a better deal. Also under the 4Cs scenario, parties have to provide compromises and criteria. The same chain of command can be adopted, if parties manage to determine the strengths they will compromise and come up with criteria on a negotiable transaction.
On the other hand, the environmental setting can be scanned by five determinant scanning tools (5Ds). These tools have been developed by researchers in order to help negotiators to scan the environment. Scanning the environment is an activity which has to be done by the negotiators’ teams, It is clear that negotiators of both parties have no ability to control the environment of the other parties. However, parties can influence these environments by scanning them. 5D-scanning tools are a procedural step which aims to identify the threats and opportunities that exist in the environmental contextual. The following are the 5D-scanning tool steps:

- **Determine broad trends.** Experts in negotiation teams have to determine the scope of environment towards the negotiations transaction. For example, the negotiation is about an acquisition of a company by a foreign company. Hired parties have to identify a key environment which can become a barrier in the negotiation. Therefore, political and legal systems are the main environments which experts have to scan. Legal and political environments are main determinants of mergers and acquisitions. After identifying this key environment parties have to establish the level of threats and opportunities in that key environment.

- **Determine the relevance of an environmental trend.** It should be clear that for the team, not all environments may be relevant for the negotiations. Negotiators must select trend environments that have greater significance for the negotiable transaction.

- **Determine the impact of the trend.** Any environment in global business negotiations can pose either a threat or an opportunity for parties involved in the negotiation. A team has to assess all environmental trends at various levels with the aim of identifying the threat so that they can adjust the negotiating transaction, or opportunity, in order to come up with strategies to explore for mutual advantages.

- **Determine the forecasting.** A team has to establish the analysis mechanism for forecasting the environment in the short run and long run. This will help the parities to negotiate with confidence on the deal.
• **Determine the outcome.**

Based on environmental trends and their impact, negotiators need to review their negotiation strategies so as to fit with the expected outcome whether it is win-win, win-lose or lose-win negotiation. For example, if the environment poses a threat, lose-win outcome in the long run, parties have to restructure their deal in light of the environment.

Therefore, if global business negotiators use this tool they will be in a position to negotiate without fear. Ghauri (2003), Kapoor (1975), McCall and Warrington (1989) and Salacuse (1998, 2003), have explained and illustrated these environments, however, none of them has explained any mechanism to scan the environment. Figure 4.1, below illustrates the scanning procedures.

**Figure 4.1: Scanning procedures for context 4Cs and environment**

Figure 4.1 demonstrates the scanning tools which can be adopted by negotiators in the process of negotiation. In respect of understanding the environment, the 4Cs undoubtedy yield the acceptable outcomes for both parties which is a win-win
(desirable end result for both parties) and a few in a lose-lose (undesirable end result to both parties) outcome.

4.5.5 Global firm negotiator styles
In view of the particularly common conflicts of the 4Cs, all business transactions have an element of conflict of interests at the base of negotiations transaction. The existence of barging zone and reservation point for each party stimulates the level of conflict in global business negotiations. Business transactions are said to be in conflict when two or more negotiators appear to be incompatible or opposite. When this situation occurs the usual way of resolving conflict in business transactions are to negotiate. The negotiations involve styles which are behaviours that negotiators can adopt. Raiffa (1982:35-43) used a case study of Elmtree house to demonstrate a conflict in business transition by explaining the reservation price, that is the minimum price a seller can offer. In this case the conflict was on reservation price where the buyer demanded for a greater reduction based on the buyer’s reservation price. This means each party has a different reservation price. To resolve this conflict parties have to negotiate on the reservation price which will yield a mutual benefit to both parties.

Global business negotiations consist of the process of creating value and claiming value, for negotiators to succeed this process has to advance behaviours or styles that can be used either to satisfy negotiators’ own needs or creating relations with other parties (Coburn 2009). Negotiators’ behaviour has been reported on by various researchers. However, Thomas (1976) identified five models for handling a conflict as a management style. The taxonomy developed was originated by Blake and Mouton and was continually improved upon from time to time. According to Thomas (1992:266) the following five models for handling conflict are classified in two dimensions, namely, assertiveness and cooperation:

- Competing
  The competing style is as high as collaborating on the assertive axis, but on the low end of the cooperative axis. The competing style correlates to the “hard-bargaining” approach. In this style the goals are highly important to them and relationship is of minor importance. Once a global negotiator opts for this style they seek to achieve
their goals at all cost. The goal can be achieved by trying to persuade the other party to make concessions. Under a competitive strategy, the other party may be convinced to reach an agreement by augmenting its strategy to encourage concessions, firming commitment to demands, refusing to reveal/share information, delaying, misrepresenting, rejecting the other's demands for concessions, withholding concessions, refusing to exchange offers and threatening walkout or retaliation.

Bhattacharya (2005) noted that the competitive mode of behaviour may be useful to achieve the desired results on some of the issues under negotiation, but it may also lead to impatience and loss of flexibility, leaving little room for movement towards cooperative approaches and a constructive solution to the conflict.

- **Collaborating**
The collaborating style is at the high end of both the assertive and cooperative axes. A global negotiator who chooses this approach has to view conflict as a problem to be solved and to seek a solution that achieves both their goals and the goals of the counter party. In this style negotiators engage in collaboration without losing sight of their own principles and interests, each party works through the differences separating them and learn from each other's point of view and experiences.

This choice of style may be implemented by signalling desire for agreement, exchanging information about needs, and prioritising, brainstorming and joint assessment of options (Bhattacharya 2005).

- **Compromising**
Figure 4.2 shows that compromising is splitting the difference, or “giving a little to get a little.” Effective negotiators inevitably use all five approaches at one point or another. Global negotiators who choose this style are concerned about their own goals and their relationships with others. In finding the middle ground between two extreme positions, they are willing to sacrifice part of their goals and relationships in order to find agreement for the common good.
• **Avoiding**
This behaviour combines non-cooperative behaviour with a lack of assertiveness, generally leading to a no-win solution where the interests of none of the parties are met. Global negotiators who choose this style abandon their goals and relationships. This strategy could be used to defer or postpone awkward issues that might not be amenable to an agreement until a more favourable moment. It is a position that is extremely versatile and possibly useful, but, it should be used in a focused and targeted manner, since frequent avoidance of conflict reduces the chances of satisfactory results in the future (Bhattacharya 2005).

• **Accommodating**
Accommodating entails showing high attentiveness to the needs of one’s negotiating counterpart but less assertiveness in pursuing one’s own interests. The focus of this style is to give highest priority to cooperation and reaching an agreement (United State Institute of Peace 2010).

In the setting of global business negotiation these models can be used to explain styles or behaviours of negotiators. All five could be the best depending on situations or contextual 4Cs and the negotiation business environment. The choice among the five styles should be based on the following: importance of the negotiation, consequences of non-agreement, and common interests of the parties, relationship quality and power to impose demands. Figure 4:2 below demonstrates the five styles in relation to two dimensions of satisfying negotiator needs and creation of relation.
In this improved taxonomy, a global negotiator has two dimensions of relations and satisfying personal needs. Negotiators may concern creating relations that mean that they have to adopt an accommodative style or collaborative style. Figure 4.2 shows that the accommodative style supports the satisfaction of personal needs, this means that, the relationship will result in one party winning and the other compromising. Therefore, this style does not contribute to achieving mutual benefits. If the choice is collaborative, the relationship types refer to both parties getting the desirable end result. However, the question is how long the situation can last. This style is good for negotiators to adopt as behaviour for negotiators.

If negotiators are concerned about satisfying their personal needs they have to achieve either avoiding behaviour or competing behaviour. If the style adopted is avoiding, it will yield dissatisfactory results as it indicates that none of the parties is prepared to compromise, this means that one party will only lose if he/she decides to yield to pressure. This, in this scenario, is experienced by negotiators only if the
negotiator really needs to sacrifice something to win. But if negotiators decide to adopt a competing behaviour, the negotiators, to satisfy their personal needs, will have to compete. This style can sometimes be adopted when the circumstances allow or accommodate only one winner to obtain desirable end results.

In essence, the aim of negotiation is not to create more conflict by driving the other party away empty handed or to compete to win without the proper criteria of objectives. Therefore, a good negotiator is one that makes an effort to achieve mutual satisfaction and this can be attained by negotiators that adopt the compromise style or behaviour. Hence, this can be referred to as balancing the negotiator dilemma. The compromise style promises an achievement of desirable end results for both parties (outcome), some with criteria impacting the bargaining zone, whilst, an agreement which base or criteria is not achieved both parties will be dissatisfied with the negotiation outcome.

4.6 GLOBAL BUSINESS NEGOTIATION PROCESS

The global business negotiations process presented here is divided into three phases; the pre-negotiation phase, face-to-face phase and post-negotiations phase. Ghauri & Usunier (2002:7) maintained that a phase in the process refers to a specific stage of the process and includes all actions and communications by any party to the negotiation during that relevant stage. Since parties communicate and exchange information during each stage, it is possible for the parties to decide either to proceed with negotiations or to abandon negotiations. Each phase has its own specific need and different skills required (Figure 4:1). For instance, pre-negotiation phase is when parties try to understand each other whilst, the face-to-face phase, analytical phase plus the post-negotiations techniques need the negotiators to pay more attention to using their negotiation skills to achieve satisfactory outcomes. According to Ghauri & Usunier (2002:7-11) the following are the negotiation process phases:

- Pre-negotiations phase
  In the pre-negotiation phase, each party attempts to understand each other's needs and demands. This is done through information gathering and informal meetings, with some negotiation taking place and tentative offers being made. The main issues
in these stages are to define the problem to be solved. It is important to define the problem jointly as it will not only reach each other's expectation but is necessary to acquire the commitment from both parties.

At this informal meeting stage the parties examine each other's position to decide whether the parties should continue to the next stage of the negotiation. The Pre-negotiation phase is often more important than the formal negotiation in the international business negotiation. Social, informal relationships developed between negotiators at this stage can be of great help further on in the process. Trust and confidence gained, from these relationships increase the chances of agreement.

Moreover, important development during the preparation process is to get to understand the cultural differences of the two or more parties which come to the negotiation table. Furthermore, each party must decide for themselves whether negotiation can lead to a better alternative than the status quo; whether there can be a mutually beneficial agreement; whether there is a balance among the parties in terms of skills and resources; and, whether the other parties will be willing to negotiate.

- **Face-to-face negotiations phase**
  The basic issue at this stage is that parties believe that they can work together to find the solution. It is better to start face-to-face negotiation with an open mind and to have several alternative suggestions. At this stage all parties should present their alternatives and select those that are compatible with their own expectations. Ghauri (2002) explained that experience shows that the negotiation process is controlled by the party who organises the agenda since he/she can emphasise strengths and the other party weaknesses. Discussing both conflicting and common interests of a particular item, may lead to an atmosphere of cooperation between parties.

- **Post-negotiations phase**
  At this stage all terms have been agreed upon. The contract has been drawn up and is ready to be signed. Experience shows that writing the contract and the language used can be a negotiation process in itself as the meaning and values may differ between the two parties. The discussion should be summarised after negotiation to
avoid unnecessary delay in the process. The terms agreed upon should be read by both parties after concessions made and discussions held and minutes of the meeting kept.

4.7 SKILLS OF THE NEGOTIATOR

The most important success factor in negotiations is the skill of the negotiator; the person should possess some relatively important characteristics. It is true that the ability to persuade another is related to most of the other characteristics. Attitudes, expectations, and habitual behaviour together might influence the negotiation style. What is important is for negotiators to be able to adjust to new styles recommended. Czinkota and Ronkainen (2002:363) argued that in that kind of situation negotiators must have essential basic skills. According to Czinkota and Ronkainen (2010:380-381) the following are some of the required negotiation skills:

- **Team assistance**
  Depending on the types of negotiations, a team must have the assistance of a specialist who knows how to give proper attention to all issues during negotiations. The value of assistance depends on the cultural orientation of the team. Czinkota and Ronkainen (2002:363) explained that most western teams have an average of two to four people; this is a small team that consists of professionals and experienced people. But some studies observed that such a team is often outnumbered by their international counterparts. The good thing of such teams is that if there are intra-group disagreements during the negotiations, it is critical to show one face to the counterparts and handle issues within the team privately outside the formal negotiations.

- **Traditions and customs**
  Studies show that there is a relationship between the success of business negotiations and the culture of the parties involved; however, this is not paramount. Still, teams must have an understanding of traditions and customs of each party in negotiations. It is essential to identify the traditions and customs of the parties in order to achieve the negotiation objective. Czinkota and Ronkainen (2010) explained that in highly structured societies such as Korea, great respect is paid to age and position. Upon first encounter with most Asians, the exchange of business
cards is essential and that both hands should be used to present and receive cards; respect should be shown by reading them carefully. This is their tradition which the other party has to comply to.

- **Language capability**
  Ideally, an international business negotiator should be able to speak the other party's language but that is not always possible. Where possible, interpreters could be used; however, this may lead to a longer response time and cautious articulation of arguments. If it happens that any international language is being used, a native speaker should avoid both jargon and idiomatic expressions; he/she should avoid complex sentences, and speak slowly and clearly Czinkota and Ronkainene (2002).

- **Determination of authority limits**
  Negotiators must be skilled at determining the range of power and authority limits of the parties. For example North America and Europe are often expected to have full authority when they negotiate, but in Asia particularly Russia and other Far East countries negotiators do not have the final authority. It is important to verify who does have that authority and what challenges may be faced in reaching a decision (Czinkota & Ronkainene 2010).

- **Patience**
  Business negotiators have to learn how to be patient in terms of time taken to negotiate. If the objective of the negotiation is to build relationships, it would definitely take longer. In some countries such as China, business negotiations may take three times the amount of time that they do in the United States and Europe. Negotiators should not be impatient as it may prolong negotiations rather than speed them up.

- **Negotiation ethics**
  Attitudes and values of foreign negotiators may be quite different from that of their counterparts’, but common ethics in business negotiations, or any negotiations for
that matter should prevail, both parties should give consideration to this important aspect of negotiation.

• **Silence**
A negotiator or marketer needs to read correctly all types of communication to be able to negotiate effectively. Some negotiating partners read silence as inactive, negative or a sign of showing respect.

• **Persistence**
In some markets negotiations are seen as means of establishing long-term commercial relations, therefore, negotiators need to take time in building the relationships by avoiding applying pressure to respond to their business partners to build a solid foundation for a business relationship. Insisting on answers and an outcome may seem as a threat by negotiating partners, as they do not view negotiation as an event for winners or losers. In addition, confrontation and insisting on written agreements must be avoided as partners cannot be rushed into taking decisions that can build on a long term relationship commitment.

• **Holistic view**
The most common destruction of negotiation is providing of business benefits and advantages during the negotiation process are the concessions as they lead negotiating partners astray. As a consequence negotiators will not be able to assess all the vital aspects of the negotiation. Thus, concessions traditionally can be discussed as the last part of the negotiation process. Therefore, concessions should be avoided until all issues have been discussed, so as to prevent the possibility of granting unnecessary benefits to negotiation partners.

• **The meaning of agreements**
What constitutes an agreement will vary from one country to another. This means that in other countries legal contracts are still not required whilst other countries still insist on written agreements for convenience of different cultural background as well as using a framework or agenda on which to base the development of the business
relationship. When a verbal agreement is reached, it is critical that both parties leave with a clear understanding of what they have agreed to.

Despite having general skills, there is a need for business negotiators to understand that each phase in the negotiation process require certain negotiating skills of what is required to accomplish all the actions in a particular phase. It should be possible to acquire the skills necessary at each phase of what can be envisaged as a five-stage process. It is clear that the progress from one stage to another does not happen automatically, and each needs to complement the other. The negotiator therefore needs to have considerable skills of sensitivity, communication and judgment (McCall & Warrington 1989:31-34).

Table 4.2 illustrates the specific skills needed by negotiators in each negotiation phase. According to McCall and Warrington (1989:32) the Negotiation Skills Model indicates that the cycle of negotiations explain the skills required within each stage and for progression from one stage to another. The same individual would not necessarily be involved in the post-negotiation stages, but would be party to the continuity.

In practice, negotiation does not always fall into such neat categories. For example, where the issues to negotiate on are few and the negotiators know each other’s styles, the participants may move almost directly to the integrative bargaining stage. Where a negotiator attempts to ‘tie in’ extraneous issues, the process may be run through again. In international negotiations cultural issues can disregard certain stages.
<table>
<thead>
<tr>
<th>Negotiation phase</th>
<th>Skills predominantly required within each stage of the negotiation process</th>
<th>Skill predominantly required to effect movement from one stage to the next in the negotiating process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Negotiation Phase</td>
<td>• To determine objectives in relation to environment and known or likely situational factors; to establish the best level of first offer where appropriate. &lt;br&gt; • To identify where possible the nature of issues to be resolved, if necessary by the interactive process; to identify possible intangible issues. &lt;br&gt; • To plan the negotiation, ego by identifying or building in trade-offs; to preparing alternative courses of action to meet different contingencies; and establishing the authority limits.</td>
<td>• To make where necessary, written and/or oral presentations, e.g. quotations or propositions for a mutually dependent activity of such a quality as to elicit a positive response to open negotiations</td>
</tr>
<tr>
<td>Clamming Value Phase</td>
<td>• To push for the most advantageous outcome. &lt;br&gt; • To test limits and isolate issues; to identify factors in the situation which affect the relative power. &lt;br&gt; • To identify whether comparative or competitive strategies should be used. &lt;br&gt; • To establish preferences and the needs of oppose.</td>
<td>• To convey without commitment, by the use of indicating behaviour, implying willingness to move from an entrenched position provided. So movement is made in return by oppose. &lt;br&gt; • To achieve a positive response by appropriate verbal and non-verbal/cross cultural skills</td>
</tr>
<tr>
<td>Creating Value Phase</td>
<td>• To be aware of own and the opponent’s style of behaviour; to adopt appropriate conflict handling mode(s). &lt;br&gt; • To exercise the range of interpersonal skills, especially those concerned with communicating and influencing. &lt;br&gt; • To maintain flexibility of movement by keeping issues linked in the face of proposals and counter-proposals. &lt;br&gt; • To elicit information regarding tangible and intangible issues and reformulate, as necessary, the objectives and strategy.</td>
<td>• To persuade oppose by means of moves and countermoves to bargain away what is unacceptable to him</td>
</tr>
<tr>
<td>Decision Making and Action Phase</td>
<td>• To assess the interaction of factors bearing in mind the outcomes and to make a judgment, by means of a package or packages, of what is acceptable in terms of exchange or division of Resources.</td>
<td>• To confirm what has been agreed in a way which reflects the established understanding of parties</td>
</tr>
<tr>
<td>Post Negotiation Phase</td>
<td>• To draw up or accept a contractual or other agreement which reflects the established understanding and the realities of legal interpretation where appropriate. &lt;br&gt; • To provide for review or revision in the of factor changes</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from McCall & Warrington
4.7.1 The role of the negotiator in the negotiation process
Establishing positions should not be confused with maintaining interests and needs of the negotiating team. Negotiators should all strive for the ideal Win-Win outcome in negotiation. The fact is that the win-win aspiration is usually little more than a game plan used to conceal negotiating tactics that define modern international business. In a traditional buyer or seller role, there is probably no real engaging in win-win negotiating. It is probably only about relative power and zero-sum gains. This means that, in order to win, someone else has to lose. Interest based negotiation puts one party’s interests ahead of the negotiator’s position. This kind of negotiation requires clear, strategic goals and an objective, explicit decision to work with a specific partner to reach those goals. Interest-based negotiators look at the variables and bargaining demands and establish the drivers behind the positions. Interest-based negotiators spend a lot of time uncovering the motivations and rationale behind the stated demands, and attempt to find ways to unify the goals of all the negotiating parties.

4.7.2 Role of the third party
The usual model of a global firm negotiation is that of representatives of two companies from different countries sitting across a table in face-to-face discussions to shape the terms of a commercial contract. Many transactions take place in that manner; however, many others require the services of third parties to facilitate the negotiation process. Third parties are usually known as “mediators” whilst in business negotiation they are labelled with many names, such as, consultant, adviser, agent, broker, investment banker, among others, depending on their particular field of specialisation. These third parties usually have some form of contractual arrangement with one of the parties and in rare cases both. In that case they are not employees of either party in the formal sense. A closer examination of their roles in the negotiation of an international business revealed that, they assist the parties to change, affect or influence their behaviour so as to manage conflicts or potential conflicts arising in the course of a negotiation. Even if a third party has a contract with one side, his or her ability to play an effective mediating role is crucially dependent on the willingness of the other side to accept that person as a participant in the negotiation process (Salacuse 2003).
4.8 GLOBAL FIRM NEGOTIATION PLANNING STAGES

According to Ghauri and Usunier (2002) global firm negotiations planning consists of three major stages.

4.8.1 Strategic preparation stage

In this stage negotiators have to carry various analyses which include analyses of the problem, the interest of establishing the negotiation team. This is the initial stage of the negotiation process as noted by (Ghauri & Usunier 2003).

- Analysis of the problem

Should there be a problem of conflict of interest during the negotiations there would be a need for negotiators to analyse the nature of the problem or conflict, so that they can identify if there is an opportunity or threat, also based on the analysis of the problem negotiators can identify if they have strength or weakness against their counterparts. For instance a company “XQ” with a market share of 35% in soft drinks is approached by the other company “ALX” for mergers, while ALX owns 50% of market share of soft drinks. This means “ALX” is a big company which tries to control the market share. The marketers at “XQ” company will first have to identify the problem (conflict) which is market share, then they would have to use a SWOT analysis to establish their position if they want to enter into mergers. By doing so they will be able to identify and analyse the problem. A problem can be identified by establishing the history of conflicts and identify certain components to deconstruct the problem (Bhattachary 2005:73).

- Analysis of interest

Once negotiators have understood the problem, the next step is to carry out an analysis of interests. This involves identification of various stakeholders’ position as to how they are going to benefit or will be affected after negotiations. (Bhattachary 2005) noted that it is essential to recognise whether there are any powerful interest groups that may either support the efforts to negotiate or strangely oppose the negotiation. This helps to build the trustworthiness and genuineness of the parties without any intentions of sabotage; Ghauri and Usuar (2003) referred to it as relative power build up. Following the example of “XQ” and “ALX” companies, the
approached companies “XQ” had to identify their interests relative to various stakeholders surrounding the companies. In this thesis the process of identifying interest is referred to as a consultation matrix. Stakeholders have been identified who may have an interest in any company’s negotiations, namely, government customer, employees, suppliers, creditors, competitors, distributors and ordinary citizens. The main objective of consultation is to identify stakeholders’ position and interest on identified problem or negotiation agenda. The negotiator can use a descriptive or explorative research design to collect data and necessary information from stakeholders.

- Establishing negotiators team
Through consultation, various kinds of information are in preparation for negotiation to take place. At this stage a team of negotiators comprising skilled personnel has to be appointed by the general authority. A team must be a group of experts on the negotiated agenda, for instance if the issue is harmonisation of standards on production of baby pampers then quality technical personnel have to accompany negotiator experts. It should be clear that the success of negotiation is based on the team on not the individual. A team should be formulated in such a way that it can meet a basic characteristic of good negotiators as identified by Ikle (1964:53). The negotiation team has the following role: they have to identify the objective of the outcome of negotiations; to use tactics to balance the dilemma of negotiators; choose the approaches and behaviours; and to establish the position or reservation point of the team.

4.8.2 Strategic negotiation
At this stage the actual negotiation takes place, but before this happens a number of steps have to be taken in consideration. These steps are: establishing of objectives and position, establishing of strategies and check list and meeting site and fee to face negotiations.

- Establishing of objective and positions.
On the basis of available information, continuing analysis and consultation, the negotiator’s objective and position can be established. Objectives should be flexible
depending on changing the game during negotiation. They must have alternative objectives pending on the main ones. The objectives are formulated based on the goal or problem taking cognisance of stakeholder interests. The objective should also cater for analysis of opponent’s position and strengths (Nierenberg 1992).

Once the objective has been established it is possible to determine positions. Nierenberg (1992) noted that the bargaining position should conceal as well as reveal positions and it is somewhat basic theory that as negotiations continues concessions alternate from each side. Nierenberg (1992) further explained that the motivating factors to cause such reaction are citing principles and precedents for the other side to work with negotiator’s position or reservation point. This is the sum of all issues involved as identified by the objective and interest matrix. Some objectives and issues are broader than others. During negotiation a new fact develops, that can alter the position and change the objectives. A good negotiator can establish a chain of events as shown below.

**Figure 4.3: Global Business Negotiation Value Chain**

| ASSUMPTION | FACTS | ISSUES | POSITIONS | DECISION |

**Source:** Adapted from Nierenberg (1992)

In order to develop a good negotiation planning, global business negotiators use the value chain concept to establish priorities between parties, as well as to identify possible outcomes and consequences. Bhattacharya (2005) suggested the following six success factors in negotiations planning as proposed in Saner (2000):

- Establishing of behaviour or approach and check list

An important aspect of the strategic negotiation is the selection of appropriate behaviour during face-to-face negotiations. Behaviour and approaches have been discussed in section 3.2.3. It rests upon the team of negotiators to choose the behaviour and approaches that will fulfil their optimal desire. For deciding between integrative and distributive approaches, it is suggested that the team balance the dilemma of global business negotiations. In selecting strategic behaviour and
approaches negotiators have to consider the following aspects: Importance of the negotiation; consequences of non-agreement; common interests of the parties; relationship quality; and power to impose demands.

Besides behaviour and approach selection, global business negotiators must establish a check list. The negotiation check list is a guide for thinking about the level of importance of the upcoming negotiation. The check list consists of four items namely; the negotiator, negotiating party, the situation and the relationship between the parties. This can be adopted and utilised in global business negotiation (Lewick et al. 2006:50-63).

- Meeting site and face-to-face negotiations

This is a step whereby parties must sit at the table ready for negotiations to take place. In this step it is believed that all parties have done all necessary preparations and analysis despite the fact that situations can change at the table so it is the responsibility of the party to manage the progression of the negotiations. During actual negotiation the main task for both parties is to balance the negotiators dilemma; they have to deal with the tension of creating value and claiming value. It is believed that mutual agreement can be attained only if both parties cooperate. During this step some silent issues may arise, specifically on cultural elements such as behaviour, attitude, norms and values, as well as the meeting site.

The place where the meeting is to take place is of great importance, whether the meeting should be held at the negotiator’s office, specially designated territory or opponents home-ground. Any site away from the negotiator’s office will provide the advantage that there would not be any distractions and interruptions from other colleagues during the negotiation process and that the negotiator would not be hindered in the process of dealing with specific problems. It is therefore an important responsibility of the team to select an appropriate venue for negotiations to take place without any hindrances.

There are no strict rules on opening or conducting a meeting, but several different approaches have been suggested. The tension among negotiators has to be
monitored by ensuring that the parties adhere to their set objective since each party has to gain from the anticipated end result (Nierenberg 1992).

4.8.3 Strategic agreement and assessment
When negotiations are concluded and the elements of an agreement have been put together it is necessary for the negotiating parties to make short assessments. The assessment has to be based on the negotiation objectives and the parties’ interest. A team may appoint an officer who is an expert on the negotiating agenda with the aid of a legal expert to value the agreement in respect of the companies’ expectations. Once the parties are satisfied with the assessment of the agreement, the parties may sign the contract and prepare for implementation.

4.9 BUSINESS NEGOTIATIONS IN TANZANIA
Each country or company engages in negotiations in respect of aggregating their interests. This section will outline some successful and failed negotiations that took place in Tanzania.

4.9.1 Success of trading negotiations in Tanzania
It should be noted that in Tanzania most business negotiations are channelled through relevant ministries and government agencies such as, the Ministry of Finance and Economic Planning, Ministry of Foreign Affairs and International Cooperation, to mention but a few. Some negotiations have involved members of the private sector as well as the ministries. Other agencies involved are the National Business Council, Confederation of Tanzania Industries and Tanzania Chamber for Commerce, Industry and Agriculture (TCCIA). There are obviously other agencies that do assist in negotiations in the country.

• East African Common Market Protocol
The East African Community (EAC) is an intergovernmental organisation comprising five East African countries. The organisation was originally founded in 1967 but ceased to exist in 1977. It was officially revived on 7th July, 2000. Since its revival the member countries have been devising plans for consolidating the organisation. A further aim of the organisation is to establish a common market, and a monetary and political union. The major step in establishing the East African Federation is the
"customs union" in East Africa that was signed in March 2004 and became operative on 1 January 2005. The negotiation was successful and Tanzania benefited from it.

**Common Market Protocol Negotiations**

The second major step that the East African Community decided to take was the establishment of the "Common Market" that entailed free movement of labour, factors of productions, and rights of establishments across the region and others. However, despite other member nations being largely in favour of the common market, informal polls indicated that most Tanzanians have an unfavourable view of such an agreement, fearing they would lose their land to other residents of the EAC. Tanzania is the only country in the EAC that has more land and natural resources and a larger market than the other four members of the EAC agreement. Negotiations on the Common Market Protocol began in November 2008, it took nine rounds of negotiations to complete the draft of the protocol and finally in November 2009, the heads of state of the EAC countries signed the common market agreement which became a reality in July 2010. This was one of the most successful negotiations in Tanzania.

**United Kingdom and Tanzania Radar refund negotiations**

The government of Tanzania formed a negotiating team, comprising three experts and dispatched them to London to negotiate with the new UK government for compensating Tanzania for losses incurred in the controversial TZS50 billion radar deals. There is proof from the UK’s Serious Fraud Office (SFO) which has since confirmed that up to US$12million (Over TZS16 billion) was allegedly paid as ‘kickbacks’ to influence the top government officials to buy the controversial radar.

**Privatisation of Tanzania Cigarette Company**

An example of a successful case of negotiation in Tanzania can be drawn from the acquisition of Tanzania Cigarette Company by Japan Tobacco International in 1995, whereby it owned 75% of the share. This is the most successful venture in Africa. It holds more than 90% of the Tanzanian market. In the 2005 fiscal year, the Tanzania Cigarette Company (TCC) contributed about US$66 million to the Tanzania government through various taxes. In 2004, the company paid taxes amounting to
US$58.3 million, which was a 13% increase from 2004, and the figures were expected to increase year on year.

Moreover, the tobacco industry employs 1.3% of the population in the country. As the Deputy Minister (Daily News 2009) for agriculture, food security and co-operatives said, "Tobacco farming and production employs 1.3% of the population, which is equal to 500 000 Tanzanians and their families that depend on the crop for their livelihood". Adding to that, tobacco is Tanzania's second largest source of income, earning the country about US$55.5 million in 2003/2004.

4.9.2 Failure of trading negotiations in Tanzania

- **Wage negotiations between the Trade Union Congress of Tanzania and the Government of Tanzania**

  The negotiations between the Trade Union Congress of Tanzania (TUCTA) and the Government of Tanzania, is an example of failed negotiations in Tanzania. The workers of Tanzania and their union TUCTA demanded an increase of salaries. The Government was not ready to honour the request and consequently TUCTA planned a nationwide strike. This led the President of the United Republic of Tanzania (URT) to call for a press conference and concluded that no action would be taken towards the workers’ demands. This proved failure in negotiation which was not optimal to both sides’ workers and the nation as a whole.

- **Management contract of Railways Company and the Government of Tanzania**

  Another incidence of failed negotiations in Tanzania includes the recent negotiation between the Government of Tanzania and Tanzania Railway Ltd (TRL), which forced the government to revoke the contract. This happened as a result of poor management and performance of the Indian holding company. Currently the government is working on the re-acquisition of the 51% shares initially owned by the Indian firm (RITES).
• Management contract of Tanzania Electrical Supply and Net Group Solutions

The contract between these two companies was signed in May 2002 for two years under the Management Support Service Contract (MSSC) to manage Tanzania’s national electricity grid. The Net Group Solutions beat several foreign companies in signing a lucrative contract to run the grid. Ultimately, it turned out that the Net Group Solution was a very small firm with inadequate capacity to handle Tanzania’s national electricity grid.

The first contract expired in April 2004 and the second on 31 December 2006. By 21 December 2006, the Net Group Solutions managers formally handed over to local management. Net Group Solutions left the Tanzania Electric Supply Company Limited (TANESCO) in a critical condition, only to be saved by an immediate injection of funds with a debt of US$32 million to Independent Power Tanzania Ltd and SONGAS. The company urgently needed US$200 million to be able to become operative. Government had to bail it out. Due to the mismanagement of the company, the power tariffs increased periodically and became a burden for the citizens of Tanzania and other clients.

• Management contract of Tanzania Telecommunications Company

During the privatisation period in the 1990s, the Government of Tanzania signed a management contract with MSI-Detecon to manage the state owned telecommunication company (TTCL). The TTCL is primarily a fixed line company with a nationwide network. The privatisation of TTCL raised controversy when MSI/Detecon proposed to buy it at US$120 million, almost twice the amount bid by the other two interested consortia. MSI/Detecon also committed itself to install 800 000 telephone lines in four years ending February 2005, which would have raised connectivity from TTCL’s 162 000 lines. At the end of TTCL’s exclusivity period, the TTCL’s fixed lines stood at 300 000, with 148 360 subscribers countrywide. Due to a shareholding dispute on Celtel and the failure of MSI-Detecon to fulfil its obligations the privatised Tanzania Tele-communications Company Limited (TTCL) reverted back to government management.
Management contract of General Tyres East Africa Ltd (GTEA)

In the mid-1990s, the Tanzanian government signed a management contract with German investor “Continental AG” to manage the biggest tyre maker in East and Central Africa. Since 2006 there was a feud between Continental AG and the Tanzanian government. The dispute was based on the poor supply chain and production management.

4.9.3 Challenges of international business negotiations

International companies both private and Government are facing many front risks and challenges. Some are comparable to the risks and challenges in the domestic business and some are unique. The following are the challenges to negotiations in Tanzania:

- **Language capability.** Tanzania’s national language is Swahili and most Tanzanians speak Swahili. Most international business negotiations use major international languages such as English, French Arabic, and Spanish. As an international business negotiator, it is mandatory that one possesses sufficient knowledge of a working language; this will enable him/her to understand well his/her counterpart during negotiations.

- **Traditions and customs.** These vary from one nation to another, the body languages, dressing code, eating manners, the language used as well as personality, may have different meanings to different people of other nations at a negotiation table. The negotiation team in Tanzania needs exposure to other people's culture that will help in the whole process of negotiation including during the informal meetings. For instance, the Chinese believe in trust during the negotiation period and the Indians believe in exchange of business cards in the process of negotiation with the use of two hands, without exposures to these cultures, negotiations will probably not be successful.

- **Policies of the country.** This can be referred to as international politics. The political know-how is necessary for everyone, but it is vitally important when working, internationally. If some of the policies were suitable for your business, changing the ruling party can bring drastic changes to the policy. Businesses
subject to the negative effects of politics should try to avoid politics and focus on making sound policy decisions. In the case of Tanzania, problems such as poor implementation of policies and the economic crises like the high inflation rate as well as the conditions from the IMF which do not suit the Tanzanian business environment and the restrictions imposed by the developed countries concerning Tanzanian products further complicate negotiations.

- **The challenge of planning and implementing strategy.** The first challenge for an international company is to formulate a comprehensive business strategy and then implement it. Management and decision making positions are often complex as their thought patterns do not embrace the change in paradigms of global business. There are many international companies, but only some of them really have a proper strategy worldwide, although the situation improves with better-prepared graduates and professionals to assume management duties. However, international business management requires management to provide extraordinary leadership skills.

- **Financial and economic challenges.** This begins with the provision of funds to start-up a business and internationally it entails everything, from fluctuations in the exchange rate, to the global economic crisis (or any economic crisis in the host country), the movement of oil prices, global inflation or tariff trade barriers by the host government, including export policies of their government. Currently the country’s economic growth rate is not attractive while the inflation rate is 12%. This still remains a challenge.

- **Team Formation.** Usually the developing countries (including Tanzania) have a problem with identifying the right delegation. This is due to the government continuing with its attitude of business as usual in selecting the national delegation. The government’s process of identification a national delegation is lacking transparency and this can be deduced from the way that government is conducting its activities. Most of the procedures are neither transparent nor clear, and most times government’s actions are pushed by political motives rather than economic motives.
Team knowledge, skills and experience of negotiators

The members that comprise the negotiation teams are very crucial for the success of negotiation outcomes. Equally important is the knowledge and skills of the members of negotiation teams. Negotiating teams probably do not always include the right members with the required knowledge and skills for negotiations. The main cause of not selecting a suitable team, can be ascribed to a lack of transparency in the whole process of selecting members of negotiating teams (Czinkota & Ronkainen 2002).

4.10 SUMMARY

This chapter discussed some literature on negotiations, the nature of negotiation as well as the different approaches to claiming value and creating value. The chapter also explained the three different phases involved in the global business negotiation process in Tanzania. The required skills of the negotiator are discussed as well as the relationship between skills and the phases in the global business negotiation process. The chapter further explains how to establish negotiators’ positions, the role of third parties, and how negotiations are engaged in Tanzania and describes some examples of failed and successful negotiations in Tanzania. In Chapter Five the model for marketers’ perceptions of negotiations in a global firm is discussed.
CHAPTER FIVE

A MODEL OF MARKETERS’ PERCEPTIONS OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

5.1 INTRODUCTION

The literature review in chapter two, three and four and further studies of business management literature revealed that the negotiation process is influenced by many factors. This chapter discusses the model of the study. It gives an empirical analysis of general models used in business negotiation. The chapter further explains in detail the newly developed model for global firm negotiation behaviour. Through the modified model, the chapter shows the link between the model and the objective of the study. The hypotheses were developed through basing them on the analysis of variables and justification of the empirical review of the literature.

5.2 AN OVERVIEW OF THE FOUNDATION OF THE MODEL OF INTERNATIONAL BUSINESS NEGOTIATION

Based on the literature review on international business negotiations, there are currently many models that were empirically tested to study patterns of international business negotiation. The most successful model is that Kapoor (1975), “The context of negotiations”. McCall and Warrington (1989:9) developed a model of factors affecting negotiation outcomes and other models were developed by McCall and Warrington (1989); Salacase (2003) and a model on framework for International Business Negotiations was developed by Ghauri (2002:5-20).

These models have a number of shortfalls in the contemporary environment of global business transactions. For instance the Kapoor (1975) model considered the four Cs and the environment as the main influence of the negotiator’s perspective. It explains that any negotiation takes place within the context of the four Cs and the context of environment because strategies and tactics of negotiation are directly influenced by the environment (Kapoor 1975). This model failed to explain how strategy tactics are influenced by the environment, and it does also not show the types of strategies, whether distributive or integrative that would be affected, the
model also does not explain the outcomes of negotiations and how possible it is for a negotiator to attain the desired outcome.

McCall and Warrington’s model (1989:8-10) is more advanced than Kapoor’s (1975) model as it takes cognisance of the four (4) influencing factors: behavioural predispositions, situation, environment, strategies and skills. According to the model, these influences interact, with each other to influence the negotiation outcomes. They considered these factors as the main influences of negotiation outcomes. Despite the importance of the model it still has shortcomings, for instance, this model does not take into consideration the expectations of the agreement and what is expected after agreement. The model also refers to the behavioural predisposition of the parties, but it does not explain how negotiators can elect a behaviour which can suit both parties (McCall & Warrington 1989:25).

On the other hand, the Ghauri (2002) model, described three variables: background factors, the process and the atmosphere. Ghauri (2002:5) noted that “since the negotiations process is inherently dynamic, a certain perception of the parties or a particular development in the process may influence a change in the background factors.” The model is comprehensive in nature and it explains all the aspects of international business negotiations. Furthermore, the background factor is the first variable, which influences atmosphere and the process variables. The main shortcomings of the models are that it fails to explain how an agreement can be attained, that is to say, it does explain the outcome of negotiation. Concerning the atmosphere variable, the model does not take into consideration how relationships can be created by using the negotiation behaviour strategies. Consequently the model fails to show how compromised agreement can be attained.

The models I, II and III of Salacase (2007:9-15) are straightforward models that function as identical models but they are interrelated and interdependent. Model I defines negotiation as a compromise, endeavour to establish a middle ground from where to negotiate (Salacase 2007:9). Model II defines negotiations as domination; in some negotiation one party may desire to dominate the other. It will use a variety of power and tactics to be in a domineering position. Model III is a problem solving approach where the parties strive to solve the business deal together so as to reach
a mutually beneficial consensus. Parties are considered to have compatible goals and not be in combat or being compromised. This model is very straightforward. The main weakness in all the models is that they consider negotiation as a process of discussion on a particular deal. In that case they don’t take cognisance of other factors that influence negotiation.

Therefore, these models have some limitations; however, they provide a solid foundation to serve the purpose of this study, that is, marketers’ perceptions on global firm negotiations. In an endeavour to find a solution to this problem, this study will seek to develop a modified model and test it empirically to augment the existing models.

The purpose of this study is to gauge the marketers’ perceptions of negotiation behaviour in a global firm in Tanzania. For the study to attain its objective, it has to develop a model which will define and explain various variables in the study, based on a review of other models and a detailed analysis of these models in chapter one. In this study a new model is developed, (Figure 5.1). The modified model aims to explain the’ behaviour of the participants in terms of the expected outcome of an agreement, and how the atmosphere moderates outcome and interest groups. The model identifies three variables: the independent variable, interaction of the moderating variable and the dependent variable.

• **The independent variables**
  Based on our modified model, four (4) variables are identified as independent variables. These are: international market environment, negotiation approaches, awareness of negotiators skill and interest group. The assumption here is that these variables influence the negotiation process in a global firm. Thus the negotiator has to give some consideration to these variables before embarking on negotiations.

• **The Dependent Variable**
  Based on the modified model, three (2) variables were identified as dependent variables. These are: agreement and level of commitment; they are labelled as dependent variables because they are the outcomes of the negotiating process and influential factors.
The interactive moderating variables
The model shows the two variables that were identified as the interactive or moderating variables; that is, negotiation in a global firm as a negotiations process and negotiating atmosphere. These variables create the necessary conditions which exert an influence on the dependent variable.

5.3 THE MODELLED INFLUENCES OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM
Since the research aims at studying the behaviour of marketers in global firm negotiations both informing models will be used to develop a modified model which will be used in this study. According to McCall and Warrington’s (1989) model of international business negotiation, variables such as environmental influence, negotiation approach (situational influence) influence strategies and skills will be adopted to develop a modified model of the study. The international business negotiations model developed by Ghauri (2003) uses variables such as environment, atmosphere and third parties process; which will be considered to develop the modified model. Variables associated with a number of attributes have been identified in order to gain a better understanding of the behaviour of the marketer in global firm negotiations.

According to McCall and Warrington (1989) negotiation becomes a problem-solving mechanism between two parties that are influenced by four independently integrated factors: environmental influence, strategies and skills, behaviour predisposition and situational influence. All these interact with each other to determine the outcome of negotiations. Alternatively the view expressed by Ghauri (2003) is that, the international business negotiations process is affected by three variables which influence each other to determine the negotiation outcome. These are background factors, atmosphere and process.
Based on the reviewed literature, negotiation outcome is the end-result of the whole process of negotiations or bargaining process. However, the outcome can be a business agreement or non-agreement. It can also be the level of commitment of marketers which will lead to marketing strategies for the negotiators. In this modified model, the four variables identified to have an influence on negotiation in the global firm are international marketing environment, negotiation approaches, awareness of negotiation skill and interest groups. Conversely, the negotiation atmosphere plays a significant role in influencing the negotiation in the global firm and interest groups. Negotiations in the global firm yield results from which a marketer can expect an agreement, a considerable level of commitment from business partners and a marketing strategy. According to the reviewed literature the negotiation atmosphere can influence the end result of negotiations as shown in Figure 5.1 above.

5.3.1 International marketing environment
The international marketing environment is the force which neither of the negotiating parties in the global firms can control in negotiations (Kapoor 1972:3; Ghauri & Usunier 2002:5). The cultural differences of parties in respect of global firm
negotiations often inhibit the negotiating process. Ghauri (2003) explained that interaction obstruction can occur when unfamiliar parties, coming from distinctly different backgrounds and environments, come together to negotiate.

If this aspect is not seriously considered by the negotiating parties it is possible that the whole negotiating process can be distorted. The international marketing environment includes the political, legal, economic, social cultural and technological aspects.

Wegener and Liebig (1995) postulated that the political environment shapes people’s preferences in the negotiations process, for example, young people in the former East Germany were less favourable to egalitarianism than older people. This indicates that young people were not familiar with political class. However, Stillinger, Epelbaum, Keltner, and Ross (1990) extended this idea to face-to-face negotiation and political environment. In their experiment whereby participants negotiated with an associate over the policy of their university regarding a political issue. The results show that the antagonism of the negotiating confederate was held constant. Whilst, Mumford, Campion, and Morgeson (2007) investigated how leadership skill during negotiations can be influenced with political pressure. According to the findings of this study, political force was reported as highly influential toward negotiations ability of a leader. This indicates that, there is a rational to study political forces to influence marketers’ behaviour during negotiation process based on this empirical evidence.

Lakhari (2010) reported empirical findings based on deception in legal negotiations. In this study legal environments have become an important dimension of bargaining behaviour besides deception during negotiation process. Korobkin and Zaslaf (2004) also supported this notion in their research findings on Israeli and Palestinian conflict.

Economic variables in relation to negotiations were studied by many scholars, however, Gelfand, Major, Raver, Nishii and O’Brien (2007) reported in their research findings that an economic variable has proven to be a determinant of negotiation outcomes. Gelfand et al. (2007) further argued that, for the parties to reach an agreement, economic gain must reflect the outcome of creating value or calming
value. On the other hand Kapoor (1975:3) found that economic factors have an influence in negotiations’ outcome. Thus, effective negotiations require an understating of economic variables to attain the objective of negotiations.

The technology can be vied as a useful attribute in negotiations, however, it raises a concern, that is how technology can influence the negotiation. Demetriadis, Barbas, Molohides, Palaigeorgiou, Psilos, Vlahavas, Tsoukalas and Pombortsis (2003) in their findings found that cultural negotiations can be used to influence the teacher to use ICT for training. Thus, negotiation took place to influence the changing of teaching technology from the traditional blackboard method to ICT. Demetriadis et al. (2003) stated that they assessed how technology has been used to influence negotiation. Whilst, Nadler and Shestowsky’s (2005) empirical findings suggested that the use of technology is significantly diverse and useful, e.g. internet, phone, fax, Ipad as a means to facilitate the negotiation process; in fact e-negotiation is now common practice globally for seller and buyer interaction using technological diverse methods through all stages of negotiations. Thompson and Nadler (2002), further argued that e-negotiation is much affected by social behaviour since there is an issue of trust and commitment which is commonplace when people meet face-to-face. Therefore there is rationale to study technological attributes and how it affects the outcome of negotiations.

There are a number of empirical studies that have examined the influence of the marketing environment on the negotiation process. Ghauri (2002), Salacuse (2007), and Phatak (2007), found that the marketing environment imposes an influence on the negotiation process. In this study the international marketing environment is adopted as a variable because it has an interactive effect on both parties. When parties commence strategic preparations for negotiating, they have to scan the environment so as to identify their strengths or weaknesses relative to their counterparts.

In summary, in order for negotiation to progress successfully and for the parties to reach an agreeable outcome, the international marketing environment becomes the courtesy element between parties. Thus, if marketers scan and assess the environment thoroughly it is highly probable that they would have a positive outcome
and the opposite probably also holds true (Ghauri 2002, Phatak et al. 2007, and Salacuse 2007). Since the relationship between the international marketing environment and the outcomes are recognised the following hypothesis is stated:

**Hypothesis HA¹**: *there is a relationship between the international marketing environment and negotiations in a global firm*

### 5.3.2 Awareness of negotiation skills

Robin and Foster (2002) maintained that life is an endless series of interactions that require negotiations and people are confronted daily with countless situations in which they are called upon to negotiate, to reach an agreement, or to resolve a conflict or difference of opinion. Therefore, a negotiation skill can be defined as an approach that enables one party to be capable to negotiate effectively. Furthermore, a negotiation skill can be used in a variety of settings such as, different industries, products and services. Negotiation skills are learnable; 'born negotiators' are a myth. The negotiation skills could be communication, persuasion and influence, planning, strategising, tactics, process and systems, teamwork and others.

The negotiator should also be able to determine authority limitations, patience and negotiation ethics (Czinkota and Ronkainen 2002). According to McCall & Warrington (1989) negotiation skill can also be referred to as the competence to understand each of the parties. Thus, competence is useful in every stage or phase of the negotiations process; therefore it has an impact on negotiation outcomes. Previous research suggested that the negotiation team must have certain skills that could have a positive outcome on negotiations, however, there seems to be a lack of literature regarding the specific relationship between the skills of negotiators and outcomes of negotiations. From the literature study in respect of international business negotiations it is deduced that there should be an awareness of negotiation skills. The following hypothesis was therefore formulated as:

**Hypothesis HA²**: *There is a relationship between awareness of negotiation skills and negotiations in a global firm.*
5.3.3 Interest group

Monning and Feketekuty (2004) explained that interests are at the core of what drives parties during negotiations. An interest group is a third party, who in one way or another may have an impact on the negotiations, or is influenced by the negotiating atmosphere. For example, parties may have common interests and they are willing to cooperate, but this stance of the parties can be quite different from the third parties stance. For instance, a Brewery Company is willing to have mergers with a new rival brewery company and management and shareholders are all to compromise but the government as the third party is not willing to sanction the merger since it will distort competition and create a price monopoly.

In global negotiations it is important to distinguish or identity who stands to benefit and who stands to lose in the negotiations. It is particularly important to recognise whether there are any powerful interest groups that may either support the efforts to negotiate for a solution to the problem or strongly oppose the negotiations. However, a better understanding of one’s own interests as well as those of the counterparts should lead to a successful negotiation outcome.

Ghauri (2002) argue that governments are often involved, as well as the influence of the buyer regarding complementary objectives, such as infrastructure, employment opportunities, foreign exchange considerations and any other prospective relationship between the countries is involved. This means, parties other than the buyer and the seller have a great influence on negotiations, depending on their interests and objectives in the negotiation process. Therefore, the interest groups could be the government, agents, consultants and subcontractors.

The World Bank Institute (WBI 2004) identified a number of interests that may arise during the negotiation process. These may revolve around issues of economic interests; domestic policy objectives, such as environmental integrity and resource protection; national security; domestic political considerations; bureaucratic interests; national legal requirements; issues of legitimacy (recognition) and morals or ethical standards.
The question may arise as to whether there is a relationship between interest groups and negotiations in a global firm. Although there is no empirical research results regarding interest groups and negotiations in a global firm, it can be deduced from the above discussion that interest groups are in relation with negotiations in international marketing firms. It is accordingly hypothesised that interest groups have a relationship with negotiations in a global firm.

**Hypothesis HA³:** There is a relationship between interest groups and negotiations in a global firm.

### 5.3.4 Negotiation Atmosphere

#### 5.3.4.1 Interest Group

Ghauri (2003) defined atmosphere as the perceived ambiance around the interaction. It consists of various characteristics, such as common interest, conflicting interest, willingness to co-operate, willingness to compromise, power and avoidance. Some characteristics are dominant at one stage, others at another stage. Since atmosphere is the setting in which parties interact, it contributes to the interaction between the parties, interest groups, parties’ agreement, parties’ level of commitment, their marketing strategy and negotiation process. Fjellstom (2005) reported that there is a link between atmosphere and interest group, this notion is supported by Blankenburg, and Johasson (1995:2).

Although there is research that explains the relationship between an interest group and atmosphere, this study will investigate whether interest groups influence the atmosphere. It is accordingly hypothesised that the negotiation atmosphere does have relations with interest groups.

**Hypothesis HA⁴:** There is a relationship between negotiation atmosphere and interest groups.

#### 5.3.4.2 Negotiation behaviour in global firms

When a global firm engages in negotiation, the firm takes into consideration all factors which affect the negotiation process. A firm plays a role in facilitating the
negotiation process in order to locate results on the trust, commitment and marketing strategy. Ghauri (2002) considered the negotiation process as a stage which refers to a specific part of negotiation that includes all actions and participants of any party that are present during the negotiations. In a global firm the negotiation process is divided into three phases which are the pre-negotiation, face-to-face negotiation and post negotiation phases and these phases occur within the negotiation atmosphere.

According to Fjellstom (2005), in the pre-negotiations stage parties attempt to understand each other’s needs and demands. Furthermore, this stage is equal to a consultation process whereby the parties have to understand the extent of conflicts, interests, and possibilities of willingness to co-operate or compromise. Therefore, it is argued that in order for pre-negotiation to be successful, parties have to consider the atmosphere. Whilst, during the face-to-face stage, parties still influence the negotiation atmosphere by considering their power of imposing demand or to choose avoidance (Ghauri 2003). An empirical study by Thomson, Wong and Guni (2010) indicated that a negotiation process has an impact on the outcome and implications of various processes such as value creation and value claiming. However, empirical findings of various researchers, for example, Agndal (2007) reported that there are five types of business negotiation outcomes. Firstly, economic terms which measure out between negotiators characteristics and the share of the bargaining zone captured; agreement or impasse; levels of emotional involvement, levels of trust and cooperation; efficiency which measure, length of negotiation and a number of iterations that is, bids, concessions are usually a major focus and lastly outcome based on types of negotiation process. It is apparent that through negotiation process it is possible to reach an integrative or distributive agreement. However, the level of commitment and trust are the two most important desirable results for any negotiation in global firms. Based on this background it is accepted that the negotiation atmosphere can influence the negotiating process in a global firm. It is therefore hypothesised as follows:

**Hypothesis HA$^5$: There is a relationship between negotiation atmosphere and negotiations in a global firm.**
5.3.5 Negotiation approaches

When marketers negotiate, they do so to achieve an optimal solution, which is minimising conflict and maximising gain. In order for negotiators to attain this, they have to adopt different approaches to negotiating. According to Walton and Mckenzie (1995), distributive and integrative approaches are the main approaches which can be used by negotiators.

Walton and Mckenzie (1995) suggested that the distributive approach can be described as a set of behaviours for dividing a fixed pool of resources. In this regard, negotiators come with attitudes based on zero-sum or win-lose outcomes for the other party. Conversely, the integrative approach is a set of behaviours of a cooperative nature. It is an agreement-oriented approach. Negotiators come with an attitude based on the win-win or mutual-gain outcomes.

According to Salacuse (2003) the integrative approach is considered a process of creating value, in which case the parties have a desire to realise the full potential of benefits that may arise from the negotiation effort. If parties adopt this approach it means they cooperate so as to solve a problem or mutually gain from the outcome. Alternatively, the parties use distributive approaches that are considered processes of claiming value in which case one party wants to gain more than the other; this is a competitive process (Sebenius 1992).

The negotiating approach is extremely important in the negotiating process. It directly influences outcomes of negotiations. If marketers decide to choose integrative approaches it is possible for them to reach a win-win outcome (Lax & Sebenius 1986). This is the most desired outcome between parties. On the other hand, if marketers desire to adopt distributive approaches it is possible for them to reach a win-lose or lose-lose situation. This outcome could be a desire of one party with no concern for the other party that stands to lose in such a situation. This notion is supported by a number of researchers (Walton & McKenzie 1995 and Lax & Sebenius 1986).
In summary, the integrative approach and the distributive approach when used as negotiation objectives and interest to parties, have an influence on the negotiation process and outcome.

5.4 THE MODELLED OUTCOMES OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

5.4.1 Negotiation behaviour and business agreements

An agreement is a satisfactory end-result for both negotiating parties. It reflects the perception of the relationship created between negotiators. Therefore, being satisfied with the relationship that has been created will enable the correct implication for the agreement and achieve a better performance in the long term. All relationships created between the parties are determined either by the level of trust or uncertainty. Both parameters provide information on satisfaction with aspects related to the development of the negotiation process (Fisher et al. 1983).

The Level of trust can be defined as the expectations of good faith on behalf of the other party as well as the fulfilment of those expectations (Ring & Van de Ven 1994:90-118). Trust can be viewed as the expectation of fair negotiation in a situation in which opportunism may enter. Saorin-Ibora (2006) reported that empirical evidence reveals that in all negotiations, there are imbalances of information that favour the existence of an opportunistic behaviour. Therefore, any relationship that has trust, reduces costs associated with such imbalances that are typical of cooperate exchange (Saorin-Ibora 2006:14-16). Furthermore, it may be possible that end-results include; an agreement, an impasse, a non-agreement, or a mutually satisfactory agreement for both parties, an agreement that represents benefits for one side only or one in which both sides have, to some extent, modified some of their negotiation objectives (De Dree, Harink & Van Vianene 1999:376-405). Against these arguments, it is hypothesised that:

Hypothesis HA⁹: There is a relationship between negotiations in a global firm and agreement based on trust and certainty with international marketers.
5.4.2 Negotiation behaviour and level of commitment

A review of the literature on negotiations also shows that the end-result of the negotiation process involves a wide variety of indices. Achieving a positive relationship and a long term commitment must constitute the main objective for negotiating parties. Although the outcomes of negotiations are very diverse, this study regards the end-result of negotiation as an agreement and level of commitment of marketers. If the level of trust is higher, long term commitment of parties on agreements will be created.

The perception of satisfaction has repercussions on resolving the future conflict by avoiding opportunism which helps to establish and maintain a long-standing relationship. The relationship created should not only be based on an essential degree of trust but also on a minimum degree of uncertainty about the basis of the business relationship. A negotiator has to reduce the degree of uncertainty in order to create a high-level of commitment in a form of a positive relationship of lasting satisfaction for both parties (Harring 2012).

Very few empirical studies focus their relations of level of commitment alongside negotiation as noted by Agndal (2007), out of 263 business negotiations articles only 12 % empirical studies have been done on commitment. However studies of Andersson (1997) used commitment as a variable to study automated negotiation;, findings of the study indicated that the commitment level if applied in negotiation can impose penalties if one party should negate on the commitment to such an automatic contract.

The empirical study of Moor and Weigand (2006) revealed that the level of commitment is higher for negotiated parties when commitment clauses are clearly defined in the contract and partnership documents. Dion, Picard and Blenkhorn (1992) in their empirical finding concluded that commitment is the belief that the trading partners are willing to devote energy to sustain the relationship. This finding is surported by Spekman, Kamauff and Myhr (1998). However, there is no empirical study that clearly indicates a relationship between negotiation behaviour and level of commitment among negotiators.
It is therefore hypothesised as follows:

**Hypothesis HA⁹:** There is a relationship between negotiations in a global firm and commitment of international marketers.

### 5.4.3 Negotiation atmosphere and agreements

Negotiations atmosphere is considered to be a social context that affects the negotiation process by some researchers such as Gelfald & Brett (2004). However, there is little research done to assess the negotiation atmosphere in business negotiation. In this study negotiations atmosphere is studied in relation to bargaining power to achieve desirable agreements. Chan (1998) and Graham (1985) others suggested two main factors that contribute to the atmosphere and process, namely, negotiation strategy and attractiveness. On the other hand, trust can be defined as expectation and fulfilment of good faith on behalf of the other party (Ring & Van de Ven 1994). Therefore, trust can be referred to as the expectation of fair negotiations in a situation (atmosphere) where opportunism may creep in as well as the perception of a person as being reliable or trustworthy. The empirical study carried out by Fisher et al. (1983) emphasised the importance of creating a constructive, trusting relationship between negotiating parties in order to reach the desired business agreements. Based on the above the following hypothesis was formulated:

**Hypothesis HA⁶:** There is a relationship between negotiation atmosphere and agreement based on trust and certainty with international marketers

### 5.4.4 Negotiation atmosphere and level of commitment

It is clear that the setting of atmosphere affect the negotiations process and it involves both sides of the negotiation concurrently. It is possible that negotiations can also be influenced by the cultural background of individuals. Previous results suggested that negotiators from highly individualistic cultures showed less problem solving behaviour in certain atmospheres (Graham, Mintu & Rogers 1994). But the findings of Kersten, Köszegi, and Vetschera (2002) showed that there is no relationship between negotiation bargaining and negotiation atmosphere. The
question remains open for further studies. On the other hand, the negotiations is a process which have end results; the outcome that parties agree on within certain parameters that they commit to. Negotiations commitment can be viewed as willingness of the parties to exert an effort on implementing what the parties have agreed on. Mnookin, Peppt and Tulumello (2000) cautioned that the negotiating parties should be careful to what they commit to. Furthermore, Mnookin et al. (2000) identified three forms of commitment a party can consider with fair or desirable outcomes, for example, negotiators can commit to accept responsibilities in the trading relationship; or a negotiator can agree to commit him or herself in avoiding certain trading deals as part of a trading partnership or relationship. The negotiators can also clarify precisely the terms of commitment among themselves. However, actual commitment in negotiations is intended to support long term relationships. Against this background, it is hypothesised:

**Hypothesis HA**: There is a relationship between negotiation atmosphere and the level of commitment among the international marketers

5.5 SUMMARY

In order for the study to answer the questions raised in Chapter One, it needed to develop a suitable tool for analysis, which will be used to extract knowledge from interviewees. To underpin this research, it was necessary to develop a coherent model by which the analysis and findings could be structured and compared. This chapter provided a detailed explanation of hypothesised relationships to be assessed empirically. As shown in Figure 5.1, the study generated nine variables, comprising nine alternative hypotheses altogether.

Various influences and attitudes flowing from behaviour of marketers engaged in negotiations in the global firm were discussed in this chapter. The influences included in the theoretical model are International marketing environment, Awareness of negotiation skills, Interest groups and Negotiation atmosphere. The outcomes included in the theoretical model are business agreements based on trust and certainty as well as the level of commitment of marketers based on long-term business relationships for example in signing possible business contracts. The next chapter will discuss the methodological approach used in this study.
CHAPTER SIX

RESEARCH METHODOLOGY OF THE STUDY

6.1 INTRODUCTION
This chapter describes the statistical procedures used to empirically assess the theoretical model proposed in Chapter five and depicted in Figure 5.1. The various measuring instruments used to collect data from the sample is evaluated to assist in the presentation and interpretation of data and to measure the different relationships among variables that are under investigation in this study.

6.2 RESEARCH METHODOLOGY AND RESEARCH DESIGN
6.2.1 Research Paradigm of the study
The research paradigm is the best perspective which tries to answer research questions by establishing the realities of certain phenomena on mental maps. Research paradigms can either be quantitative or qualitative. Other terms used include functionalist, objectivist or positivist for the quantitative research and interpretive or subjectivist to describe the qualitative research.

A paradigm provides a conceptual framework for seeing and making a sense of the social world. The main rationale of paradigms is that they shape how people perceive the world and are reinforced by those around us, the congregation or practitioners. A paradigm is an overall conceptual framework which a researcher may study (Guba & Lincoln 1991:105). The paradigm is used to determine suitable methods for contending with research explanation. In any research, it is essential to choose a suitable paradigm. Burrell and Morgan (1982) developed a Four Paradigm model (2 X 2 Matrix) for the study of social and organisation science. The four paradigms are: interpretive, radical humanist, functionalist and radical structuralism.

The interpretative paradigm seeks to find an explanation within the realm of an individual consciousness and subjectivity, and within the frame of reference of perception. Thus social roles and institutions exist as an expression of the meanings which man attach to its world. The functionalist paradigm explains the status quo, social order, social integration, consensus, need satisfaction, and rational choice. It
is all about how the individual elements of a social system interact with one another to form an integrated whole (Goles & Hirschhein 2000:253; Silverman 1970:134).

Goles and Hirschhein (2000:253) suggested that the radical structuralist paradigm has a view of societies and organisations which accentuate the need to conquer or surpass the limitations placed on the existing social and organisational arrangements. Its main focus is primarily on the structure and analysis of economic power relationships.

For the purpose of the study, the radical structuralist paradigm was considered to overcome the limitations placed on the existing social and organisational arrangements. This research aims to solicit marketers’ views on achieving some fundamental changes in global business negotiation practices in Tanzania. The paradigm adopts the objectivist perspective and radical change. It holds the view that a researcher as a resource will view a phenomenon as an object that suggests the way global firm negotiations are to be conducted in Tanzania for both parties to achieve mutual business agreements and level of commitment among negotiators.

Since the purpose of this study is descriptive in nature and since a survey instrument will be used to collect data, the positivist approach will be used in collecting information on values and facts on perceptions of the marketers toward negotiation behaviour in global firms. This will assist the researcher (resource researcher) to consider data as a main resource to develop knowledge and understanding.

6.2.2 Research design
The nature of qualitative and quantitative research methods have implications on the manner in which data is collected and analysed as well as data generalisation and presentation. The choice of the qualitative and quantitative research depends on the purpose of the study, data set and the nature of the study. Therefore, it is possible for the researcher to combine both approaches. Bryman & Cramer (2009) referred to quantitative research as a construct which presents certain views of phenomena and denotes relationships between constructs explaining the phenomena. On the other hand, qualitative research is an attempt to study everyday life of the phenomena as confirmed by Denzin and Lincoln (2003) and it involves a naturalistic approach to its
subject matter. Dey (1993) develops a matrix that illustrates the distinction between qualitative and quantitative research paradigms.

Table 6.1: Distinction between qualitative and quantitative research

<table>
<thead>
<tr>
<th>Orientation</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Based on the meaning derived from numbers</td>
<td>Based on the meaning expressed through words</td>
</tr>
<tr>
<td>Data collection</td>
<td>Collection result in numerical and standardised data</td>
<td>Collection result in non-standardised data requiring classification into categories.</td>
</tr>
<tr>
<td>Data analysis</td>
<td>Analysis is conducted through use of diagram and statistics</td>
<td>Analysis is conducted through the use of conceptualisation</td>
</tr>
<tr>
<td>Generalisation</td>
<td>Universal context-based on free generalisation</td>
<td>Detailed context- based on generalisation</td>
</tr>
</tbody>
</table>


For the purpose of the study the quantitative research approach was used. The intent of this research was to gauge the perception of the marketers’ on global business negotiations. Variables in the theoretical framework of Figure 5.1 developed from the model in the literature review were incorporated into the survey to work within the deductive methodology of quantitative research. The information gathered was analysed to either support or reject the issues researched that one or more of the constructs may contribute to certain outcomes.

The framework of Figure 5.1 contains variables linking relationships between various factors. The model offers a number of variables, first: the dependent variables: business agreement and level of commitment. Second: the independent variables were international marketing environment, awareness of negotiation skill and interest groups and the moderating variable is the negotiations atmosphere.

6.2.3 Sampling Method

In this study the population comprises global and local firms operating in Tanzania. The marketers are considered as appropriate as they are directly involved with the international trading negotiation and some of them are communicating with stakeholders in global firms and many other interest groups with regard to business negotiations. Also, management and senior international sales representatives that
represent their companies in negotiation matters related to bargaining power of negotiators are defined as part of the sample in this study.

Various authors have developed various research procedures including Churchill and Lacobacci’ (1995:557) example that summarised a six-step procedure for researchers to follow when developing a sample from a population, which is: define the population; identify the sampling frame; select a sampling procedure; determine the sample size; select the sample elements and collect the data from the designed elements. In this study the example of procedures for drawing the sample concerns the identification of a target population, a sample frame, the sample size an “element” and the consideration of factor analysis sampling procedure.

6.2.3.1 Identification of the target population
The target population is a complete set of elements identified for investigation (Har et al. 1995). In this study the target population comprises global and local firms operating in Tanzania.

6.2.3.2 Identification of the Sample frame
Sample frame is the list of eligible sampling units (Har et al. 1995) and in this study, marketers, management, sales representatives and companies’ marketing agents are included in the sample frame.

6.2.3.3 Sample size
A sampling strategy depends on the nature of the data needed for the study and objectives of the study. To have a good sample it needs to be chosen at random and should be large enough and unbiased. For soundness and dependability of the data the sample should be collected entirely randomly, on different days and at different times of the day (Saunders, Lewis & Thornhill 2009). In this study, data was collected on different days and at different times daily from Tanzania regions that have a number of local and global firms, these are Dar es salaam, Arush, Mwanza, Dodoma and Morogoro.

The selection of sampling techniques in this study comprised non-probability sampling. This technique considered the units of the sample selected on the basis of
personal judgment or convenience (Zikmund & Babine 2007:411). Thus, a
cost convenience sampling approach was used in this study. For instance, in the absence
of internationally involved marketers, internationally involved marketing agencies and
sales representatives, who represented their global firms in bargaining power related
business negotiations, were requested to complete the questionnaires.

Despite convenience sampling the Historical Evidence Approach (HEA) in non-
probability sampling has been applied. HEA uses information that would have been
used previously by other researchers for establishing a sample size in comparable
studies. Wenzlaff (2005) established that a sample size of 287 in culture, negotiation
and political survey studies is considered adequate by most researchers. This finding
was supported by Atkin and Rinehart (2006) where they observed that a sample size
of 264 respondents for consumer negotiation related surveys is adequate. In relation
to the proposed sample size by different studies and taking cognisance of the
Historical Evidence Approach, this study accepted a minimum sample size of 300
respondents.

The survey method was adopted for this study due to its capability to contain a large
sample size at reasonably low overhead costs and its simplicity of management. For
the purpose of this study, data was collected over a period of three months from
Tanzania regions, such as, Dar Es Salaam, Arusha, Mwanza, Dodoma & Morogoro.
The sampling process resulted in a total of 450 persons being solicited, of whom 323
respondents successfully completed their questionnaires while 127 declined to fill out
the questionnaires.

A pilot study was conducted prior to the mailing of the questionnaires for the main
research. The main purpose was to detect any possible oversights and to gather
any pertinent observations or suggestions. Twenty copies of the questionnaire were
given to the interest groups and private individuals who owned firms that are
engaged in international marketing trading activities. Interest groups and
international marketers located in various areas in Tanzania (Dar Es Salaam) and
businesses ranging from medium to large businesses were given an opportunity to
complete the questionnaire in order to identify any problem areas and to offer
suggesting on improvements and changes that needed to be effected. The pilot
study identified the problems of marketers who were selling their products through other large businesses. Clarification was provided with regard to these marketers as they were not regarded as part of the negotiation behaviour in global firms and also did not qualify as international marketers. Generally, respondents were willing to assist but complained about the length of the questionnaire.

Table 6.1 provides the demographic composition of the respondents that have been approached for statistical analysis in this study. A total of 450 questionnaires were distributed by the researcher and only 323 were useable, which indicates a response rate of 72%. All useable questionnaires were inspected, edited and coded. The purpose of this process was to ensure that the data is accurate, consistent, and uniformly entered and arranged properly to facilitate coding. All the questionnaires were given a reference number, to facilitate the data capturing for statistical analysis purposes.

Table 6.2: Composition of the respondents in demographic terms

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Range</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>105</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>218</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>323</td>
<td>100</td>
</tr>
<tr>
<td>Age</td>
<td>18-29</td>
<td>85</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>30-41</td>
<td>143</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>42-53</td>
<td>86</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>54-65</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Above 65</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>323</td>
<td>100</td>
</tr>
<tr>
<td>Job title</td>
<td>Chief executive</td>
<td>43</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>254</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>Branch manager</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>323</td>
<td>100</td>
</tr>
<tr>
<td>Education level</td>
<td>‘O’ Level</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>63</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Bachelor degree</td>
<td>150</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Post graduate</td>
<td>72</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>232</td>
<td>100</td>
</tr>
<tr>
<td>Income</td>
<td>US$500 000</td>
<td>144</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>US$500 000 - 999 999</td>
<td>72</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>US$1 000 000 - 1 499 999</td>
<td>45</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>US$1 500 000 – 1999 999</td>
<td>33</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>US$ 2 000 000</td>
<td>29</td>
<td>9</td>
</tr>
</tbody>
</table>
Table 6.1 indicates a frequency distribution of respondents among various categories. Sixty per cent (67%) of the respondents were female. Seventy per cent (70%) of the respondents fell within the age range of 18 to 41 years and a mere three per cent (3%) were between 54 to 65 years of age. Most of the respondents had Bachelor and post graduate degrees (69%) as their highest level of formal education, while more than 29% had ‘O’ level and/or Diploma tertiary education.

Eighty per cent of the respondents (80%) had job tenures at their current employment ranging from one to ten years. Twenty per cent (20%) were respondents with more than fifteen years work experience with their current
employers. Table 6.1 shows that sixty seven (67%) of the businesses, generated revenues of less than US$1 million per annum. Forty five (45%) of that, generated a revenue which was less than US$500 000 per annum.

Twenty seven per cent (27%) of the respondents were involved in financial institutions and twenty four per cent (24%) of the respondents manage agriculture and manufacturing businesses. More than seventy per cent (75%) of the businesses had between 50 and 200 employees. Only twenty five (25%) of the businesses had employed more than 200 employees. Forty per cent (40%) of the respondents’ businesses had been in existence for more than ten years. Only twenty six (26%) of the businesses had been operating for less than five years.

6.2.4 Questionnaire design
A structured questionnaire was used to collect data for evaluating each of the variables identified in the model (presented in Figure 5.1). A series of four to ten items were used to measure each variable. The respondents were asked to rate these items on a five point Likert-type scale ranging from strongly agree to strongly disagree. These items sought to assess the respondents’ perceptions of each of the variables under investigation. Both the self-developed measuring instruments and instruments with proven psychometric properties were used to measure the variables that are included in the model depicted in Figure 5.1.

6.3 STATISTICAL METHODS USED IN THE STUDY
Data analysis comprises the activities of accumulating information in order to obtain answers to the research questions. Merrian et al. (1998:178) noted that data analysis is the process of making sense out of the data. In order for a researcher to be able to reduce the possibility of getting the wrong answers, serious consideration must be given to the quality of the research, with specific reference to the reliability of data and validity of the findings of the study. These instruments are required to measure the concepts’ accuracy and whether constructs measured, are relevant to the tested issues (Cavana, Delahaye & Sekarana 2001). In this study data analysis will further be conducted in two stages. The multivariate statistical approach will be used by means of a factor analysis with the aim of discovering simple patterns of relationships among variables. Secondly, correction analysis is performed with the
purpose to measure the strength of determinants of the key variables. The third stage, consists of regression analysis establish the relationships between variables.

6.3.1 Reliability
Reliability can be viewed as the stability with which a measuring instrument yields a definite result (Leedy & Ormrod 2001:31). Reliability is all about the consistency of effect, where the results of constructs measured demonstrate a high percentage of similar outcomes without bias (Cavana et al. 2001:210).

6.3.1.1 Stability and consistency of measurement
Stability is the ability of a measurement to remain stable over time, while consistency refers to how the instrument measures the concept and assesses the ‘goodness’ of the measure time and again. The goodness of the measure is proven by the repeatability of the test under similar circumstances where a test-retest reliability assesses the consistency of a measure from one time to another, or parallel-forms. Reliability assesses the consistency of the results of two tests constructed in the same way from the same content domain (Cavana et al. 2001:210). There are a number of approaches to testing for reliability and four of those tests are test-retest, parallel-form, split-half reliability and Cronbach’s alpha coefficient alpha (Sekaran 2003:203). Sekeran (2003) referred to Cronbach’s alpha as a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Furthermore, it is one of the most commonly used and proposed measures of reliability. Welman, Kruger and Mitchel (2005:183) referred to internal consistency as a degree of generalisation across the items within the measurement. In this study the internal consistency of items was measured using Cronbach’s alpha coefficient.

6.3.2 Validity
The core issue pertaining to validity is ensuring that the research instrument accurately measures what the researcher thinks or claims it does in an unbiased manner (Collis & Hussey 2003:58) Validity concerns the instrument of measurement, and the extent to which the instrument measures what it is supposed to measure (Leedy & Ormrod 2001:31). For this study to achieve the required level of validity, several validity tests may be applied before carrying out the survey, to test
the goodness of the measures. Cavana et al. (2001: 212) identified four validity tests: content validity, criterion-related validity, face validity, and construct validity.

**Content validity**, sometimes called logical or rational validity, is the estimate of how much a measure represents every single element of a construct. It is considered to be a function of how the dimensions and elements of a concept will have been delineated. It assures that the survey contains sufficient measures to represent the construct of interest (Sekaran 2003:206).

**Criterion-related validity** measures differences that are either known to be distinct or can be measured to categorise entities on a predictive basis. Criterion-related validity can be measured either by concurrent validity or predictive validity (Sekaran 2003:206; Cavana et al. 2001:213). This can be measured by establishing the scale which discriminates between two groups and this is referred to as concurrent validity.

**Construct validity** refers to whether a scale or test measures the construct adequately. Construct validity establishes the correct optional measures for concepts being studied on this main foundation for judging the quality of the study (Yin 1994:32-38). The essence here is to establish the accuracy of instruments in data that is either highly correlated or highly uncorrelated (Sekaran 2003:20). Construct validity can be segmented into sub-categories to cite a few, discriminant, convergent, and face validity.

- **Face validity**
  
  Face validity is an assessment of the survey instrument with respect to it being clear and understandable to the subjects. In this study the face validity assessment will be determined by means of a pilot study.
• Convergent validity

Trotchim (2006) referred to convergent validity as a principle that measures theoretically similar constructs that should be highly inter-correlated. This means that when research results demonstrate that the measures are theoretically supposed to be highly interrelated and in practice are highly interrelated, it demonstrates convergent validity. In order for this study to ensure quality, convergent validity, whereby two different instruments measure the same concept to return results that are highly correlated, will be used.

• Discriminant validity

Discriminant validity is a form of construct validity which refers to the extent to which a construct is not associated with other constructs on a theoretical basis (Sekaran 2003:2007). It means that an attempt can be made to establish whether the individual questionnaire items are indeed measures of the separate constructs as the literature suggests. For the purpose of this study, discriminant validity was tested through a statistical approach known as an exploratory factor analysis. Therefore, in this study convergent and discriminant validity will be tested to verify whether the measures in the study have construct validity.

6.3.2.1 Factor Analysis

Factor analysis is a multivariate statistical method used to examine how underlying constructs influence the responses on a number of measured variables. According to Zikmund and Babin (2007:608) factor analysis is a technique for statistically identifying a reduced number of factors from a larger number of measured variables. The essential point in factor analysis is that, factors are not measured, but are identified by forming a variety of measurable variables. This means that in factor analysis, dependent and independent variables are not distinguished during the process of factor analysis. According to Zikmund (1994) the statistical purpose of factor analysis is to determine linear combinations of variables that aid in evaluating the interrelationships. There are basically two types of factor analysis: Exploratory and confirmatory factor analysis. Exploratory factor analysis (EFA) attempts to discover the nature of the constructs influencing a set of responses. It is useful when
there is uncertainty about how many factors may exist among a set of variables. Confirmatory factor analysis (CFA) tests whether a specific set of constructs are influencing responses in a predicted way. It is performed when there is strong theoretical expectation about the factor structure before performing the analysis. For the purpose of this study, factor analysis is considered for further statistical analysis.

- **Factor analysis sampling procedure**
  The sampling procedure in factor analysis is vital since the analysis of data will be carried out by using exploratory factor analysis. To conduct a factor analysis requires a reasonably larger sample size in order to be effective. It should be noted that factor analysis is based on correlations amongst the items, so a good estimate of each pair-wise correlation is needed. Several scholars have proposed a guideline of sample size for research. Therefore, in this study the sampling approach has taken into consideration the factor analysis requirements by complying with the rule of 500 respondents (N) as anticipated by Camrey and Lee (1992), The number of respondents in the sample for this study is 323 respondents (71% response rate).

- **Factor Loading**
  Hair, Black, Babin, Anderson and Tathan (2006) referred to factor loading as a simple correlation between the variables and factors. It indicates how strongly correlated a factor is with a measured variable and it can be interpreted with high loading estimates and weak loading estimates. The general principal factor loading can vary from +1.0 to -1, thus, the high loading is considered to be “like” and weak loading is consider to be “unlike” factors. As noted by Hair et al. (2006:128-129) the general rule for cut off level for factor loading is 0.35, thus a square value of .3 gives a value of 0.09 that shows that the variable correlating with the factor less than .30 has less than 10% of its variance in common with others while the other 90% or more lie elsewhere in another factor. In this study only those values that are above 0.4 were considered to confirm the validity of items testing variables of the study.

- **Naming of the factors**
  This is a subjective process of combining intuition with an inspection of the variables that have high loadings on each factor (Hair et al 2006). Variables
which have high loading factors are examined for consistency of the variable that load high on given factors, then they will be chosen to name them.

6.3.2.2 Regression Analysis
The multiple regression analysis method will be used to measure the strength of the theories on the relationship between global firm negotiation outcomes and the influencing variables, with six variables, namely, international marketing environment, awareness of negotiation skills, interest groups, negotiation atmosphere, agreement, and level of commitment. The method is used to test all nine hypotheses. It will measure the magnitude of the association between variables in hypotheses. Siegel and Castellan (1988) maintained that it requires that both variables be at least on an ordinal scale so that the object or individuals under study may be ranked in two ordered series. Considering the theoretical reviews in previous chapters in respect of variable influences, the multiple regression analysis method, therefore, is expected to indicate how weak or strong the proposed theories are. The theory behind multiple regression analysis is based on the existence of several independent variables which have to be examined for their influence on dependent variables.

6.4 THE MEASURING INSTRUMENT
Both self-developed measuring instruments and instruments with proven psychometric properties were used to measure the variables that are included in the model depicted in Figure 5.1. All questionnaire items were linked to a five-point Likert-type scale. Five response options, namely, strongly disagree, disagree, indifferent, agree and strongly agree were used to score the responses to each questionnaire item.

6.4.1 International marketing environment
As a concept, the international marketing environment can be defined as market forces that are beyond the control of either of the parties involved in negotiations. As independent variables these forces include political, legal, economic, socio-cultural and technological factors relevant to both parties (Fjellstrom 2005).
The international marketing environment is measured by ten items to establish whether a relationship exists between the international marketing environment and the global firm negotiations. Both self-developed measuring instruments and instruments with proven psychometric properties were used to measure the variables that are included in the model depicted in Figure 5.1. A ten-item scale was adapted from the original culture in negotiations questionnaire, based on the research findings of Usinier’s (2002) study, as well as Weiss (1993); Worthington and Britton (2006:5). Most previous research on the international marketing environment seem to have focused on the measurement of the degree of culture and language barriers in business negotiations.

6.4.2 Awareness of negotiation skills
For the purpose of the study a skill is referred to as proficiency, facility, or dexterity that is acquired or developed through training or experience. It is an embodied personal capacity partly inborn (born negotiator) and partly acquired through experience and training (Ghauri 2002:45). Awareness of negotiation skills is measured by means of a ten-item instrument adapted from the work of McCall and Warrinton (1989), and Robin and Foster (2002). For the purpose of this study the respondents were asked questions that gauged the influence of negotiation skills on the negotiation process. Five Likert scale response options were used.

6.4.3 Interest groups
Interest groups represent the third parties that have an immediate impact on the outcomes of negotiations. Third parties are people other than the buyer and the seller who have a significant influence on the negotiations, depending on their interests and objectives in the negotiation process. Interest groups are measured with a six-item scale adapted from the work of Braithwalte and Drahos (2000) and Wilson (1988). This scale was, however, linked to a five-point Likert-type scale. Interest groups were measured by determining their level of interference, for instance, the government, agents, consultants and subcontractors in the global firm negotiations.
6.4.4 Negotiation behaviour perceptions
For the purpose of this study, negotiation is defined as two or more parties with common (and sometimes conflicting) interests who enter into a process of interaction with the goal of reaching an agreement (preferably for mutual benefit). When marketers negotiate, they do so to find an optimal solution regarding some issue or transaction, which is minimising conflicts and maximising gains. Perceptions of negotiation behaviour is measured by a seven-item scale which was developed and adapted from the work of Sebenius and Lax (1992, 2006) on negotiation behaviour and Walton & McKenzie (1965) and on the dimensions of the negotiation approaches questionnaire. This scale was, however, linked to a five-point Likert-type scale as well.

6.4.5 Negotiation atmosphere
In this study negotiation atmosphere is studied in relation to bargaining power and negotiation behaviour. According to Ghauri (2003), atmosphere is the perceived setting around the interaction. This variable is measured by means of a twenty-item scale adapted and modified from Punturaumporn and Hale (2003) on negotiations atmosphere. This scale was, however, linked to a five-point Likert-type scale.

6.4.6 Agreement
The study views an agreement as the desirable end result or outcome of negotiations (De Dreu et al. 1999:376-405). An agreement is defined as a satisfactory end-result for both sides. It reflects the perception of the relationship created between negotiators. It may be possible that end-results include an agreement, an impasse, a non-agreement, a mutually satisfactory agreement for both sides, an agreement that represents victory for one side or an agreement in which both sides have, to some extent, modified some of their objectives (De Dreu et al. 1999:376-405). For the purpose of this study, trust can be viewed as the expectation of fair negotiation in a situation in which ingenuity may also feature. Agreement was measured by means of a fourteen-item instrument adapted from the work of Fisher et al. (1983); and Rusbult John, Martz and Agnew (2011) on agreement and negotiations. Seven items measure business agreement related to trust and seven items measure business agreements related to uncertainty. This scale was, however, linked to a five-point Likert-type scale. For the purpose of this
study, respondents were asked to indicate how considerate are negotiating partners with regard to terms of agreement that will bring a desirable end result for all parties.

6.4.7 Level of commitment
Commitment can be viewed as the willingness of the parties to exert effort on implementing that what has been agreed to. Furthermore, an actual commitment in negotiations is intended to support long term relationships. Mnookin et al. (2000) supported this notion. In this study, level of commitment was measured by means of a six-item instrument adapted from the work of Andersson (1997) on automated negotiation; Moor and Weigand (2006) on a clarity of commitment clause regarding contract and partnership documents; Dion, Picard and Blenkhorn (1992) on trading partners’ willingness to devote energy to sustain the relationship. This scale was, however, linked to a five-point Likert-type scale.

6.4.8 Instruments used for the demographic profile of the respondents
In the marketing firms where the fieldwork for this study was carried out, individual demographic variables were measured to evaluate their effects on the respondents’ perceptions towards negotiation behaviour in a global firm. A single-item instrument was used for all selected individual variables. A two- to five-point response scale was used for all selected variables. Nine demographic variables were requested, namely: age, gender, education, sector, job title, income, tenure, size of the business and the number of years it has been in operation.

Gender was measured with a single-item measure and scored on a two-point scale, namely: 1 = Male and 2 = Female.

Table 6.2 revealed that the majority of the respondents (67%) were males and 33% were female.

Age was measured with a single-item measure and scored on a five-point scale, namely:
1 = 19 to 29 years
2 = 30 to 41 years
3 = 42 to 53 years
4 = 54 to 65 years
5 = 65 and more years

Table 6.2 reveals that 70% of the respondents were younger than forty years of age, and only 3% of the respondents were older than fifty four years of age.

**Job title** was measured with a single-item measure and scored on a three-point scale, namely:

1 = Branch Manager
2 = Chief Executive Officer
3 = Manager

Table 6.2 indicates that 79% of the respondents were managers, and 21% were chief executives.

**Education level** was measured with a single-item measure and scored on a five-point scale, namely:

1 = ‘O’ Level
2 = Diploma
3 = Bachelor’s degree
4 = Post graduate degree/ diploma
5 = Other (please specify)

Table 6.2 reveals that 69% of the respondents possessed a bachelor degree or a post graduate degree.

**Income** was measured with a single-item measure and scored on a five-point scale, namely:

1= < US$500 000
2 = US$500 000 – 999 999
3 = US$ 1 000 000 – 1 499 999
4 = US$ 1 500 000 – 1 999 999
5 = US$ 2 000 000 or more.

Table 6.2 shows that 45% of the respondents' businesses were generating a revenue of less than US$500,000 and only 9% of the respondent businesses were able to generate $2 Million or more.

**Tenure** was measured with a single-item measure and scored on a five-point scale, namely:

1 = 1 – 5
2 = 6 – 10
3 = 11 – 15
4 = 16 – 20
5 = 21 and above.

Table 6.2 reveals that 80% of the respondents have been with the same institutions less than ten years while 20% of the respondents have been with the same employer for more than ten years.

**Sector** was measured with a single-item measure and scored on a ten-point scale, namely:

1 = Manufacturing  
2 = Agriculture  
3 = Mining  
4 = Tourism  
5 = Energy  
6 = Financial  
7 = Natural Resources  
8 = Information Communication Technology  
9 = Infrastructure Development  
10 = Other (Please specify).

Table 6.2 indicates that 27% of respondents were coming from the financial sector while only 3% of the respondents were from mining sector.
**Size of business** was measured with a single-item measure and scored on a five-point scale, namely:

1 = 50 – 99  
2 = 100 – 149  
3 = 150 – 199  
4 = 200 – 249  
5 = Above 250.

Table 6.2 reveals that 75% of respondents' businesses employ less than 200 workers and 25% of respondents' businesses employed more than 200 staff.

**Years of existence of organisation** was measured with a single-item measure and scored on a five-point scale, namely:

1 = 1 – 5  
2 = 6 – 10  
3 = 11 – 15  
4 = 16 – 20  
5 = Over 21

Table 6.2 revealed that 60% of the respondents' businesses have been operating for more than ten years.

### 6.5 SUMMARY

The research methodology steps of the current study were discussed in this chapter. This includes the literature review on statistical techniques used in the study, a detailed description of the sample and a demographic profile of the respondents. The chapter concludes with an explanation of the psychometric properties of the measuring instruments used in this study which were confirmed to be reliable and valid scales. Chapter seven will delineate the empirical findings of the study.
CHAPTER SEVEN
EMPIRICAL REVIEW OF MARKETERS’ PERCEPTIONS OF NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

7.1 INTRODUCTION
The previous chapters presented a theoretical overview of the background, purpose and justification of the study, as well as a discussion of the theory obtained from various secondary sources, and the methodology employed during the secondary and empirical research. In this chapter the empirical results of the research will be analysed and presented regarding the perceptions of marketers on negotiations in a global firm.

7.2 HYPOTHESES AND OBJECTIVES OF THE STUDY
The focus of this study is to empirically investigate the perceptions of marketers on the behaviour of participants during negotiations in a global firm. For the purpose of this study, the following variables are subject to empirical evaluation and analysis: international marketing environment, awareness of negotiation skills, interest groups, negotiation atmosphere as well as the effect of behaviour of participants during negotiations on business agreements and level of commitment of the negotiation participants. Figure 7.1 indicates the selected variables that were investigated in this study. For this reason the hypotheses are stated again:

Hypothesis HA₁: There is a relationship between the international marketing environment and negotiations in a global firm.

Hypothesis HA₂: There is a relationship between awareness of negotiation skills and negotiations in a global firm.

Hypothesis HA₃: There is a relationship between interest groups and negotiations in a global firm.

Hypothesis HA₄: There is a relationship between negotiation atmosphere and interest groups.

Hypothesis HA₅: There is a relationship between negotiation atmosphere and negotiations in a global firm.

Hypothesis HA₆: There is a relationship between negotiation atmosphere and agreement based on trust and certainty regarding international marketers.
**Hypothesis HA⁷:** There is a relationship between negotiation atmosphere and commitment of international marketers.

**Hypothesis HA⁸:** There is a relationship between negotiations in a global firm and agreement based on trust and certainty regarding international marketers.

**Hypothesis HA⁹:** There is a relationship between negotiations in a global firm and commitment of international marketers.

The empirically tested hypotheses are illustrated in Figure 7.1 below.

**Figure 7.1: Theoretical model of negotiation behaviour in a global firm**

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>International marketing environment</td>
<td>Agreement</td>
</tr>
<tr>
<td>Awareness of negotiations skill</td>
<td>HA²</td>
</tr>
<tr>
<td>Interest group</td>
<td>HA³</td>
</tr>
<tr>
<td>Negotiations atmosphere</td>
<td>HA⁴</td>
</tr>
<tr>
<td></td>
<td>HA⁵</td>
</tr>
<tr>
<td></td>
<td>HA⁶</td>
</tr>
<tr>
<td></td>
<td>HA⁷</td>
</tr>
<tr>
<td></td>
<td>HA⁸</td>
</tr>
<tr>
<td></td>
<td>HA⁹</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construction

### 7.3 DATA EVALUATION FINDINGS

The data analysis consisted of four distinct phases and the empirical results are as follows:

- The initial stage of the first phase of data evaluation was to gauge the internal reliability of the measuring instruments used. This was done by computing the Cronbach alpha values of each instrument, using the computer programme STATISTICA (version 10). The descriptive statistics will be presented and
discussed as well.

- The second phase of the statistical analysis evaluated the construct validity of the various instruments used to measure the constructs under consideration. Validity was established by means of factor analysis procedures, which were used to assess whether individual items are indeed separate measures of the fundamental scopes they were supposed to measure.

- The third phase focuses on the multiple regression analysis through which the evaluation of the impact of the independent variables on the dependent variables was performed (Figure 7.1).

- The fourth phase focuses on the assessment of the hypothesised relationships.

Table 7.1: Abbreviations of variables

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>ABBREVIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Environmental</td>
<td>IE</td>
</tr>
<tr>
<td>Awareness of negotiation skills</td>
<td>ANS</td>
</tr>
<tr>
<td>Interest groups</td>
<td>IG</td>
</tr>
<tr>
<td>Negotiations atmosphere</td>
<td>NA</td>
</tr>
<tr>
<td>Negotiation perceptions</td>
<td>NEG</td>
</tr>
<tr>
<td>Agreement</td>
<td>AG</td>
</tr>
<tr>
<td>Level of commitment</td>
<td>LC</td>
</tr>
</tbody>
</table>

7.3.1 Descriptive statistics

Trochin (2006) referred to descriptive statistics as a method used to describe the basic features of the data in a study, it provided simple summaries about the sample and the measures. It concerns presentation and organisation of data so that it can be measured on central tendency middling, such as mean and media, and measures of dispersion such as the standard deviation and range (Lee, Lee & Lee 2000:4). Descriptive statistics forms a basis for quantitative data analysis. The descriptive statistics results are presented and briefly discussed hereunder in Table 7.2.
Table 7.2 shows the descriptive statistics for each variable that was measured on a Five-point Likert scale. The degree to which respondents agreed with the statements on the variables were represented by selecting options 4 or 5 on the scale. Options 1 or 2 represented the degree to which respondents disagreed with the statements. A response of indifference was indicated by selecting option 3.

Table 7.2 also indicates that most respondents regard the international marketing environment (mean score = 3.56) and interest groups (mean score = 3.55) as important for improving the behaviour of the participants during the negotiation process. Although respondents feel that to some extent the awareness of negotiation skills (mean score = 3.50) is an important motivation tool for improving the negotiation process. It is important for participants to understand which approaches can improve the behaviour of participants and yield results during the negotiation process.

Table 7.2 reveals that negotiation approaches (mean score = 3.98) are important motivating tools for accomplishing trading agreements based on trust and certainty (mean score = 3.73) and realising long term commitment and positive trading relationships (mean score = 3.77). Subsequently, without proper use of negotiation approaches, marketers cannot rectify wrong behaviour and consequently, reduce uncertainty nor gain trust with regard to level of agreement and commitment to the trading counterparts.

Table 7.2 further reveals that respondents’ expectations regarding the negotiation process are not met by the negotiation atmosphere, this indicates that respondents are not always satisfied by the behaviour of the negotiation participants (mean score 3.37). Furthermore, respondents indicated that there is some doubt in their minds regarding which behaviour is influenced by negotiating atmosphere (mean score = 3, 37) based on the participants’ preferences and choices. It is crucial that negotiation participants clarify the link between common and conflicting interests, willingness to cooperate and compromise, as well as the nature of power and avoidance
behaviour; otherwise, the negotiation atmosphere will negatively influence the behaviour of marketers during the negotiation process.

Table 7.2: Descriptive statistics for each variable: general sample response per category

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEAN</th>
<th>STANDARD DEVIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>International marketing Environment (IE)</td>
<td>3.56</td>
<td>0.95</td>
</tr>
<tr>
<td>Awareness of negotiation skills (ANS)</td>
<td>3.50</td>
<td>0.94</td>
</tr>
<tr>
<td>Interest groups (IG)</td>
<td>3.55</td>
<td>0.88</td>
</tr>
<tr>
<td>Negotiations atmosphere (NA)</td>
<td>3.37</td>
<td>0.95</td>
</tr>
<tr>
<td>Negotiation perceptions (NEG)</td>
<td>3.98</td>
<td>0.86</td>
</tr>
<tr>
<td>Agreement (AG)</td>
<td>3.73</td>
<td>0.81</td>
</tr>
<tr>
<td>Level of commitment (LC)</td>
<td>3.77</td>
<td>0.86</td>
</tr>
</tbody>
</table>

7.3.2 Reliability of the Instruments

One of the proposed and most commonly used measures of reliability is the Cronbach alpha. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekeran 2003:307). Furthermore, the closer Cronbach's alpha is to 1, computed in terms of the average inter-correlations among the items measuring the concept, the higher the internal consistency reliability. According to Welman et al. (2005:183) various types of reliability include among other, internal consistency, which implies a degree of generalisation across the items within the measurement For this study the Cronbach alpha coefficient was used to measure internal consistency reliability.

- Internal consistency

The internal consistency of each of the factors was assessed by calculating Cronbach’s alpha; the value >0.5 was considered to represent a sufficient standard of reliability in this study. The acceptance of a value >0.5 was in accordance with literature of Joshi, Chen and Lim (2009:988). Thus, for instruments of attitude and
preference assessment, Cronbach’s alpha of 0.5 or greater is an acceptable value for reliability tests.

The results in Table 7.3 indicate Cronbach alpha values between 0.5 and 0.8. This indicates that all instruments have a fair degree of reliability of 0.60 and above (Zidmund, Babin, Carr & Griffin 2010). In this study the internal validity of the variable “interest group (IG)” which is >0.56, was accepted for exploratory research and therefore, retained it for further analysis. The Cronbach alpha coefficient for Interest Groups was 0.52. Removing item, IG 5, improved its value to 0.56, which is regarded as sufficient for retaining the variable according to Bekiari, Lyrakos, Damigos, Mavreas, Chanopoulos & Dimoliatis (2011).

In conclusion, the study retains IE, ANS, IG, NA, NEG, AG, and LC, since their Cronbach alphas were above the cut-off point.

Table 7.3: Cronbach alpha values of measuring instruments: Theoretical model

<table>
<thead>
<tr>
<th>Measuring instrument</th>
<th>Initial value</th>
<th>Final value</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Environmental (IE)</td>
<td>0.65</td>
<td>0.65</td>
</tr>
<tr>
<td>Awareness of negotiation skills (ANS)</td>
<td>0.62</td>
<td>0.62</td>
</tr>
<tr>
<td>Interest groups (IG)</td>
<td>0.52</td>
<td>0.56</td>
</tr>
<tr>
<td>Negotiations atmosphere (NA)</td>
<td>0.74</td>
<td>0.74</td>
</tr>
<tr>
<td>Negotiation perceptions (NEG)</td>
<td>0.73</td>
<td>0.73</td>
</tr>
<tr>
<td>Agreement (AG)</td>
<td>0.83</td>
<td>0.83</td>
</tr>
<tr>
<td>Level of commitment (LC)</td>
<td>0.72</td>
<td>0.72</td>
</tr>
</tbody>
</table>

7.3.3 Validity of the measuring instruments

Construct validity is a scale evaluation criterion that relates to the question that probes the actual meaning of the nature of the underlying variable or construct measured by the scale (Sekaran 2003:207). Trochim (2006) referred to construct validity as the degree to which inferences can legitimately be made from the operationalisations in the study to the theoretical constructs on which those
operationalisations were based. In other words, it deals with accuracy by providing an indication of the degree of the relationship between the instrument and the construct being measured. As was mentioned in Chapter six, construct validity can be segmented into sub-categories namely, discriminant, convergent, nomological and face validity (Cavana et al. 2001:213). For the purpose of this study, convergent and discriminant validity were considered for further statistical analysis.

• **Convergent Validity**
  According to (Sekaran 2003) convergent validity relates to the degree to which the measured items are believed to embody a construct that would converge on the same construct. This means that items that are measures of a specific factor should converge and be related. Gatigana (2010:67) argued that for convergent validity, the correction between constructs is considered to be equal to zero. Therefore, constructs being measured need to be checked whether they are related to other constructs as they are supposed to be related according to literature and theory, therefore the researcher can reject null hypotheses that have zero correlation.

• **Discriminant Validity**
  Gatigana (2010) suggested that discriminant validity is established where two variables are predicted to be uncorrelated and the results establish that to be the case. According to Gatigana (2010:67), for a construct to be discriminant its correlations between estimated constructs should be one. In this study discriminant validity was considered for statistical analysis, the data was tested for validity using factor analysis to determine the quality of dimensions within the survey. Factor analysis was considered as the best method of choice as it reduces large numbers of variables into smaller sets of variables. It also establishes underlying dimensions between measured variables and latent constructs allowing the formation and refinement of theory and also provides construct validity evidence of self-reporting scales.
7.4 FACTOR ANALYSIS

Factor analysis helps reduce a number of variables to a meaningful, interpretable and manageable set (Gorsuch 1983:4). In this study factor analysis will be used to establish whether the variables: agreements based on trust and certainty and level of commitment (the dependent variables); and international marketing environment, awareness of negotiation skills, and interest groups (the independent variables), as well as the intervening variables: perceptions on negotiation behaviour and negotiation atmosphere are correlated to one another and if so, could be reduced to smaller numbers. Therefore, all factor loadings must be statistically significant at a minimum to confirm the discriminant validity of the measuring instrument used in the study. In this study, the sample size was 323 which are confirmed by Camrey and Lee (1992), Garson (2008) and Noruis (2005) in terms of the factor analysis sample size rule. As suggested by Hair et al. (1995), a factor loading of 0.3 should be considered a significance value, while a factor loading of 0.4 can be considered to be a more significant value for the purpose of this study. However, a factor value that exceeds 0.5 is considered to be a significant value for convergent validity. The cut off line in this study is 3 items loading per factor, and only those factors that are above 0.4 were considered to confirm discriminant validity as loadings greater than 0.4 is significant. Thus data was analysed using the computer programmes STATISTICA (version 10) to conduct the data analyses.

The next step in the data analysis phase was to assess the discriminant validity of the variables listed in Table 7.3. According to Zikmund (2003), discriminant validity is a form of construct validity that refers to the extent to which a construct is not associated with other constructs on a theoretical basis.

The computer programme STATISTICA (version 10) was used to conduct three sets of exploratory factor analyses. The first set involved general perceptions of marketers towards the international marketing environment (IE), awareness of negotiation skills (ANS), and interest groups (IG).
The second factor analysis involved the negotiation process perceptions of marketers towards: negotiation approaches (NEG) and negotiation atmosphere (NA) with regard to the management of behaviour of participants during the negotiation process. The last factor analysis involved the prospective outcomes of negotiations in global firm perceptions namely the level of commitment (LC) and the level of agreement (AG).

7.4.1 Perceptions of marketers towards international marketing environment, awareness of negotiation skills and interest groups

The first exploratory factor analysis results shown in Table 7.4 reveals that seven of the ten items (IE1, IE4, IE5, IE6, IE7, IE8, IE10) expected to measure ‘international marketing environment’ as well as one of the ten items (ANS3) which were expected to measure ‘awareness of negotiation skills’ loaded on factor one (1). This means that respondents viewed these items as measures of a single construct renamed ‘business negotiation environment’.

Table 7.4 indicates that two of the ten items, which were expected to measure the variables ‘awareness of negotiation skills’ (ANS2, ANS7), and two of the six items which are expected to measure ‘interest groups’ (IG1, IG6) as well as three of the ‘international marketing environment’ (IE2, IE3, IE7) loaded on factor two (2). This means that respondents viewed these items as a single construct termed ‘requirements of business practises’. Table 7.4 further indicates that four of the six items (ANS4, ANS8, ANS9, ANS10) which are expected to measure ‘awareness of negotiation skills’ and two of the six items (IG2, IG4) which are expected to measure ‘interest groups’ loaded on factor three (3). This means that respondents viewed these items as a single construct termed ‘awareness of negotiation skills’. Five items that are expected to measure ‘awareness of negotiation skills and interest groups (ANS1, ANS5, ANS6, IG3, IG5), did not load to a significant extent (p < 0.04) and this led to the deletion of these items and were not used in subsequent analyses. It can therefore, be concluded that the items that were expected to measure ‘international marketing environment’, ‘interest groups’ and ‘awareness of negotiation skills’ are not sufficiently valid for the respondents to interpret it as expected, hence
some of these items were interpreted by respondents as measures of ‘business negotiation environment’, ‘requirements of business practise’ and ‘awareness of negotiation skills’.

Table 7.4: Factor loadings: perceptions of marketers towards international marketing environment, awareness of negotiation skills and interest groups

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business negotiation environment</td>
<td>Requirements of business practise</td>
<td>Awareness of negotiations skills</td>
</tr>
<tr>
<td>ANS3</td>
<td>0.581888</td>
<td>-0.203641</td>
<td>0.039109</td>
</tr>
<tr>
<td>IE1</td>
<td>0.536609</td>
<td>0.226856</td>
<td>0.059674</td>
</tr>
<tr>
<td>IE4</td>
<td>0.582230</td>
<td>0.315600</td>
<td>-0.066398</td>
</tr>
<tr>
<td>IE5</td>
<td>0.535360</td>
<td>-0.023723</td>
<td>0.201184</td>
</tr>
<tr>
<td>IE6</td>
<td>0.426771</td>
<td>0.357382</td>
<td>0.125230</td>
</tr>
<tr>
<td>IE7</td>
<td>0.484694</td>
<td>-0.161414</td>
<td>0.253652</td>
</tr>
<tr>
<td>IE8</td>
<td>0.511030</td>
<td>0.085334</td>
<td>0.076146</td>
</tr>
<tr>
<td>IE10</td>
<td>0.513390</td>
<td>-0.068324</td>
<td>0.164510</td>
</tr>
<tr>
<td>ANS2</td>
<td>-0.266091</td>
<td>0.600388</td>
<td>0.187014</td>
</tr>
<tr>
<td>IE2</td>
<td>0.103406</td>
<td>0.658691</td>
<td>-0.172554</td>
</tr>
<tr>
<td>IE3</td>
<td>0.160178</td>
<td>0.636800</td>
<td>0.114748</td>
</tr>
<tr>
<td>IE9</td>
<td>-0.008618</td>
<td>0.661890</td>
<td>-0.061385</td>
</tr>
<tr>
<td>IG1</td>
<td>0.279548</td>
<td>0.417153</td>
<td>0.078504</td>
</tr>
<tr>
<td>IG6</td>
<td>0.025663</td>
<td>0.539840</td>
<td>0.252298</td>
</tr>
<tr>
<td>ANS7</td>
<td>-0.019672</td>
<td>0.592823</td>
<td>-0.100723</td>
</tr>
<tr>
<td>ANS4</td>
<td>0.227812</td>
<td>-0.065961</td>
<td>0.437861</td>
</tr>
<tr>
<td>ANS8</td>
<td>0.084669</td>
<td>-0.073150</td>
<td>0.716577</td>
</tr>
<tr>
<td>ANS9</td>
<td>0.299620</td>
<td>-0.148417</td>
<td>0.630515</td>
</tr>
<tr>
<td>ANS10</td>
<td>-0.102292</td>
<td>0.157339</td>
<td>0.519657</td>
</tr>
<tr>
<td>IG2</td>
<td>-0.034613</td>
<td>0.202699</td>
<td>0.663330</td>
</tr>
<tr>
<td>IG4</td>
<td>0.047020</td>
<td>0.080591</td>
<td>0.531492</td>
</tr>
<tr>
<td>Expl.Var</td>
<td>2.543060</td>
<td>2.917729</td>
<td>2.419791</td>
</tr>
<tr>
<td>Prp.Totl</td>
<td>0.121098</td>
<td>0.138939</td>
<td>0.115228</td>
</tr>
</tbody>
</table>

Loadings greater than 0.4 were considered significant.
7.4.2 Perceptions of marketers towards negotiation approaches and negotiation atmosphere with regard to negotiation behaviour

Table 7.5 indicates that five items expected to measure ‘perceptions of negotiation behaviour’ (NEG1, NEG2, NEG4, NEG6 and NEG7) loaded on factor one (1). These five items as well as eight items expected to measure ‘negotiation atmosphere’ (NA1, NA2, NA3, NA4, NA5, NA6, NA10, NA11) that also loaded on factor 1, were regarded as a measurement of ‘perceptions of negotiation behaviour’. Table 7.5 further indicates that respondents did not perceive ‘negotiation atmosphere’ as a single construct but as a two-dimensional construct. This means that respondents viewed ‘negotiation atmosphere’ as consisting of a dimension related to ‘bargaining power’ on the one hand and ‘negotiation atmosphere’ of marketers with regard to ‘participation behaviour’ on the other. Five of the five items expected to measure ‘negotiation atmosphere’ (NA15, NA16, NA17, NA18, NA19) loaded on factor two (2) and were regarded as a measurement of ‘atmosphere related to bargaining power’. Factor three (3) is termed ‘atmosphere related to behaviour’ and consists of the other four items expected to measure ‘negotiation atmosphere’ (NA7, NA9, NA12, NA13) as well as one item that is expected to measure ‘perceptions of negotiation behaviour’ (NEG5). Four items that are expected to measure ‘perceptions of negotiation behaviour and negotiation atmosphere’ (NEG3, NA8, NA14, NA20), did not load to a significant extent (p < 0.04) and this led to the deletion of these items and were not used in subsequent analyses.

Table 7.5 indicates that items that were expected to measure ‘perceptions of negotiation behaviour’ and ‘negotiation atmosphere’ are not sufficiently valid for respondents to interpret it as expected, hence, some of these items were interpreted by respondents as measures of ‘perceptions of negotiation behaviour’, ‘atmosphere related to bargaining power’ and ‘atmosphere based on behaviour’.
Table 7.5: Factor loadings: Perceptions of marketers towards negotiation approaches and negotiation atmosphere with regard to negotiation behaviour

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th></th>
<th>Factor 2</th>
<th></th>
<th>Factor 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Negotiation perceptions</td>
<td>Negotiation atmosphere - bargaining power</td>
<td>Negotiation atmosphere - behaviour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA1</td>
<td>0.523196</td>
<td>0.114791</td>
<td>-0.044284</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA2</td>
<td>0.456380</td>
<td>0.126706</td>
<td>0.330981</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA3</td>
<td>0.482365</td>
<td>-0.191925</td>
<td>-0.142270</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA4</td>
<td>0.625974</td>
<td>-0.256299</td>
<td>-0.093965</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA5</td>
<td>0.544824</td>
<td>-0.087650</td>
<td>0.076796</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA6</td>
<td>0.433876</td>
<td>-0.025112</td>
<td>0.380165</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA10</td>
<td>0.465165</td>
<td>0.279608</td>
<td>0.329546</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA11</td>
<td>0.410666</td>
<td>0.203397</td>
<td>0.246287</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG1</td>
<td>0.644842</td>
<td>0.170537</td>
<td>-0.013806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG2</td>
<td>0.619035</td>
<td>-0.357271</td>
<td>0.038195</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG4</td>
<td>0.442610</td>
<td>-0.032699</td>
<td>0.256190</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG6</td>
<td>0.611601</td>
<td>-0.090764</td>
<td>-0.061646</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG7</td>
<td>0.427934</td>
<td>-0.017643</td>
<td>0.352506</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA15</td>
<td>0.039991</td>
<td>0.755114</td>
<td>-0.004921</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA16</td>
<td>-0.228024</td>
<td>0.761888</td>
<td>0.147961</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA17</td>
<td>-0.029001</td>
<td>0.670364</td>
<td>0.275067</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA18</td>
<td>0.149467</td>
<td>0.532058</td>
<td>-0.047656</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA19</td>
<td>0.056150</td>
<td>0.506334</td>
<td>-0.011159</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA7</td>
<td>0.107976</td>
<td>-0.017986</td>
<td>0.632927</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA9</td>
<td>-0.017385</td>
<td>-0.098411</td>
<td>0.652619</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA12</td>
<td>-0.037595</td>
<td>0.233420</td>
<td>0.718964</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA13</td>
<td>-0.031634</td>
<td>0.155983</td>
<td>0.789728</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEG5</td>
<td>0.394399</td>
<td>0.045079</td>
<td>0.457249</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expl.Var</td>
<td>3.778610</td>
<td>2.656337</td>
<td>2.931743</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prp.Totl</td>
<td>0.164287</td>
<td>0.115493</td>
<td>0.127467</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Loadings greater than 0.4 were considered significant.

7.4.3 Outcomes of negotiation behaviour: Level of agreement and level of commitment
The outcome variables and the individual items expected to measure each outcome are summarised in Table 7.6. Eight of the thirteen items (AG1, AG2, AG3, AG4, AG5, AG6, AG7 and AG13) expected to measure ‘agreement’, as well as one of the six items that are expected to measure ‘level of commitment’ (LC1) loaded on factor
one (1) and were regarded as a measure of ‘agreement’. Table 7.6 indicates that five of the six items expected to measure ‘level of commitment’ (LC2, LC3, LC4, LC5, LC6) as well as three of the thirteen items (AG9, AG10, AG12) that are expected to measure ‘agreement’ loaded on factor two (2). This means that respondents viewed these items as measures of a single construct termed ‘level of commitment’.

Two of the thirteen items expected to measure ‘agreement’ were deleted as they did not load to a significant extent on a separate factor (AG8, AG11). In other words, these items did not demonstrate sufficient discriminant validity.

Table 7.6:  Factor loadings: Outcomes of negotiation behaviour

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agreement</td>
<td>Level of commitment</td>
</tr>
<tr>
<td>AG1</td>
<td>0.672537</td>
<td>0.159638</td>
</tr>
<tr>
<td>AG2</td>
<td>0.714841</td>
<td>0.151935</td>
</tr>
<tr>
<td>AG3</td>
<td>0.583320</td>
<td>0.152537</td>
</tr>
<tr>
<td>AG4</td>
<td>0.708898</td>
<td>-0.076530</td>
</tr>
<tr>
<td>AG5</td>
<td>0.516420</td>
<td>0.179722</td>
</tr>
<tr>
<td>AG6</td>
<td>0.527180</td>
<td>0.289770</td>
</tr>
<tr>
<td>AG7</td>
<td>0.476495</td>
<td>0.297083</td>
</tr>
<tr>
<td>AG13</td>
<td>0.449892</td>
<td>0.278220</td>
</tr>
<tr>
<td>LC1</td>
<td>0.502472</td>
<td>0.249311</td>
</tr>
<tr>
<td>LC2</td>
<td>0.166604</td>
<td>0.678590</td>
</tr>
<tr>
<td>LC3</td>
<td>0.024497</td>
<td>0.756478</td>
</tr>
<tr>
<td>LC4</td>
<td>0.018854</td>
<td>0.717791</td>
</tr>
<tr>
<td>LC5</td>
<td>0.248180</td>
<td>0.587206</td>
</tr>
<tr>
<td>LC6</td>
<td>0.260819</td>
<td>0.423496</td>
</tr>
<tr>
<td>AG9</td>
<td>0.294260</td>
<td>0.516048</td>
</tr>
<tr>
<td>AG10</td>
<td>0.346867</td>
<td>0.439805</td>
</tr>
<tr>
<td>AG12</td>
<td>0.248942</td>
<td>0.533684</td>
</tr>
<tr>
<td>Expl.Var</td>
<td>3.459850</td>
<td>3.238461</td>
</tr>
<tr>
<td>Prp.Totl</td>
<td>0.203521</td>
<td>0.190498</td>
</tr>
</tbody>
</table>

Loadings greater than 0.4 were considered significant.
7.4.4 Cronbach alpha values of latent variables based on the results of factor analysis: Theoretical model

As a result of the discriminant validity assessment with the exploratory factor analysis, some items were deleted and new variables were formed; thus, the original theoretical model had to be adapted. This means that the reliability of the new and adapted variables had to be reassessed.

Table 7.7 summarises the items which are regarded as measures of individual variables in the theoretical model following the exploratory factor analyses. The study retains BE, RBP, ANS, NEG, NAB (1), NAB (2), AG, and LC, since their Cronbach alphas were above the cut-off point. Table 7.7 indicates that all Cronbach reliability coefficients are above 0.60 which is regarded as acceptable for the purpose of this study. This indicates that all instruments have a fair reliability of 0.60 and above (Zikmund et al. 2010) except BE (0.59). Removing item, IE 10, improved its value to 0.63, which is regarded as sufficient for retaining the variable according to Bekiari et al. (2011). These results are summarised in Table 7.8 by means of an empirical factor structure used for regression analysis.

Table 7.7: Factor loadings: Cronbach alpha coefficients of the latent variables based on the comprehensive exploratory factor analysis

<table>
<thead>
<tr>
<th>LATENT VARIABLE</th>
<th>ITEMS</th>
<th>A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business negotiation Environment</td>
<td>IE1, IE4, IE5, IE6, IE7, IE8, ANS3</td>
<td>0.63</td>
</tr>
<tr>
<td>Requirements of business practise</td>
<td>IE2, IE3, IE9, ANS2, ANS7, IG1, IG6,</td>
<td>0.71</td>
</tr>
<tr>
<td>Awareness of negotiation skills</td>
<td>ANS4, ANS8, ANS9, ANS10, 1G2, IG4</td>
<td>0.66</td>
</tr>
<tr>
<td>Perceptions of negotiation behaviour</td>
<td>NEG1, NEG2, NEG4, NEG6, NEG7 NA1, NA2, NA3, NA4, NA5, NA6, NA10, NA11</td>
<td>0.79</td>
</tr>
<tr>
<td>Negotiation atmosphere – bargaining power</td>
<td>NA15, NA16, NA17, NA18, NA19</td>
<td>0.71</td>
</tr>
<tr>
<td>Negotiation atmosphere – behaviour</td>
<td>NA7, NA9, NA12, NA13, NEG5</td>
<td>0.72</td>
</tr>
<tr>
<td>Agreement</td>
<td>AG1, AG2, AG3, AG4, AG5, AG6, AG7, AG13, LC1</td>
<td>0.78</td>
</tr>
<tr>
<td>Level of commitment</td>
<td>LC2, LC3, LC4, LC5, LC6, AG9, AG10, AG12</td>
<td>0.77</td>
</tr>
</tbody>
</table>
Following the reliability and validity assessment, three independent variables (business negotiation environment, requirements of business practise, awareness of negotiation skills), three intervening variables (Perceptions of negotiation behaviour, Negotiation atmosphere – bargaining power, Negotiation atmosphere – behaviour) and two dependent variables (agreement and level of commitment) remained in the empirical model. The latent variables, and the individual items measuring them, are summarised in Table 7.8.

**Table 7.8: Empirical factor structure for regression analysis for latent variables**

<table>
<thead>
<tr>
<th>LATENT VARIABLE</th>
<th>ITEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business negotiation Environment</td>
<td>IE1, IE4, IE5, IE6, IE7, IE8, ANS3</td>
</tr>
<tr>
<td>Requirements of business practise</td>
<td>IE2, IE3, IE9, ANS2, ANS7, IG1, IG6,</td>
</tr>
<tr>
<td>Awareness of negotiation skills</td>
<td>ANS4, ANS8, ANS9, ANS10, IG2, IG4</td>
</tr>
<tr>
<td>Perceptions of negotiation behaviour</td>
<td>NEG1, NEG2, NEG4, NEG6, NEG7 NA1, NA2, NA3, NA4, NA5, NA6, NA10, NA11</td>
</tr>
<tr>
<td>Negotiation atmosphere – bargaining power</td>
<td>NA15, NA16, NA17, NA18, NA19</td>
</tr>
<tr>
<td>Negotiation atmosphere – behaviour</td>
<td>NA7, NA9, NA12, NA13, NEG5</td>
</tr>
<tr>
<td>Agreement</td>
<td>AG1, AG2, AG3, AG4, AG5, AG6, AG7, AG13, LC1</td>
</tr>
<tr>
<td>Level of commitment</td>
<td>LC2, LC3, LC4, LC5, LC6, AG9, AG10, AG12</td>
</tr>
</tbody>
</table>

The empirical factor structure as summarised in Table 7.8 was therefore subjected to a multiple regression analysis using the programme STATISTICA (version 10).

As a result of the scale purification process the original model (Figure 7.1) had to be substantially modified as shown in Figure 7.2.
Figure 7.2: The adapted model of the relationships among variables based on perceptions of marketers and effects of the negotiation behaviour.
The hypotheses tested had to be reformulated as a result of the formulation of the adapted model.

The Hypotheses subjected to empirical verification (Figure 7.3) were:

HA\(^1\) is modified into HA\(^{1.1}\).
- **Hypothesis HA\(^{1.1}\)**: There is a relationship between the business negotiation environment and negotiation behaviour in a global firm.

HA\(^2\) is modified into HA\(^{2.1}\) and HA\(^{2.2}\).
- **Hypothesis HA\(^{2.1}\)**: There is a relationship between awareness of negotiation skills and negotiations in a global firm.
- **Hypothesis HA\(^{2.2}\)**: There is a relationship between requirements of business practice and negotiations in a global firm.

HA\(^5\) is modified into HA\(^{5.1}\) and HA\(^{5.2}\).
- **Hypothesis HA\(^{5.1}\)**: There is a relationship between negotiation atmosphere related to bargaining power and negotiations in a global firm.
- **Hypothesis HA\(^{5.2}\)**: There is a relationship between negotiation atmosphere related to behaviour and negotiations in a global firm.

**OUTCOMES**

HA\(^6\) is modified into HA\(^{6.1}\) and HA\(^{6.2}\).
- **Hypothesis HA\(^{6.1}\)**: There is a relationship between negotiation atmosphere related to bargaining power and agreement based on trust and certainty with international marketers.
- **Hypothesis HA\(^{6.2}\)**: There is a relationship between negotiation atmosphere related to behaviour and agreement based on trust and certainty with international marketers.

HA\(^7\) is modified into HA\(^{7.1}\) and HA\(^{7.2}\).
- **Hypothesis HA\(^{7.1}\)**: There is a relationship between negotiation atmosphere related to bargaining power and commitment of international marketers.
• **Hypothesis HA**\(^{7.2}\): There is a relationship between negotiation atmosphere related to behaviour and commitment of international marketers.

• **Hypothesis HA**\(^{8}\): There is a relationship between negotiations in a global firm and agreement based on trust and certainty with international marketers.

• **Hypothesis HA**\(^{9}\): There is a relationship between negotiations in a global firm and commitment of international marketers.

Interest groups (IG) did not load as a factor thus, the two hypotheses, HA\(^{3}\) and HA\(^{4}\) were not tested as the modified model (Figure 7.2) did not include IG variables. In this chapter the hypothesised relationships are assessed in a modified theoretical model.
Figure 7.3: The hypothesised model of marketers’ perceptions regarding negotiation
7.5 REGRESSION ANALYSIS

Harring (2012:1) defined regression analysis as a time-honoured technique that is utilized to assess the relationship of the variance between a dependent variable and one or more input variable called independent variable(s). Furthermore, it establishes a set of independent variables that explain a proportion of the variance in a dependent variable at a significant level through a significance test of R2, and can establish the relative predictive importance of the independent variables by comparing beta weights and examining partial correlations. As noted by Harring (2012) power terms can be added as independent variables to explore curvilinear effects, and cross-product terms can be added as independent variables to explore interaction effects (both moderating and mediating effects can be explored). The general purpose of regression analysis is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. According to the construct of the modified conceptual model in this study, regression analyses were performed to establish the relationships formulated in the relevant set of hypotheses.

In this study a regression analysis procedure was used to assess the influence of the selected variables on the negotiation behaviour in a global firm (Figure 7.3). This assists either the rejecting or accepting of the hypotheses based on the regression analysis procedure.

7.5.1 The influence of marketers’ perceptions on the negotiation behaviour

7.5.1.1 The influence of business negotiation environment, requirements of business practice and awareness of negotiation skills.

Table 7.9 indicates that requirements of business practise (b = 0.615, p < 0.001) and the awareness of negotiation skills (b = 0.095, p < 0.011) are positively related to negotiation behaviour. In total, the $R^2$ of 0.514 explains the 51% of variability in the model explained by the moderating variable [negotiation behaviour] as shown in Table 7.9.
Table 7.9 further shows that business negotiation environment does not exert a significant influence on ‘negotiation behaviour’ \( r = 0.047, \text{NS} \).

**Table 7.9: Regression analysis: the influence of business negotiation environment, requirements of business practise and awareness of negotiation skills**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta ( b^* )</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>0.047</td>
<td>0.041</td>
<td>0.037</td>
<td>0.032</td>
<td>1.164</td>
<td>0.245</td>
</tr>
<tr>
<td>RBP</td>
<td>0.692</td>
<td>0.039</td>
<td>0.615</td>
<td>0.035</td>
<td>17.627</td>
<td>0.001***</td>
</tr>
<tr>
<td>ANS</td>
<td>0.103</td>
<td>0.041</td>
<td>0.095</td>
<td>0.038</td>
<td>2.535</td>
<td>0.011**</td>
</tr>
</tbody>
</table>

**R**

<table>
<thead>
<tr>
<th>R2</th>
<th>F</th>
<th>Std Error of estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>72%</td>
<td>0.51417492</td>
<td>112.89</td>
<td>0.179054</td>
</tr>
</tbody>
</table>

*  = p < 0.05  
**  = p < 0.01  
*** = p < 0.001

7.5.1.2 The influence of negotiation atmosphere on the negotiation behaviour

Table 7.10 indicates that the \( R^2 \) of 0.085 explains only 1% variability in the model as explained by the variable \textit{NEG}. Negotiation atmosphere related to behaviour exert a significant influence on negotiation behaviour \( b = 0.194, p < 0.001 \), this means that there is a weak relationship between the two constructs. Thus, the negotiation atmosphere related to behaviour is positively related to negotiation behaviour. Table 7.10 further shows that negotiation atmosphere, related to bargaining power, does not exert a significant influence on negotiation behaviour \( r = -0.073, \text{NS} \).
Table 7.10: Regression analysis: the influence of negotiation atmosphere on negotiation behaviour

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA – bargaining power</td>
<td>-0.073</td>
<td>0.055</td>
<td>-0.049</td>
<td>0.036</td>
<td>-1.352</td>
<td>0.961</td>
</tr>
<tr>
<td>NA – behaviour</td>
<td>0.311</td>
<td>0.055</td>
<td>0.194</td>
<td>0.034</td>
<td>5.687</td>
<td>0.001***</td>
</tr>
</tbody>
</table>

R  
R²  
F  
Std Error of estimate  
P
30% 0.085895 16.176 0.135765 p<0.00000

* = p < 0.05
** = p < 0.01
*** = p < 0.001

7.5.2 The influence of negotiation atmosphere on outcomes of negotiation behaviour

7.5.2.1 The influence of negotiation atmosphere related to bargaining power on agreement based on level of trust and certainty

Table 7.11 shows that negotiation atmosphere related to bargaining power does not exert a significant influence on agreement based on level of trust and certainty (r = -0.003, NS).

Table 7.11: Regression analysis: the influence of negotiation atmosphere related to bargaining power on agreement -based on level of trust and certainty

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA – bargaining power</td>
<td>-0.003</td>
<td>0.056</td>
<td>-0.002</td>
<td>0.041</td>
<td>-0.048</td>
<td>0.961</td>
</tr>
</tbody>
</table>

R  
R²  
F  
Std Error of estimate  
P
0% 0.002692 0.00233 0.124320 p<0.00000

* = p < 0.05
** = p < 0.01
*** = p < 0.001
7.5.2.2 The influence of negotiation atmosphere related to behaviour on agreement based on level of trust and certainty

Table 7.12 shows that the $R^2$ of 0.043 indicates that only 1% of the variability in the model is explained by the variable ‘agreement’. This means that agreement based on level of trust and certainty ($b = 0.143, p < 0.001$) has a positive relationship with negotiation atmosphere related to behaviour. However, this implies that marketers perceive negotiation atmosphere related to behaviour as potential reluctance among the negotiation participants to reach agreement based on certainty and trust. This weakens the relationship between the two constructs. Thus, the negotiation atmosphere related to behaviour is positively related to the agreement.

**Table 7.12: Regression analysis: the influence of negotiation atmosphere related to behaviour on agreement-based on level of trust and certainty**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA –behaviour</td>
<td>0.208</td>
<td>0.055</td>
<td>0.143</td>
<td>0.038</td>
<td>3.809</td>
<td>0.001***</td>
</tr>
<tr>
<td>R</td>
<td>21%</td>
<td>0.04310</td>
<td>F</td>
<td>14.506</td>
<td>Std Error of estimate</td>
<td>P</td>
</tr>
</tbody>
</table>

* = p < 0.05  
** = p < 0.01  
*** = p < 0.001

7.5.2.3 The influence of negotiation atmosphere related to bargaining power on level of commitment

Although negotiation atmosphere related to bargaining power exert a significant influence on the level of commitment ($b = 0.081, p < 0.05$), Table 7.13 indicates that the $R^2$ of 0.012 explains only 1% variability in the model as explained by the variable LC. This implies that marketers perceive negotiation atmosphere related to bargaining power as delaying the achievement of commitment among the negotiation participants. This weakens the relationship between the two constructs.
Thus, the negotiation atmosphere related to bargaining power is positively related to the level of commitment.

Table 7.13: Regression analysis: the influence of negotiation atmosphere related to bargaining power on level of commitment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA-bargaining power</td>
<td>0.110</td>
<td>0.055</td>
<td>0.081</td>
<td>0.041</td>
<td>1.993</td>
<td>0.047*</td>
</tr>
</tbody>
</table>

**R**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA-behaviour</td>
<td>0.440</td>
<td>0.050</td>
<td>0.308</td>
<td>0.035</td>
<td>8.798</td>
<td>0.001***</td>
</tr>
</tbody>
</table>

7.5.2.4 The influence of negotiation atmosphere related to behaviour on level of commitment

Table 7.14 shows that the R^2 of 0.194 indicates that 20% of the variability in the model is explained by the variable 'level of commitment'. This means that 'level of commitment' (b = 0.308, p < 0.001) has a positive relationship with negotiation atmosphere related to behaviour.

Table 7.14: Regression analysis: the influence of negotiation atmosphere related to behaviour on level of commitment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA-behaviour</td>
<td>0.440</td>
<td>0.050</td>
<td>0.308</td>
<td>0.035</td>
<td>8.798</td>
<td>0.001***</td>
</tr>
</tbody>
</table>

**R**
7.5.3 The influence of negotiation behaviour on agreements and level of commitment

7.5.3.1 The influence of negotiation behaviour on agreement based on level of trust and certainty

Table 7.15 shows that the $R^2$ of 0.367 indicates that 37% of the variability in the model is explained by the variable ‘agreement’. This means that agreement based on level of trust and certainty ($b = 0.671, p < 0.001$) has a positive relationship with negotiation behaviour.

Table 7.15: Regression analysis: the influence of negotiation behaviour on agreement based on level of trust and certainty

<table>
<thead>
<tr>
<th>Parameter</th>
<th>REGRESSION SUMMARY FOR DEPENDENT VARIABLE: AGREEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parameter</td>
</tr>
<tr>
<td>Negotiation behaviour (NEG)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>Std Error</td>
</tr>
</tbody>
</table>

* = $p < 0.05$
** = $p < 0.01$
*** = $p < 0.001$

7.5.3.2 The influence of negotiation behaviour on level of commitment

Table 7.16 shows that the $R^2$ of 0.209 indicates that 21% of the variability in the model is explained by the variable ‘level of commitment’. This means that the level of commitment based on achievement of long term positive business relationship ($b = 0.514, p < 0.001$) has a positive relationship with negotiation behaviour.
According to Table 7.10 and Table 7.11 negotiation atmosphere related to bargaining power does not exert a significant influence on negotiation behaviour and agreement based on trust and certainty. Furthermore, Table 7.9 indicates that business negotiation environment does not exert a significant influence on negotiation behaviour.

The t-values reported in Tables 7.9 to 7.16 indicate that the higher the t-values, the stronger the impact of the independent variables on ‘negotiation behaviour’. Whilst on the other hand the t-values of the intervening variables indicate a high to moderate as well as low impact on dependent variables. The requirements of business practice has a stronger impact on the negotiation behaviour with the highest t-value (t = 17.627) as shown in Table 7.9. Followed by a strong impact of negotiation behaviour on agreement based on trust and certainty with a high t-value (t = 13.670) in Table 7.15. Equally significant in Table 7.16, is the strong impact of ‘negotiation behaviour’ on level of commitment with a high t-value (t = 9.237) followed by a strong impact of negotiation atmosphere related to behaviour on level of commitment with a high t-value (t = 8.799) as shown in Table 7.14. According to Table 7.10 and Table 7.12 negotiation atmosphere related to behaviour has a moderate impact on negotiation behaviour (t = 5.687) followed by level of

### Table 7.16: Regression analysis: the influence of negotiation behaviour on level of commitment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Beta b*</th>
<th>Std. Error</th>
<th>B</th>
<th>Std Error</th>
<th>T value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation behaviour (NEG)</td>
<td>0.458</td>
<td>0.049</td>
<td>0.514</td>
<td>0.056</td>
<td>9.237</td>
<td>0.001***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>F</th>
<th>Std Error of estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>0.210947</td>
<td>85.325</td>
<td>0.216129</td>
<td>p&lt;0.00000</td>
</tr>
</tbody>
</table>

* = p < 0.05  
** = p < 0.01  
*** = p < 0.001
commitment \( (t = 3.809) \). Alternatively, Table 7.9 indicates that awareness of negotiation skills has a weak impact on negotiation behaviour with a low \( t \)-value \( (t = 2.535) \), followed by a significantly lower impact of negotiation atmosphere related to bargaining power on level of commitment with a \( t \)-value of \( (t = 1.993) \) as shown in Table 7.13. It can therefore be concluded that most of the correlations between the latent variables are positive and significant.

### 7.6 FINDINGS ON HYPOTHESESED RELATIONSHIPS

#### 7.6.1 Findings on the first set of hypotheses

**Hypothesis HA\(^{1.1}\):** There is a relationship between the business negotiation environment and negotiation behaviour in a global firm.

Tables 7.9 indicates that the business negotiation environment is not significantly related to negotiation behaviour \( (r = 0.47, \text{ NS}) \). This means that there is no significant correlation between the business negotiation environment and negotiation behaviour. Therefore, HA\(^{1.1}\) is rejected.

**Hypothesis HA\(^{2.1}\):** There is a relationship between awareness of negotiation skills and negotiations in a global firm.

Table 7.9 reports a statistically significant positive relationship between the awareness of negotiation skills and negotiation behaviour \( (p < 0.011) \). This means that there is a significant positive correlation between the awareness of negotiation skills and negotiation behaviour with \( r = 0.103 \) and \( t \) value \( (t=2.535) \). Therefore HA\(^{2.1}\) is accepted.

**Hypothesis HA\(^{2.2}\):** There is a relationship between requirements of business practice and negotiations in a global firm.

Table 7.9 shows a statistically significant positive relationship between the requirements of business practise and negotiation behaviour \( (p < 0.001) \). This means that there is a significant positive correlation between the requirements of business practise and negotiation behaviour with \( r = 0.692 \) and a high \( t \) value \( (t=17.627) \). Therefore HA\(^{2.1}\) is accepted.
Hypothesis HA\textsuperscript{5.1}. There is a relationship between negotiation atmosphere related to bargaining power and negotiations in a global firm.

Table 7.10 indicates that negotiation atmosphere related to bargaining power is not significantly related to negotiation behaviour ($r = -0.073$, NS). This means that there is no significant correlation between the negotiation atmosphere related to bargaining power and negotiation behaviour. Therefore, HA\textsuperscript{5.1} is rejected.

Hypothesis HA\textsuperscript{5.2}. There is a relationship between negotiation atmosphere related to behaviour and negotiations in a global firm.

Table 7.10 reports a statistically significantly positive relationship between the negotiation atmosphere related on behaviour and negotiation behaviour ($p < 0.001$). This means that there is a significant positive correlation between negotiation atmosphere related to behaviour and negotiation behaviour with $r = 0.311$ and a t value ($t=5.687$). Therefore HA\textsuperscript{5.2} is accepted.

7.6.2 Findings on the second set of hypotheses

Hypothesis HA\textsuperscript{6.1}. There is a relationship between negotiation atmosphere related to bargaining power and agreement based on trust and certainty with international marketers

Table 7.11 reports that negotiation atmosphere related to bargaining power is not significantly related to agreement ($r = -0.003$, NS). This means that there is no significant correlation between the negotiation atmosphere related to bargaining power and agreement based on trust and certainty. Therefore, HA\textsuperscript{6.1} is rejected.

Hypothesis HA\textsuperscript{6.2}. There is a relationship between negotiation atmosphere related to behaviour and agreement based on trust and certainty with international marketers

Table 7.12 reveals a statistically significant positive relationship between the negotiation atmosphere related to behaviour and level of commitment ($p < 0.001$). This means that there is a significant positive correlation between the negotiation atmosphere agreement $r = 0.208$ and a t value ($t= 3.809$). Therefore HA\textsuperscript{6.2} is accepted.
Hypothesis HA\textsuperscript{9.1}: There is a relationship between negotiation atmosphere related to bargaining power and commitment of international marketers.

Table 7.13 reports a statistically significant positive relationship between the negotiation atmosphere related to bargaining power and level of commitment (p < 0.05). This means that there is a significant positive correlation between the negotiation atmosphere related to bargaining power and level of commitment \( r = 0.110 \) and a t value (t= 1.993). Therefore HA\textsuperscript{9.1} is accepted.

Hypothesis HA\textsuperscript{7.2}: There is a relationship between negotiation atmosphere related to behaviour and commitment of international marketers.

Table 7.14 indicates a statistically significant positive relationship between the negotiation atmosphere related to behaviour and level of commitment (p < 0.001). This means that there is a significant positive correlation between the negotiation atmosphere related to behaviour and level of commitment \( r = 0.440 \) and a t value (t= 8.799). Therefore HA\textsuperscript{9.2} is accepted.

Hypothesis HA\textsuperscript{8}: There is a relationship between negotiations in a global firm and agreement based on trust and certainty with international marketers.

Table 7.15 reports a statistically significant positive relationship between the negotiation behaviour and agreements (p < 0.001). This means that there is a significant positive correlation between the negotiation behaviour and agreement based on trust and certainty \( r = 0.606 \) and a high t value (t= 13.670). Therefore HA\textsuperscript{8} is accepted.

Hypothesis HA\textsuperscript{9}: There is a relationship between negotiations in a global firm and commitment of international marketers.

Table 7.16 reports a statistically significant positive relationship between the negotiation behaviour and level of commitment (p < 0.001). This means that there is a significant positive correlation between the negotiation behaviour and level of commitment \( r = 0.458 \) and a high t value (t= 9.237). Therefore HA\textsuperscript{9} is accepted. The regression analysis results are summarised in Figure 7.4.
Figure 7.4: Summary of the regression analysis results

- **Business negotiation environment:***
  - Business negotiation environment

- **Requirements of business practice:***
  - Requirements of business practice
  - $b^* = 0.047, p > 0.05$

- **Awareness of negotiations skill:***
  - Awareness of negotiations skill
  - $b^* = 0.692, p < 0.01$

- **Negotiations atmosphere – bargaining power:***
  - Negotiations atmosphere – bargaining power
  - $b^* = 0.308, p < 0.01$

- **Perceptions of negotiation behaviour:***
  - Perceptions of negotiation behaviour
  - $b^* = 0.049, p < 0.05$
  - $b^* = 0.081, p < 0.05$
  - $b^* = 0.067, p < 0.01$

- **Level of commitment:***
  - Level of commitment
  - $b^* = 0.514, p < 0.001$

- **Agreement:***
  - Agreement
  - $b^* = 0.002, p > 0.05$
  - $b^* = 0.143, p < 0.001$

- **Negotiations atmosphere – behaviour:***
  - Negotiations atmosphere – behaviour
  - $b^* = 0.194, p < 0.01$

**Statistical Values:**

- $b^* = 0.692, p < 0.01$
- $b^* = 0.047, p > 0.05$
- $b^* = 0.067, p < 0.01$
- $b^* = 0.081, p < 0.05$
- $b^* = 0.143, p < 0.001$
- $b^* = -0.002, p > 0.05$
- $b^* = 0.194, p < 0.01$
7.7 SUMMARY

This chapter reports and gives the results of the statistical analysis performed. In this chapter Cronbach’s alpha reliability coefficients were calculated for all the instruments used to measure the variables in the empirical model of the study and descriptive statistics were presented and discussed. Three sets of exploratory factor analyses were carried out to assess the discriminant validity of the variables and the existing association between the constructs were revealed and reported.

The first set of four factor analyses involved general perceptions of marketers towards international marketing environment, awareness of negotiation skills and interest groups. The second set involved perceptions of marketers towards negotiation approaches and negotiation atmosphere with regard to the management of negotiation behaviour of participants during negotiation process. The last set involved the outcomes of negotiations in a global firm with specific reference to agreements based on trust and certainty and level of commitment. Cronbach’s alpha reliability coefficients were calculated for all the revealed factors. A multiple regression analysis was used to investigate the effects of two or more independent variables on a single or interval-scaled independent variable and the linear regression analyses were performed to establish the relationships formulated in the relevant set of hypotheses in the proposed model of the study and the results were reported. The next chapter discusses the interpretation of the empirical findings of this chapter, the managerial implications of the study as well as the limitations of this study. The empirical results show that negotiation behaviour is influenced by requirements of business practice, awareness of negotiation skills, as well as negotiation atmosphere related to behaviour but not by business negotiation environment and negotiation atmosphere related to bargaining power. Negotiation behaviour influences level of commitment and agreement based on and trust among negotiation process participants.
8.1 INTRODUCTION

Chapter Eight summarises the empirical findings as reported in the previous chapter and compares them to the findings of earlier researchers. Where appropriate, the managerial implications of the findings are discussed. To facilitate the discussion, the empirical findings are presented in graphical format. This chapter considers the views of previous researchers with the aim of providing appropriate recommendations. The limitations of the study are discussed. The empirical findings are presented in Figure 8.1 below. Furthermore, this chapter provides summaries of all chapters and it presents the conclusions of the empirical findings, as well as suggesting areas for further research. This chapter will also deliberate on the implications and limitations of the study. The main objective of this research was to assess marketers’ perceptions of negotiation behaviour in global firms in Tanzania and the impact of negotiation behaviour on trade agreements based on trust and certainty as well as the level of commitment based on determining long term partnerships among the marketers in Tanzanian global firms.

8.1.1 Brief synopsis of research

The main focus of the study in chapter one was discussing the background of the study, the problem statement, framework and purpose of the study and the research objectives. The envisioned literature review and important concepts of the study were briefly explained. The proposed research methodology and views of prior research were discussed as well as the delimitation of the research. The primary objective of this research was to assess marketer’s perceptions of negotiation behaviour in a global firm in Tanzania and the impact of negotiation behaviour on trading agreements based on trust and certainty as well as the level of commitment based on determining long term partnerships among the marketers in Tanzanian global firms.

Chapter One described the scope of the study. Six aspects of negotiation in the South African business environment were discussed, namely, negotiations and international business; international marketing environment, awareness of
negotiating skills, interest groups, negotiation atmosphere, business agreements as well as level of commitment of negotiators. Chapter One focused on the objectives pursued, the hypotheses addressed, the methodology used and the demarcation of the study.

Chapter Two, described the international business environment, with specific reference to the Tanzanian setting under the following sub-headings: A brief overview of the international marketing environment; The Tanzanian business environment, and the role of the firm in the business environment. Historical Growth and globalisation of international business in Tanzania were briefly outlined. Participation in trade liberalisation and World Trade Organisation (WTO), trade blocks and trade partners and the Tanzania Competitive and Comparative Advantages were also discussed in chapter two.

In summary, Chapter Two described the business environment and its importance to the global firm. The main objective of this chapter was to demonstrate the setting of Tanzania’s business environment and trends in the business environment. As observed from literature, Tanzania is striving to optimise opportunities in its business environment. Both the investment climate and business environment attracted a number of foreign companies to invest in Tanzania. Most of the multi-national companies (MNCs) that evaluated the micro and macro business environments of Tanzania found it to be a good destination for investment.

Chapter Three described the business behaviour of the global firm. The behaviour of the firm in the international market, namely, confrontation with competitors and cooperation with business partners was discussed in this chapter. The chapter described the confrontation strategies that are used by marketing managers when dealing with competition challenges in the marketing environment (frontal attack, flanking, market encirclement and bypassing). Cooperation approaches and market entry modes, namely, exporting, licensing, strategic alliance and wholly-owned manufacturing subsidiaries were briefly explained. Behaviour of the firm in respect of the internationalisation process and types of business rules and supporting theories were discussed extensively in chapter three. Furthermore, the theoretical review on behaviour of the firm in local and foreign markets was discussed. A review of various
scholarly propositions on behaviour of the firm was discussed. The purpose of this chapter was to link global firm negotiation practices with an understanding of the behaviour of the firm in the market in chapter five. Since most of the firms’ negotiations involve customer, supplier rivalry and government agency. Marketers who are familiar with the firm’s behaviour can be in a position to prepare a set of negotiation strategies based on the understanding of the opponent’s behaviour in an aggressive market structure.

Chapter Four discussed some literature on negotiations, the nature of negotiation as well as the different approaches of claiming value and creating value. The chapter also explained the three different phases involved in the global business negotiation process in Tanzania. The required skills of the negotiator are discussed as well as the relationship between skills and the phases in the global business negotiation process. The chapter further explains how to establish a negotiators’ position, the role of third parties, and how negotiations are engaged in Tanzania and described some examples of failed and successful negotiations in Tanzania.

In Chapter Five the model for marketers’ perceptions of negotiations in a global firm was discussed. To underpin this research, it was necessary to develop a coherent model by which the analysis and findings could be structured and compared. This chapter provided a detailed explanation of hypothesised relationships to be assessed empirically. As shown in Figure 5.1, the study generated nine variables, comprising nine alternative hypotheses altogether.

Various influences and attitudes flowing from the behaviour of marketers engaged in negotiations in the global firm were discussed in this chapter. The influences included in the theoretical model were: International marketing environment; Awareness of negotiation skill; Interest groups and Negotiation atmosphere. The outcomes included in the theoretical model are business agreement based on trust and certainty as well as the level of commitment of marketers based on long-term business relationships for example in signing possible business contracts.

Chapter Six discussed the methodological steps applied in this study. This included the literature review on statistical techniques used in the study, as well as a detailed
description of the sample and a demographic profile of respondents. The chapter concluded with an explanation of the psychometric properties of the measuring instruments used in this study which were proven to be reliable and valid scales.

Chapter Seven explained the empirical findings of the study. This chapter reports the results of the statistical analyses performed. In this chapter Cronbach’s alpha reliability coefficients were calculated for all the instruments used to measure the variables in the empirical model of the study as well as presenting the descriptive statistics. Three sets of exploratory factor analyses were carried out to assess the discriminant validity of the variables and the existing association between the constructs were revealed and reported.

The first set of four factor analyses involved general perceptions of marketers towards international marketing environment, awareness of negotiation skills and interest groups. The second set involved perceptions of marketers towards negotiation approaches and negotiation atmosphere with regard to the management of negotiation behaviour of participants during the negotiation process. The third set involved the outcomes of negotiations in a global firm with specific reference to agreements based on trust and certainty and level of commitment. Cronbach’s alpha reliability coefficients were calculated for all the revealed factors. A multiple regression analysis was used to investigate the effects of two or more independent variables on a single or interval-scaled independent variable. Linear regression analyses were performed to establish the relationships formulated in the relevant set of hypotheses in the proposed model of the study and the results were reported.

In this chapter the interpretation of the empirical findings, the managerial implications, and the limitations of this study is discussed. The empirical results show that negotiation behaviour is influenced by requirements of business practice, awareness of negotiation skills, as well as negotiation atmosphere related to behaviour, but not by business negotiation environment and negotiation atmosphere related to bargaining power. Negotiation behaviour influences the level of commitment and agreement based on trust among the negotiation process participants.
• Conclusions on research problem of the study

In this study attempts to investigate the following problem was answered by both literature reviews and empirical results:

• Whether negotiation behaviour has an impact on the failure of trading negotiations in Tanzania?

Generally, international companies both private and Government are facing many front risks and challenges. Tanzania is no exception to this problem. Based on the literature and the empirical findings in this study, language capability is essential to improve the negotiation behaviour and achieve fruitful results with regard to business agreements. Tanzania’s national language is Swahili and most Tanzanians speak Swahili. Most international business negotiations use major international languages such as English, French Arabic, and Spanish. As an international business negotiator, it is mandatory that one possesses sufficient knowledge of a working language; this will enable him/her to understand well his/her counterpart during negotiations.

It is possible that negotiations can also be influenced by a cultural background of individuals. Previous results suggested that negotiators from highly individualistic cultures show less problem solving behaviour at certain atmosphere (Graham et al. 1994) and (Graham & Mintu-Wimsat 1997). The negotiation team in Tanzania needs exposure to other people’s culture that will help in the whole process of negotiation including during the informal meetings. For instance, the Chinese believe in trust during the negotiation period and the Indians believe in exchange of business cards in the process of negotiation with the use of two hands, without exposures to these cultures, negotiations will probably not be successful.

In Tanzania international marketing environment includes problems such as poor implementation of policies and the economic crises like the high inflation rate as well as the conditions from the IMF which do not suit the Tanzanian business environment and the restrictions imposed by the developed countries concerning Tanzanian products further complicate negotiations. Many international companies in Tanzania find it difficult to formulate and implement a comprehensive business strategy. Management and decision making positions are often complex as their
thought patterns do not embrace the change in paradigms of global business. However, international business management requires management to provide extraordinary leadership skills.

In Tanzania international marketing environment includes problems such as poor implementation of policies and the economic crises like the high inflation rate as well as the conditions from the IMF which do not suit the Tanzanian business environment and the restrictions imposed by the developed countries concerning Tanzanian products further complicate negotiations. Many international companies in Tanzania find it difficult to formulate and implement a comprehensive business strategy. Management and decision making positions are often complex as their thought patterns do not embrace the change in paradigms of global business. However, international business management requires management to provide extraordinary leadership skills.

In Tanzania, the financial and economic challenges range from the availability and distribution of funds to start-up a business to international trading activities. International marketing it entails everything, from fluctuations in the exchange rate, to the global economic crisis (or any economic crisis in the host country), the movement of oil prices, global inflation or tariff trade barriers by the host government, including export policies of their government. Currently the country’s economic growth rate is not attractive while the inflation rate is 12%. This still remains a challenge. Usually the developing countries, Tanzania is no exception, have a problem with identifying the right delegation. This is due to the government continuing with its attitude of business as usual in selecting the national delegation. The government’s process of identification a national delegation is lacking transparency and this can be deduced from the way that government is conducting its activities. Most of the procedures are neither transparent nor clear, and most times government’s actions are pushed by political motives rather than economic motives.
Lastly, in Tanzania negotiating teams probably do not always include the right members with the required knowledge and skills for negotiations. The main cause of not selecting a suitable team can be ascribed to a lack of transparency in the whole process of selecting members of negotiating teams.

- Whether business environment creates a favourable environment for marketers to enhance negotiation behaviour?

Worthington and Britton (2006) maintained that forces acting on global firms from different nations which are not familiar to each other affect global business activity in a variety of ways and which can affect not only on the transformation process itself, but also on the process of resource acquisition and on the creation and consumption of output (Worthington and Britton 2006:5). Also, the business unit which establishes mutual relations could be acceptable business relations among traders and exclusively interpersonal interactions over business matters such as sales, licensing, venture and acquisitions (Weiss 1993:270).

Based on the findings of this study, it is important for negotiators to limit the political influence to promote fruitful (trading agreements) results. However, country’s legal system must not only favour the local businesses but must accommodate all negotiating partners. Based on the empirical findings of this study, it is important for the negotiators to find a common ground with regard to suitable taxation and interest rates among trading partners. This promotes smooth business practices. This study has found that, cultural background of negotiators has a bearing on how they participate. It is equally important for international marketers to be able to speak the customers’ language as is of high priority to engage in discussions with counterparts using a common language to speed up the negotiation process. This has proven as to be effective in bringing successful business deals. Based on the study findings, presence of infrastructure makes it possible for negotiating partners to communicate. This puts business negotiators in a better position to reach an agreement. Based on the findings of the study, it is important for the negotiating team to always use specialists to strengthen the team substantially and allow for all points of view to be given proper attention. It is equally important that for the negotiators to show one face to the counterparts and handle issues within the team privately, outside the
formal negotiations even if there is intergroup disagreement during the negotiation. This notion is supported by Czinkonta and Ronkainken (2010: 380-381).

8.2 SUMMARY OF EMPIRICAL RESULTS
Figure 8.1 summarises the empirical results reported in Chapter 7. The variables that exerted a significant influence on perceptions of negotiation behaviour were shown in both models, that is, Figure 7.3 and Figure 7.4. In both models, perceptions of negotiation behaviour strongly influence agreement based on trust and certainty and level of commitment among trading partners.

Figure 8:1 Empirical evaluation of the proposed influences and outcomes of perceptions of marketers on negotiation behaviour
8.3 THE MANAGERIAL IMPLICATIONS AND EMPIRICAL FINDINGS OF THE STUDY

According to the model in Figure 8.1 depicted five major influences on marketers’ perceptions of negotiation behaviour. These influences are: business negotiation environment, awareness of negotiation skills, requirements of business practice, negotiation atmosphere related to bargaining power and negotiation atmosphere related to behaviours.

Although negotiators encounter challenges in a business negotiation environment, the empirical results in this study indicate that there is no relationship between business negotiation environment and negotiation behaviour. This implies that business negotiation environment does not exert influence on negotiation behaviour of marketers in global firms.

8.3.1 Empirical findings and implications based on the perceptions of marketers towards negotiation behaviour

8.3.1.1 Awareness of negotiation skills
Despite having general skills, there is a need for business negotiators to understand that each phase in the negotiation process requires certain negotiating skills to accomplish all actions in the particular phase. The negotiator therefore needs to have considerable skills of sensitivity, communication and judgment to both parties (McCall & Warrington 1989:31-34).

A combination of open attitude, expectation and consistent behaviour can influence negotiation in a global firm. Czinkonta & Ronkainen (2002:360) postulated that international marketers have to adjust their approaches to establish rapport, information exchange, persuasion, and concession making if they are to be successful in dealing with their clients and partners.

Generally, the negotiator is expected to consider establishing a team of assistants that would include a specialist in traditions, customs and language of customers. The negotiator should also be able to determine authority limits, patience and negotiations ethics. Empirical support for this finding has been provided by McCall &
Warrington (1989) who maintained that there is a relationship between negotiator’s skills and negotiation process phases. Although there is no empirical evidence regarding the direct relationship of awareness of negotiation skills and negotiation behaviour, Czinkonta & Ronkainen (2002) suggested that a combination of open attitude, expectation and consistent behaviour can influence negotiation in a global firm.

In this study, it was hypothesised that awareness of negotiation skills exerts a significant influence on negotiation behaviour. Empirical results reported in Chapter seven found there is significant relationship between awareness of negotiation skills and marketers’ perceptions of negotiation behaviour. Global firms’ negotiators believe that the use of language interpreters is effective on how negotiators participate in the negotiations process. Empirical findings reveal that negotiators believe that different attitudes and values of foreign negotiators influence how they negotiate with local parties. Marketers believe that the practice of offering concessions should come at the end of bargaining with foreign negotiators which is in line with traditions in their country. The empirical findings further revealed that marketers believe that remaining silent during the negotiation process assisted them to listen attentively and to interpret correctly all types of communication of the foreign negotiators.

The findings of the study further indicated that marketers believe that all parties engaging in the negotiation process should agree to the use of an agent or agents and sub-contractors to ensure mutually beneficial strategic business partnerships.

8.3.1.2 Requirements of business practices

Manley (1992) claimed that when firms decide to enter foreign markets, they move into competitive terrain comprising complex regulations and laws, as well as, foreign and international practices that sometimes transgress an ethical firm’s standards. Furthermore, in many countries, bribery is familiar and accepted business practice. The empirical results of this study depicted in Figure 8.1 suggested that there is a positive relationship between requirements of business practice and negotiation behaviour. In other words, requirements of business practice significantly influence marketers’ perceptions of negotiation behaviour. It implies that when marketers are
sharing clear guidelines and policies regarding business practices, negotiation behaviour improves as this can lead to fruitful decisions. The empirical results also indicated that marketers believe that the presence of political stability in the country enhances foreign business. This means that political stability improves the negotiation behaviour and this assists the marketers to meet the requirements of business practice.

The empirical findings revealed that the presence of advanced infrastructure, such as internet, transportation, sign language programmes, improve communication and negotiation behaviour. Furthermore, the marketers are more comfortable when government representatives are ensuring that all negotiators adhere to legal business guidelines and policies and that it improves negotiation behaviour. The findings further revealed that it is important for the negotiators to explain clearly the role of the interest groups to all participants prior to commencing negotiations, which would also improve negotiation behaviour. It was also found that patience facilitated mutual agreement that ended in written contracts, which again contributes to improved negotiation behaviour. It can therefore be concluded that requirements of business practice positively influence negotiation behaviour.

8.3.2 Negotiation behaviour perceptions
Gelfand & Brett (2004) refer to negotiations atmosphere as one of the social context that affects the negotiation process. Chan (1998) and Graham (1985) suggested two main factors that contribute to the atmosphere and process: negotiation strategy and attractiveness. It is clear that the setting of atmosphere affect the negotiation process and it involves both sides of the negotiation concurrently.

8.3.2.1 Negotiation atmosphere based on bargaining power and the negotiation behaviour
In this study bargaining power is referred to as the amount of power that a negotiator reflects as what the other party desires as well as what they will be in favour of. This means that, bargaining power is an influencer of all factors which explain the negotiations process and behaviour. Furthermore, negotiators can choose and depend on bargaining power as strategy tactics and style to provide contention and evidence useful for making a convincing debate. Whilst, Benoliel (2011) maintained
that negotiating parties gain bargaining power from the surrounding environment and past achievement. However, Rangarajan (2001) suggested that, if parties have higher bargaining power, they are likely to be more aggressive and enter in the negotiations with higher expectations than parties with weaker bargaining power. On the other hand, empirical findings from Kersten, Köszegi, and Vetschera (2002), showed that there is no relationship between negotiation bargaining power and negotiation atmosphere. The empirical results reported in Chapter seven found support for this assertion. In this study, it was hypothesised that there is a relationship between negotiation atmosphere based on bargaining power and negotiation behaviour. In other words, negotiation atmosphere based on bargaining power does not exert a significant influence on negotiation behaviour.

8.3.2.2 Negotiation atmosphere based on marketer’s behaviour and the negotiation behaviour

Empirical results reported in Chapter seven that there is a significant relationship between negotiation atmosphere based on behaviour and marketers’ perceptions of negotiation behaviour. This indicates that marketers anticipate the other party’s reaction to negotiations and prepare appropriately and their firms always use representatives that are good listeners rather than participants who are vocal or subjective about issues pertaining to its core business. Marketers also believe that it is always important to present and maintain a professional attitude during the negotiation process in a global firm.

8.3.3 The empirical findings based on outcomes of negotiation behaviour

8.3.3.1 Negotiation atmosphere and agreement based on trust and certainty

Bhattacharya (2005) in Saner (2000) suggested that the more parties understand each other, the more positive the atmosphere around the process, and the more the parties are willing to compromise and see common benefit. Therefore, atmosphere is of fundamental importance to the negotiation process as a whole, for it clears confusion and uncertainties during the negotiation process between the parties. The empirical results reported in Chapter seven finds support for this assertion. In this study, it was hypothesised that there is a relationship between negotiation atmosphere related on behaviour and agreements based on trust and uncertainty. In
other words, negotiation atmosphere based on behaviour exerts a significant influence on trust and certainty of agreement. This indicates that marketers often negotiate and work under incompatible trading policies and guidelines of foreign negotiators to reach trade agreements.

Based on empirical findings, bargaining power can predict the agreement range and it can shape limits and priorities among dimensions of rivalry. However, in Chapter seven it was hypothesised that there is a relationship between negotiation atmosphere related to bargaining power and agreements based on trust and uncertainty. Empirical results reported in Chapter seven do not find support for this assertion. In other words, negotiation atmosphere related to bargaining power do not exert a significant influence on trust and certainty of agreement.

8.3.3.2 Negotiation behaviour and agreements based on trust and certainty
Saorin-Ibora (2006) view trust as the expectation of fair negotiation in a situation in which opportunism may creep in. However, in all negotiations, there are imbalances of information that favour the existence of untrustworthiness behaviour Therefore, any relationship that has trust, reduces costs associated with such imbalances that are typical of co-operate exchange (Saorin-Ibora 2006:14-16). However, based on the perception of satisfaction, there are consequences if negotiators resolve future conflict by avoiding untrustworthiness which helps to establish and maintain a long-standing relationship. Nevertheless, Mnookin, Peppet and Tulumello (2000) maintain that, if the level of trust is higher, long term commitment of parties on agreements will be created. Furthermore, empirical study findings carried out by some researchers such as Fisher et al. 1983 demonstrate the vital role played by trust in the evolution or implementation of business agreements, hence create desired outcome. Fisher et al.(1983) emphasize the importance of creating a constructive, trusting relationship between negotiating parties in order to reach desired business agreements. Empirical results reported in Chapter seven finds support for this affirmation.

The empirical findings in this study suggested that there is a positive relationship between agreement based on level of trust and certainty and negotiation behaviour. This implies that negotiation participants are open to new options, meaning that, marketers are willing to cooperate and are able to come up with creative solutions.
The empirical findings also indicate that marketers always ensure that questions imposed by foreign counterparts are answered truthfully. Marketers feel that personal (or face to face) negotiations with foreign negotiators are more successful than online and telephonic options and the rapport with foreign counterparts is created during the negotiation process.

The empirical results reveal that marketers feel that a neutral venue for negotiations always yield favourable results for all participants than their own location. Marketers believe that participants are able to give a complete description of their own interests. The empirical findings also indicate that marketers always feel confident when a contract is written and signed regarding a choice of trading partnership agreement by all business parties and governments involved. Lastly, marketers always feel comfortable if an agreement between their organisations and foreign negotiators is written and signed by all participants.

8.3.3.3 Negotiation behaviour and level of commitment

Commitment is a psychological pledge regarding future behaviour and attitude attached with relationship between two parties. Whilst, negotiations commitment can be viewed as willingness of the parties to exert an effort on implementing what have been agreed for. Mnookin et al. (2000) caution that negotiating parties must be careful on what they are committed for. Furthermore, Mnookin et al. (2000) argue that an actual commitment in negotiations is intended to support relationship prolonged existence. Although no literature could be traced regarding the relationship between negotiation behaviour and level of commitment, it can be argued that a more sensible and realistic way of understanding actual commitment in negotiations is by recognising that it is an intended effort to support the longevity of the trading relationship. Empirical results reported in Chapter seven finds support for this argument. The empirical findings in this study suggest that there is a positive relationship between level of commitment and negotiation behaviour. This means that negotiation behaviour exerts a positive influence on the level of commitment. This implies that marketers are willing to apply more effort, beyond what is normally expected of them, to adhere to the trading partnership terms of foreign traders. The empirical findings of this study reveal that marketers are willing to accept almost any
strategic alliance which will strengthen trading ties with foreign investors. Furthermore, marketers feel comfortable with the agreed terms of concessions regarding government tariff laws and price discounts. Lastly, marketers believe that it is easier for them to agree on terms of reference for strategic business alliances with foreign traders.

8.4 RECOMMENDATIONS REGARDING NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

8.4.1 Awareness of negotiation skills
In this study it can be concluded that, there is a significant relationship between awareness of negotiation skills and marketers’ perceptions of negotiation behaviour. Therefore, there is a need for business negotiators to understand that each phase in the negotiation process require certain negotiating skills of what is required to accomplish all actions in the particular phase. The negotiator is expected to consider establishing a team of assistants that would include a specialist in traditional and customary and language of customers. The negotiator should also be able to determine authority limits, patience and negotiations ethics. This study reveals that the use of language interpreters is effective on how negotiators participate in the negotiations process.

Also, different attitudes and values of foreign negotiators influence how they negotiate with local parties. The study also reveals that, the marketers need to be aware that the practice of offering concessions should come at the end of bargaining with foreign negotiators which is in line with traditions in their country. Based on the study findings, it is important for negotiators to remain silent during the negotiation process to assist them to listen attentively and to interpret correctly all types of communication of the foreign negotiators. Also, all parties engaging in the negotiation process should agree to the use of an agent or agents and the sub-contractors to ensure mutually beneficial strategic business partnerships.

8.4.2 Requirements of business practices
In this study, it can be concluded that requirements of business practice positively influence negotiation behaviour for negotiation. For negotiation behaviour to improve it is important for marketers to meet the requirements of business practices by
sharing clear guidelines and policies regarding business practices as this will lead to fruitful decisions. Furthermore, the presence of political stability in the country enhances foreign business which in turn improves the negotiation behaviour.

The study revealed that presence of advanced infrastructures improves negotiation, for example, internet, transportation, sign language programmes, as communication among trading parties progresses. Furthermore, it is important for marketers to be aware that business negotiation behaviour improves when government representatives are ensuring that all negotiators adhere to legal business guidelines and policies. This means that when legal business guidelines are adhered to, business negotiation behaviour improves. This study revealed that it is important for the negotiators to explain clearly the role of the interest groups to all participants prior to commencing negotiations. This means that when the role of the interest groups is explained to all participants, negotiation behaviour improves.

It is important for negotiators to be patient to reach mutual agreement as well as ensuring that all agreements are written contracts. This implies that when negotiators agree that all agreements are in written contracts, negotiation behaviour improves.

8.5 NEGOTIATION BEHAVIOUR PERCEPTIONS

This study revealed that the negotiators should make an effort to keep political views and egos out of the negotiation process, for negotiation behaviour to improve. Furthermore, it is important for negotiators to be aware that when their emotions are controlled, cooperation among negotiating parties increases.

The study indicated that it is important that all parties should make an effort to control stress and tension during the negotiation process. This denotes that negotiation behaviour improves when participants are determined to control their emotions and characters during the negotiations and put forward the needs of the negotiation process.

It is important that all parties should make an effort to cooperate toward any idea of a collective goods alliance. This means that cooperation and joint effort enhances the negotiation behaviour.
Based on the study findings, it can be concluded that negotiation behaviour improves when negotiators are willing to share information and agree that all communication must be in writing.

The intentions of the marketers are derived from the common interests of both parties for example, neutral venue for negotiations is always ideal than home-ground venues and that their offer is reasonable enough for their counterparts to reach an agreement. This means that, it is important for marketers to strive for fairness during the negotiation process. Therefore, it can be concluded that striving for fairness during the negotiation process to identify the common interests of both parties, create a favourable environment for all parties to participate freely, thus, influencing the negotiation behaviour.

Based on the results of the study, the marketers feel confident that they have the ability to identify areas of attractive bargaining for both local and foreign traders and that they should be able to conceive feasible alternatives to promote harmony. It can be concluded based on the empirical findings of this study, that, the use of the video and audio recording of the details, rather than, depending on verbal or written reports/presentations can stimulate participants. However, it is important to avoid the termination of business relationships due to disagreement as this creates conflict and dissatisfaction among traders.

Therefore, it can be concluded in this study that the success of negotiation behaviour is based on three choices of negotiating behaviour.

- The first choice is *Compromise* behaviour which emphasises that parties in negotiation may come to a compromise in order to achieve a satisfactory alternative that might be partially acceptable to both of them.
- Second choice is *Collaborative* behaviour that requires the parties to familiarise themselves thoroughly with conflict and its causes of it, in order to seek a constructive joint approach.
- Lastly, *Accommodative* behaviour requires the negotiators to focus on giving the highest priority to cooperation and reaching an agreement. Also, it is important for
marketers to be willing to adjust most self-interested objectives in order to satisfy the interests of the other party. Various researchers support these approaches (Bhattacharya 2005; and Saner 2000).

9.5.1 The negotiation atmosphere
Based on the study findings, negotiation atmosphere positively influences agreements based on trust and certainty. Two main factors that contribute to the negotiation atmosphere and negotiation process, namely, negotiation strategy and attractiveness. Therefore, it is clear that the setting of atmosphere affects the negotiation process and it involves both sides of the negotiation concurrently. Based on the results bargaining power is an influencer of all factors which explain the negotiations process and behaviour. Therefore, the marketers are expected to be able to anticipate the other party's reaction to negotiations and prepare appropriately and their firms always use representatives that are good listeners rather than participants who are vocal or subjective about issues pertaining to its core business. Furthermore, the empirical findings of the study revealed that it is always important for the marketers to present and maintain a professional attitude during the negotiation process in a global firm. It can be concluded, based on the empirical findings of the study that the better the parties understand each other, the more positive the atmosphere around the process, and the more the parties are willing to compromise and seek common benefit. Therefore, atmosphere is of fundamental importance to the negotiation process as a whole, for it clears confusion and uncertainties during the negotiation process between the parties.

8.5.2 The empirical findings based on outcomes of negotiation behaviour
• Agreements based on trust and certainty
According to the results of the study, the negotiation participants need to be accommodative to new options and suggest creative solutions that are acceptable to both parties to build trust. Marketers should ensure that questions posed by foreign counterparts are always answered truthfully. Based on the findings of this study, personal (or face to face) negotiations with foreign negotiators are more successful than online and telephonic options to establish rapport with foreign counterparts during the negotiation process.
The study findings reveal that it is important for negotiators to use a neutral venue for negotiations to achieve favourable results for all participants. Also, it is equally important that all negotiators are awarded an opportunity to give a complete description of their own interests.

The marketers always feel confident when a contract is written and signed regarding a choice of trading partnership agreement by all business parties and governments involved. Lastly, marketers always feel comfortable if an agreement between their organisations and foreign negotiators is written and signed by all participants. Furthermore, when a verbal agreement is reached, it is important that both parties leave with a clear understanding of what they agreed to.

The marketers often negotiate and work under incompatible trading policies and guidelines of foreign negotiators to reach trade agreements.

8.5.3 Level of commitment
The findings of the study indicated that atmosphere based on bargaining power exert a positive influence on the level of commitment among negotiating partners. Therefore, bargaining power can predict the agreement range and it can shape limits and priorities among dimensions of rivalry. It is equally important for marketers to ensure that they share the same and similar values with their foreign counterparts that would make it easier for them to choose to enter into a trading contract with the foreign traders/investors. Further, marketers need to express willingness to maintain their relationship with their counterpart at any cost.

The empirical findings indicated that it is important for marketers to express willingness to accept the terms of their counterpart’s bargaining zone regardless of non-profitable quotas at stake. This enhances negotiation commitment that can lead to trading partnerships. Furthermore, it is important for negotiators to express their commitment in using their ability to identify areas of bargaining from foreign traders even if they are not attractive enough for local traders. It is important that negotiators are comfortable with the counterparts’ bargaining zone regarding fixed rates on exporting and importing quotas between trading partners to build trust among negotiators.
Based on the findings of the study, negotiation behaviour exerts a positive relationship on the level of commitment of trading partners. Therefore, it can be concluded that it is important for negotiators to express commitment in allowing interest groups to participate as team leaders equal to the number of foreign negotiators, to ensure that marketers feel more at ease and comfortable to participate. Furthermore, it is important for negotiators to ensure at all times that their offer is reasonable enough for their counterparts even if it is not in the best interest of their firms. This enhances the trading partnership based on commitment of both negotiating parties.

Based on the findings of the study, the marketers should be willing to apply additional efforts, beyond what is normally expected of them, to adhere to the trading partnership terms of foreign traders. It is also important for the marketers to accept almost any strategic alliance which will strengthen trading ties with foreign investors. Lastly, it is easier for negotiators to agree on terms of reference for strategic business alliances with foreign traders.

8.6 CONTRIBUTION OF THE STUDY

The findings of this study have contributed to the literature on the negotiation behaviour in a global firm and perceptions of marketers that participate in negotiations in a global firm in Tanzania as the initial studies showed that no similar study has been conducted to assess the marketers’ perceptions of negotiation behaviour in a global firm before.

Many international companies in Tanzania find it difficult to formulate and implement a comprehensive business strategy. Therefore, international business managers will be equipped with extraordinary leadership skills to assist these international companies.

Based on the findings of this study, the negotiators will promote effective trading agreements) results through limitation of the influence of politics in the negotiation process.
The presence of political stability in the country, enhances foreign business which in turn improves the negotiation behaviour. Country’s legal system will not only favour the local businesses but will accommodate international negotiating partners with regard to taxation and interest rates to promote smooth business practices.

Government representatives should ensure that all negotiators adhere to legal business guidelines and policies. This means that when legal business guidelines are adhered to, business negotiation behaviour improves.

The cultural background of negotiators has a bearing on how they participate. Therefore, it is of high priority to engage in discussions with counterparts using a common language to speed up the negotiation process. This study reveals that the use of language interpreters is effective on how negotiators participate in the negotiations process.

Based on the findings of the study, awareness is provided with regard to the practice of offering concessions regarding government tariff laws and price discounts is in line with traditions in their country. However, concessions should be avoided until all issues have been discussed, so as to prevent the possibility of granting unnecessary benefits to the negotiation partners. Moreover, concessions traditionally come at the end of bargaining, especially in price negotiations.

The study reveals that presence of advanced infrastructures improves negotiation, for example, internet, transportation, sign language programmes, as communication among trading parties progresses to reach business agreements.

Based on the findings of the study, it is important for the negotiating team to always use specialists to strengthen the team and allow for all points of view to be given proper attention. This study reveals that it is important for the negotiators to agree to the use of an agent or agents and the sub-contractors to ensure mutually beneficial strategic business partnerships. However, when the role of the interest groups is explained to all participants, negotiation behavior improves. It can also be concluded that negotiators allow interest groups to participate as team leaders and their number
should be equal to the number of foreign negotiators, to ensure that marketers feel more at ease and comfortable to participate.

Marketers understand that all the communication trading agreements (with a clear understanding of what they agreed to) need to be written and signed contract regarding a choice of trading partnership by all business parties including governments.

Lastly, the empirical findings of the study reveal that it is always important for the marketers to present and maintain a professional attitude during the negotiation process in a global firm.

8.7 LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

Generally, respondents were willing to assist but complained about the length of the questionnaire and the language barrier, thus, it was time consuming to collect the data from some regions where global firms were located. Although the questionnaire was simplified to understand, it could have been easier if the questionnaire provided the same contents or questions in Swahili as it is the official language of the country. However, the use of trained fieldworker under the strict supervision of the research assisted to overcome this problem, and data was collected successfully.

The lack of indiscriminate validity of some of the variables in the study has been a challenge. Some of the items used as instruments to measure these variables did not measure what they were expected to measure. As a result variables such as international marketing environment and interest groups were deleted from the study.

The correlation statistical analysis results were not presented as regression analysis has proven to be sufficient for the purpose of this study. However, Structural equation modelling statistical analysis could have presented different empirical results as causal relationships among the variables could have been assessed and underlying dimensions could have been clearly identified.
Further research is required with regard to replication of the study to global firms from trading partners (that is, other countries) of Tanzania. Further investigation can be carried out regarding the impact of trade barriers in a global firm which is a member of SADC region as well as strong ties with WOT pact.

8.8 CONCLUSION

There is a need for business negotiators to understand that each phase in the negotiation process requires certain negotiating skills of what is required to accomplish all actions in the particular phase. The negotiator is expected to consider establishing a team of assistants that would include a specialist in traditions, customs and language of customers. The negotiator should also be able to determine authority limits, patience and negotiations ethics.

The intentions of the marketers are derived from the common interests of both parties. It is important that a neutral venue, away from home-ground is selected and negotiators must ensure that their offer is reasonable and fair to reach win-win negotiation outcomes. By creating a negotiation favourable environment for all parties to participate freely, would influence the negotiation behaviour.

It can be concluded that it is important for marketers to meet the requirements of business practices by sharing clear guidelines and policies regarding business practices as this will lead to fruitful decisions.

The findings of the study indicated that atmosphere based on bargaining power exert a positive influence on level of commitment among negotiating partners. Therefore, bargaining power can predict the agreement range and it can shape limits and priorities among dimensions of rivalry. However, it is important for marketers to express willingness to accept the terms of their counterpart’s bargaining zone regardless of non-profitable quotas at stake; identify areas of bargaining from foreign traders even if they are not attractive enough for local traders and are comfortable with the counterparts’ bargaining zone regarding fixed rates on exporting and importing quotas between trading partners to build trust among negotiators.

However, it is essential that the relationship thus created should be based on trust,
but where an inevitable degree of mistrust or uncertainty does exist, the negotiator needs to change that in order to achieve a high-level of commitment and a positive relationship from all parties.
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Dear Participant

RESEARCH PROJECT: MARKETERS’ PERCEPTIONS REGARDING NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM IN TANZANIA

Mr A M Burhan is a registered DBA student in the School of Business at the Nelson Mandela Metropolitan University in Port Elizabeth, South Africa. He is currently busy with an empirical study investigating the perceptions of marketers regarding the negotiation behaviour in a global firm. It is envisaged that this study will provide useful insight into identifying key aspects related to the negotiation process among local and foreign participants in international trading. Previous research has shown that negotiations regarding trading activities by developed, developing and undeveloped countries has been characterised by many controversies and obstacles.

The purpose of this study is to investigate how marketers in global firms perceive negotiation behaviour and its impact on long term relationships, trading agreements and the commitment of both
local and foreign traders and its benefit to Tanzania. The questionnaire consists of two sections. Section A investigates marketers’ perceptions regarding negotiation behaviour. Section B solicits biographical data of respondents. All data sources will be treated as confidential and would be used for research purposes only. The majority of the data will be reported in statistical form and no individual respondents will be identified. You can complete the questionnaire anonymously. Thank you very much for your willingness and time to complete this questionnaire.

Regards

Prof NE Mazibuko
Research coordinators

Mr A.M. Burhan
Researcher
APPENDIX B

QUESTIONNAIRE

MARKETERS’ PERCEPTIONS REGARDING NEGOTIATION BEHAVIOUR IN A GLOBAL FIRM

This questionnaire consists of two sections. Section A investigates perceptions regarding negotiations in a global firm on a five-point scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). Please indicate the extent to which you agree with these statements by means of a cross (X) in the appropriate block. Section B seeks to solicit biographical information from respondents. Please indicate your response to the options provided by making a cross (X) in the appropriate block.

<table>
<thead>
<tr>
<th>During the negotiation process …</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>For me, limited political influence promotes fruitful results.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>I believe that the presence of political stability in my country enhances foreign business.</td>
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<td>2</td>
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<tr>
<td>Sharing clear guidelines and policies regarding business practices by negotiators, leads to meaningful decisions.</td>
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<td>2</td>
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<td>5</td>
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<tr>
<td>I believe that my country’s legal system must always be in favour of local business.</td>
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<td>2</td>
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<tr>
<td>The HPC economic status works in favour of local investors.</td>
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<td>5</td>
</tr>
<tr>
<td>Finding the middle ground on suitable rates e.g. taxation, interest rates etc. among trading parties promotes smooth business practices.</td>
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<td>2</td>
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</tbody>
</table>
**I feel that engaging in discussion with foreigners who believe in individualism, brings successful business deals.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**I find that the cultural background of the negotiators has a bearing on how they participate.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
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</table>

**The presence of advanced infrastructures (e.g. internet, trans-portionation, sign language programmes, etc.) improves communication among trading parties.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
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</table>

**I feel that a lack of technology know-how puts foreign business negotiators in a better position to reach an agreement.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**During the negotiation process …**

**I would be more comfortable if all participants avoid politics and egos.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<td>5</td>
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**To me, it is important that all parties should make an effort to control stress and tension.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**I believe that sharing of interests with foreign traders assists the participants to easily reach an agreement.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**I feel that sharing of information with foreign traders assists the participants to reach an agreement.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**I believe that it is always important to present and maintain a professional attitude.**

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<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**I believe that it is always important that all communications and issues that must be negotiated should be in writing.**

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<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**To me, it is important that all parties should make an effort to cooperate toward any idea of a collective goods alliance.**

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<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**During the negotiation process …**

**I always feel more comfortable when I know that all the participants possess the authority to make a decision, e.g. signing of contracts.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**I believe that it is always important to make all agreements part of written contracts.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**I believe that the negotiating team should always discuss their own issues in private, outside the formal negotiations.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**I find that the use of a language interpreter has no bearing on how negotiators participate in the negotiations process.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**During the negotiation process …**

**The background of the negotiators (their traditions and customs) has a bearing on successfulness of negotiations.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**I believe that insisting on answers and outcomes by negotiating partners facilitates long term commercial relations.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**It is important for negotiators to be patient to reach mutual agreement.**

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<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**Different attitudes and values of foreign negotiators have no bearing on how they negotiate with local parties.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**I remain silent during the negotiation process to interpret correctly all types of communication of the foreign negotiators.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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**In line with traditions in my country, concessions come at the end of bargaining with foreign negotiators.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</table>

**During the negotiation process …**

**I am comfortable that government representatives will ensure that all negotiators adhere to legal business guidelines and policies.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</tbody>
</table>

**I believe that all parties engaging in the negotiation process should agree to the use of an agent or agents.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
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</table>

**The use of consultancy in business negotiations with foreign business negotiators promotes meaningful decisions.**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
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**I believe that the use of sub-contractors ensures mutually beneficial**

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
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<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<td>5</td>
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</tbody>
</table>
strategic business partnerships.

| I feel more at ease when all interest groups are just observers. | 1 | 2 | 3 | 4 | 5 |
| To me, it is important that the role of the interest groups is stated clearly to all participants prior to commencing negotiations. | 1 | 2 | 3 | 4 | 5 |

**During the negotiation process…**

| I feel that a neutral venue for negotiations always creates a favourable environment for participants to share ideas more freely than home-ground venues. | 1 | 2 | 3 | 4 | 5 |
| My organisation has an ability to identify areas of attractive bargaining for both local and foreign traders. | 1 | 2 | 3 | 4 | 5 |
| Once negotiators control their emotions, cooperation among negotiating parties increases. | 1 | 2 | 3 | 4 | 5 |
| I always ensure that my offer is reasonable enough for my counterparts to reach an agreement. | 1 | 2 | 3 | 4 | 5 |
| I believe participants should be able to conceive feasible alternatives to promote harmony. | 1 | 2 | 3 | 4 | 5 |
| Sometimes, I anticipate the other party’s reaction to negotiations and prepare appropriately. | 1 | 2 | 3 | 4 | 5 |
| My organisation has an ability to identify areas of attractive bargaining with foreign traders prior to the acceptance of a trading partnership. | 1 | 2 | 3 | 4 | 5 |
| My organisation always uses representatives that are good listeners rather than participants who are vocal or subjective about issues pertaining to its core business. | 1 | 2 | 3 | 4 | 5 |
| Video and audio recording of the details, rather than depending on verbal or written reports/presentations, stimulate participants. | 1 | 2 | 3 | 4 | 5 |
| I feel very upset if our relationship ends due to a disagreement. | 1 | 2 | 3 | 4 | 5 |
| I often have to break a trading rule or policy in order to achieve the set goals in negotiating with foreign investors. | 1 | 2 | 3 | 4 | 5 |
| I often negotiate/work under incompatible trading policies and guidelines of foreign negotiators to reach trade agreements. | 1 | 2 | 3 | 4 | 5 |
| I am always willing to compromise my bargaining terms of trading to maintain a strong trading relationship with my foreign partners. | 1 | 2 | 3 | 4 | 5 |
| I always ensure that my offer is reasonable enough for my counterparts even if it is not in the best interest of my organisation. | 1 | 2 | 3 | 4 | 5 |
| I am always willing to accept the terms of my counterpart’s bargaining zone regardless of non-profitable quotas at stake. | 1 | 2 | 3 | 4 | 5 |

**During the negotiation process…**

| My organisation has the ability to identify areas of bargaining from foreign traders even if they are not attractive enough for local traders. | 1 | 2 | 3 | 4 | 5 |
| I feel more at ease when interest groups are participating as team leaders. | 1 | 2 | 3 | 4 | 5 |
| I feel more comfortable if the representatives of interest groups are equal to the number of foreign negotiators. | 1 | 2 | 3 | 4 | 5 |
| My organisation is always successful in negotiating because of its power of imposing demand on foreign counterparts. | 1 | 2 | 3 | 4 | 5 |
| Usually I found that after the negotiation process … | 1 | 2 | 3 | 4 | 5 |
| Participants are open to new options. | 1 | 2 | 3 | 4 | 5 |
| Participants are able to come up with creative solutions. | 1 | 2 | 3 | 4 | 5 |
| My organisation always ensures that questions imposed by foreign counterparts are answered truthfully. | 1 | 2 | 3 | 4 | 5 |
| I feel that personal (or face to face) negotiations with foreign negotiators are more successful than online and telephonic options. | 1 | 2 | 3 | 4 | 5 |
| To me, intimacy with foreign counterparts is created during the negotiation process. | 1 | 2 | 3 | 4 | 5 |
| I feel that a neutral venue for negotiations always yield favourable | 1 | 2 | 3 | 4 | 5 |
results for all participants’ own location.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>I believe participants are able to give a complete description of their own interests.</td>
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<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>There is a feeling of assurance that all participants are comfortable to accept one another’s offer (or benefits equally).</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>It is easier to agree on terms of reference for strategic business alliances with foreign traders.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I always ensure that my counterpart is comfortable with my bargaining zone regarding fixed rates on exporting and importing quotas between trading partners.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I always feel comfortable to sign a business joint venture as a strategic alliance with foreign traders.</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>All participants feel comfortable with the agreed terms of concession regarding government tariff laws and price discounts.</td>
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<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>I always feel confident when a contract is written and signed regarding a choice of trading partnership agreement by all business parties and governments involved.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I always feel comfortable if an agreement between my organisation and foreign negotiators is written and signed by all participants.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I am willing to apply more effort, beyond what is normally expected of me, to adhere to the trading partnership terms of foreign traders.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I would accept almost any strategic alliance which will strengthen trading ties with foreign investors.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I find that my organisation’s values and that of my foreign counterparts are similar.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I am extremely glad that I chose to enter into a trading contract with the foreign traders/investors.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>I am willing to maintain my relationship with my counterpart at any cost.</td>
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### SECTION B

**BIOGRAPHIC INFORMATION**

1. **Please indicate your position in the organisation**
   - Chief Executive Officer: 1
   - Manager: 2
   - Branch Manager: 3

2. **Please indicate your gender**
   - Female: 1
   - Male: 2

3. **Please indicate your age group (years)**
   - 18 - 29: 1
   - 30 - 41: 2
   - 42 - 53: 3
   - 54 - 65: 4
   - Over 65: 5

4. **Please indicate your highest educational qualification(s)**
   - 'O' Level: 1
   - Diploma: 2
   - Bachelor's degree: 3
   - Post graduate degree/diploma: 4
   - Other (please specify): 5

5. **Please indicate your period of current employment (years)**
   - 1 - 5: 1
   - 6 - 10: 2
   - 11 - 15: 3
   - 16 - 20: 4
   - 21 and above: 5

6. **Please indicate your organisation's sector (industry type)**
   - Manufacturing: 1
   - Financial: 6
   - Agriculture: 2
   - Natural Resources: 7
   - Mining: 3
   - Information Communication Technology: 8
   - Tourism: 4
   - Infrastructure Development: 9
   - Energy: 5
   - Other (Please specify): 10

7. **Please indicate the number of people employed by your organisation**
   - 50 - 99: 1
   - 100 - 149: 2
   - 150 - 199: 3
   - 200 - 249: 4
   - Above 250: 5

8. **Please indicate the years of existence of your organisation**
   - 1 - 5: 1
   - 6 - 10: 2
   - 11 - 15: 3
   - 16 - 20: 4
   - Over 21: 5

9. **Please indicate the annual income level of your organisation**
   - < US$ 500 000: 1
   - US$ 500 000 - 999 999: 2
   - US$ 1 000 000 - 1 499 999: 3
   - US$ 1 500 000 - 1 999 999: 4
   - > US$ 2 000 000: 5
THANK YOU FOR YOUR TIME AND COOPERATION