

The Timing and Function of Offers in U.S. and Japanese Negotiations

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The authors examined the function of offers in U.S. and Japanese integrative negotiations. They proposed that early 1st offers begin information sharing and generate joint gains in Japan but have an anchoring effect that hinders joint gains in the United States. The data from the negotiation transcripts of 20 U.S. and 20 Japanese dyads supported 2 hypothesized interactions: Early offers generated higher joint gains for Japanese negotiators and lower joint gains for U.S. negotiators, and the exchange of information prior to the 1st offer generated higher joint gains for U.S. negotiators and lower joint gains for Japanese negotiators. Additional analyses supported predictions that early offer patterns represent information gathering in Japanese negotiations and information consolidation in U.S. negotiations. The results contribute to theories of negotiation and culture by showing that the use and efficacy of early offers and information exchange differ across cultures.

Keywords: negotiation, culture, offers, information exchange, time

Offers are an integral part of the negotiation process. They communicate a negotiator's position and can provide information about preferences and priorities. However, most of what we know about offers comes from research in Western cultures on distributive negotiation, in which negotiators are typically focusing on a single issue and using offers to state positions and stake a claim (e.g., Galinsky & Mussweiler, 2001; Liebert, Smith, Hill, & Keiffer, 1968; Moore, 2004; Yukl, 1974). There is less research available on offers in integrative negotiation, in which negotiators are considering multiple issues and have an opportunity to expand a "pie" of resources via tradeoffs and by adding other issues (see, for an exception, Olekalns & Smith, 2003; Weingart, Hyder, & Prietula, 1996); and there is particularly little research on offers in a cross-cultural context. In contrast to the positional role of offers in distributive negotiation, offers in integrative negotiation may impact how negotiators search for information and navigate towards a Pareto optimal frontier. We know that in multi-issue, cross-cultural negotiation, the total use of offers is positively associated with joint outcomes for Japanese negotiators (Adair, Okumura, & Brett, 2001). On the basis of a theory of low- versus

high-context communication (Hall, 1976), Adair et al. (2001) have suggested that Japanese negotiators glean information from offers. What we do not know is how offers are used in the information exchange process in negotiation. In this article, we address this gap in the literature by examining how Japanese and U.S. negotiators use opening offers and information exchange in negotiation and how these strategies influence the joint value of their agreements.

We build on theories of information exchange in negotiation (Bazerman & Neale, 1992; Pruitt, 1981) and of cross-cultural negotiations (Adair et al., 2001) to propose that early first offers lead to high joint-gain agreements in Japanese negotiations and that later first offers preceded by information exchange lead to high joint-gain agreements in U.S. negotiations. We also propose that U.S. and Japanese negotiators use offers in different fashions (i.e., for information consolidation and information gathering, respectively).

This research contributes to the negotiation literature by expanding our understanding of the strategic function of offers and information exchange in integrative negotiation. It contributes to the culture literature by uncovering distinct patterns of strategic communication in low- and high-context cultures. This research also provides practical advice to U.S. and Japanese negotiators about the timing of offers and information exchange.

Offers as Information

What we know about the role of offers in negotiation is largely restricted to distributive negotiations. Models of bargaining explain that negotiators use first offers to stake claims and then gradually make concessions until they reach an agreement toward the middle of a bargaining zone formed by their reservation prices or limits (Raiffa, 1982). We know that first offers can act as an anchor or reference point from which negotiators make subsequent concessions and adjustments (Liebert et al., 1968; Yukl, 1974). In

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addition, negotiators tend to make more offers and more concessions as deadlines approach (Moore, 2004; Stuhlmacher, Gillespie, & Champagne, 1998). This prior research illustrates the positional, value-claiming function of offers in distributive negotiations. In contrast, integrative negotiations consist of both creating and claiming value; the resource pie can be expanded, but it still has to be distributed between negotiators (Lax & Sebenius, 1986). We propose that offers in integrative negotiations may be used not only to claim value but also to exchange or gather information that leads to value creation.

Heuristic trial and error search, which is one conceptualization of the role of offers in integrative negotiation, borrows from the offer-counteroffer sequences characteristic of distributive bargaining (Kelley & Schenitzki, 1972; Pruitt, 1981; Siegel & Fouraker, 1960). By making reciprocal concessions on their least important issues, negotiators may gradually approach a mutually satisfactory solution, much in the way that negotiators gradually move toward settlement in distributive negotiation.

A more integrative conceptualization of offers suggests that they might lead to high joint-gain agreements because they convey information about priorities and interests. For example, multi-issue offers, in contrast to single-issue offers, can convey information about a negotiator's relative priorities across issues and are positively related to integrativeness of outcomes (e.g., level of joint gains; Hyder, Prietula, & Weingart, 2000; Olekalns & Smith, 2003; Weingart et al., 1996). Negotiators are advised to use multiple multi-issue offers to assess the other party's relative preferences (Bazerman & Neale, 1992). Although prior research has identified the value-creating potential of multi-issue offers, it has not explored how it is that offers lead to value creation. We believe this is because negotiation theory and research, which has been done primarily in the United States (Gelfand & Brett, 2004), has an intrinsically distributive conceptualization of offers. In Western culture texts (e.g., Bazerman & Neale, 1992; Thompson, 2005) and research (e.g., Thompson, 1991), direct information exchange (e.g., questions and answers) has been represented as the primary vehicle for generating the information needed to construct high joint-gain agreements. However, research on Japanese negotiators suggests that they may use offers to glean information about the other party's preferences and priorities.

Adair and colleagues (2001) have suggested that Japanese negotiators use offers to exchange information and that this tendency is linked to high-context communication norms. People in high-context communication cultures tend to rely on cues beyond the content of what is said to communicate meaning (Hall, 1976). In Japan, the norms for indirect, high-context communication and the tendency not to trust before a strong relationship is formed (March, 1988) mean that negotiators may feel uncomfortable or vulnerable talking explicitly about what is important to them (Kimmel, Pruitt, Magenau, Konar-Goldband, & Carnevale, 1980). Adair and colleagues (2001) suggested that Japanese negotiators used offers as a source of information and found that negotiators' total use of offers partially accounted for their high joint-gain solutions. This study contributes to negotiation theory by examining the mechanisms through which offers can be used in an information-generating process as opposed to a resource-distributing process.

The use of offers to search for high joint-gain solutions is a complex process. Any single offer does not reveal a negotiator's preference structure. However, paying attention to how offers

change over time as well as to the other party's reactions to offers can gradually reveal where a negotiator is more and less willing to move. From this information, negotiators can infer the preference structures that reveal opportunities for trade-offs, whereby each negotiator gets more of what is more important to them and less of what is not as important, as well as for compatible issues, in which negotiators' preferences are the same but often overlooked because negotiators assume opposite preferences (Thompson, 1990; Thompson & Hastie, 1990). In this fashion, offers can be used to gather information that helps generate joint-gain solutions.

In contrast, norms for direct, low-context communication (Hall, 1976) and the swift trust (Meyerson, Weick, & Kramer, 1996) that is characteristic of interpersonal encounters in the United States (Hofstede, 1980) suggest that negotiators are likely to talk explicitly about what is important to them (Adair et al., 2001). People in low-context communication cultures tend to use very direct communication styles, relying on the content of what is said to communicate meaning (Hall, 1976). In a negotiation context, this suggests that negotiators should convey their preference structure directly; information search should be characterized by statements and questions about preferences and priorities. For these negotiators, offers should be used to consolidate information that is gathered through more direct communication.

Adair et al. (2001) previously found that the proportion of speaking turns that contained offers was higher for Japanese negotiators and that the proportion of speaking turns that contained direct forms of information was higher for U.S. negotiators. This study extends that research by examining how negotiators use offers to exchange information. We did so by examining (a) when the first offer occurred, (b) the frequency of information exchange before the first offer, and (c) the context surrounding early offers that suggested the occurrence of information gathering versus information consolidation to try to better understand the differential function of offers and information exchange in U.S. and Japanese negotiations.

Timing of Offers and Information Exchange

One way to investigate offers as a search mechanism is to examine the use of offers to stimulate information exchange. Stage models of negotiation indicate that information gathering occurs primarily in the early stages of negotiation (Holmes, 1992). Thus, offers that convey information that negotiators can use to uncover trade-offs, compatibilities, and interests should occur earlier in the negotiation to be effective. In contrast, offers that cluster at the end of a negotiation when a deadline approaches often represent positional bargaining as negotiators hammer out a deal (Adair & Brett, 2005; Stuhlmacher et al., 1998). Therefore, if Japanese negotiators use offers as a search mechanism, they are likely to introduce offers early in the negotiation and continue to make offers and counteroffers throughout the negotiation. In support of this prediction, Adair and Brett (2005) found that negotiators from high-context cultures reciprocated offers significantly more frequently than did low-context culture negotiators up until the fourth quarter of the negotiations. Low-context negotiators started reciprocating offers toward the end of negotiations. This pattern of offers led us to theorize that low-context negotiators use offers to consolidate information, whereas high-context negotiators use offers initially to search for information and later to consolidate.

If low-context U.S. negotiators search for trade-offs and high joint-gain solutions by exchanging statements about preferences and priorities, they should not need to rely on offers to do the same. We would expect them to introduce offers later in the negotiation, as a result of their early focus on preferences and priorities. In this way, U.S. negotiators would be using offers to consolidate information rather than to search for it. Thus, offers that are introduced after a substantial amount of priority information has been exchanged should reflect that information.

To go even further, early, explicit offers might actually interfere with U.S. negotiators' search for a high joint-gain agreement by acting as anchors that fixate negotiators on one outcome rather than on the search for better outcomes. Offers act as anchors when one party considers them a starting point from which to make subsequent concessions (Galinsky & Mussweiler, 2001; Tversky & Kahneman, 1974; Yukl, 1974). In a distributive negotiation, an effective anchor can result in a solution favoring one party over another (Galinsky & Mussweiler, 2001; Liebert et al., 1968; Northcraft & Neale, 1987). In an integrative negotiation, focusing on one offer as a starting point from which to make concessions can prevent negotiators from identifying trade-offs across issues or new issues that represent creative solutions.

In summary, if U.S. negotiators are using offers to consolidate rather than gather information, they should engage in information exchange early in the negotiation and postpone their first offer until they have sufficient information to construct an offer that takes into account the other negotiator's interests. Because information gathering occurs primarily in the early stages of negotiation, if Japanese negotiators are using offers to convey information, they should make a first offer early in the negotiation. We expect Japanese negotiators will make their first offers earlier in the negotiation than U.S. negotiators and that they will exchange less explicit information prior to making that first offer than U.S. negotiators.

Hypothesis 1: Japanese negotiators will make their first offer earlier than will U.S. negotiators.

Hypothesis 2: Japanese negotiators will exchange less information before making their first offer than will U.S. negotiators.

The Context of Offers in Early Stages of Negotiations

If in the early stages of negotiation, high- and low-context negotiators use offers to gather and consolidate information, respectively, their use of offers in relation to the broader set of negotiation behaviors should also differ. This implies that the context within which offers are made can provide information about how those offers are being used. If offers are being used in isolation from other negotiation behaviors, especially information exchange, one can infer they are being used for information gathering. If offers are being used in combination with information exchange, they are likely being used to consolidate information already gathered.

If low-context negotiators use other kinds of negotiation behavior (e.g., information exchange, substantiation) to gather information and use offers primarily to consolidate that information into a claim, their offers should be embedded in or combined with other

forms of strategic negotiation behavior. This suggests that the early offer is being used to consolidate the information that has been exchanged. In contrast, because high-context negotiators are keenly aware of context and should thus be able to infer information from offers, offers may stand alone as a primary mode of early communication in high-context negotiations. A single-issue offer may stake a claim, but a pattern of single-issue offers provides the context within which the offer occurs and from which negotiators can gather information about the other party's preferences and priorities. In Japanese negotiations, early offers may occur alone in a speaking turn and may not be embedded within other forms of strategic behavior. This suggests that early offers themselves are used to gather information.

Another prediction is that high-context negotiators who are skilled at indirect communication and inference may actually use offers in relation to prior offers rather differently than do low-context negotiators. Negotiators should build on a prior offer, using it as a source of information about the other party's preferences and priorities. If Japanese negotiators are using offers as a source of information, they should carry forward issues raised in the prior offer when proposing a subsequent offer. If U.S. negotiators are not using offers as a source of information but as a means to consolidate information contained in other strategic communications, a subsequent offer is likely to contain different issues from the prior offer. Any given offer should reflect other direct information that has been revealed or persuasive arguments that have been made, and thus its composition is likely to be different from the previous offer.

Thus, we expect that early offer patterns, in particular the surrounding communication context and the maintenance of issues from one offer to the next, will demonstrate information gathering for Japanese negotiators and information consolidation for U.S. negotiators. We state these predictions in the following hypothesis:

Hypothesis 3: Early offers should reflect information consolidation for U.S. negotiators and information gathering for Japanese negotiators.

Interactions Between Culture and Timing of Offers and Information Exchange on Joint Gains

Normative behavior is adaptive; that is, norms of behavior often develop because they are strategically functional (Campbell, 1975; Sherif, 1936). Thus, Japanese negotiators rely on indirect communication to exchange information because it aids them in reaching high-quality agreements in their high-context communication culture, and U.S. negotiators rely on direct communication to reach high-quality agreements in their low-context communication culture (Adair et al., 2001). By simple extension, it is reasonable that failure to follow a culturally normative approach to negotiations could interfere with performance.

We propose that an exemplar of a high-context communication approach for getting information sharing started is the use of an early offer and that an exemplar of a low-context communication approach is information exchange. If Japanese negotiators use offers strategically to search for integrative information, then making offers early should allow them to uncover more information about interests, which leads to value creation (Lax & Sebenius, 1986). If U.S. negotiators use information exchange strategically

to search for integrative information, then early offers may act as anchors and may hinder information gathering in U.S. negotiations (Mussweiler & Strack, 2000; Northcraft & Neale, 1987). Thus, we expect that both U.S. negotiators who make their initial offer too early without first explicitly exchanging information and Japanese negotiators who make their initial offers too late without an alternative means of collecting integrative information may suffer in terms of joint gains.

Hypothesis 4: Culture and timing of the first offer will interact to influence joint gains. A late first offer will lead to lower joint gains for Japanese negotiators but higher joint gains for U.S. negotiators.

In contrast, explicit information exchange in low-context communication cultures provides a foundation for building offers if it comes early in a negotiation. Therefore, if negotiators from the United States engage in more explicit information exchange about preferences and priorities prior to making their first offer, they should gain the information necessary to identify trade-offs to incorporate into their later offers and capture joint gains.

Hypothesis 5: The amount of information exchanged prior to the first offer will be more strongly related to joint gains for U.S. negotiators than for Japanese negotiators.

Method

Sample and Data Collection

Our sample consisted of 20 U.S. and 20 Japanese dyads that negotiated "Cartoon," a complex negotiation simulation with integrative potential (Dispute Resolution Research Center, 2004). This sample was randomly drawn from the negotiation transcripts analyzed in Adair et al. (2001).¹ U.S. participants were managers beginning a negotiations course in an executive MBA program in the United States. Japanese participants were managers beginning a company-sponsored negotiations course in Japan. Managers in both samples lived and worked in their native countries and represented a variety of functional backgrounds. The data were collected as a part of the first exercise in the participants' negotiation training program, prior to any feedback or discussion of negotiation concepts or strategies. The U.S. sample was 80% male and had an average age of 38.5 years ($SD = 4.71$). The Japanese sample was 100% male and had an average age of 30.9 years ($SD = 7.88$).

As reported in Adair et al. (2001), a sampling check using two scales derived from Schwartz (1994) confirmed that participants held the values that were characteristic of their national cultures.² The Japanese participants valued hierarchy more than the U.S. participants did, $F(1, 165) = 6.24, p \leq .01$, partial $\eta^2 = .04$, and the U.S. participants valued individualism more than the Japanese participants did, $F(1, 165) = 15.48, p \leq .01$, partial $\eta^2 = .06$ (Adair et al., 2001). These data offer evidence that participants held values characteristic of their national cultures and should therefore also be representative of their national cultures with respect to low- and high-context communication. Japanese participants were more hierarchical and less individualistic, a value composition that typically accompanies high-context communication norms; U.S. participants were less hierarchical and more

individualistic, a value composition that typically accompanies low-context communication norms (Gibson, 1998; Hall, 1976; Hofstede, 1980; Holtgraves, 1997; Ting-Toomey, 1999).

The Cartoon negotiation simulates the sale of syndication rights for a children's cartoon series. The seller is a film-production company, and the buyer is a television station. There are three issues related to one cartoon (called *Ultra Rangers*): price, financing terms, and how many times each episode can be shown over the duration of the contract (runs). The two parties value financing and runs differently and if they trade off these issues, the parties can create joint gains of \$4.08 million. There is also the potential for a fourth issue, adding another cartoon (called *Strums*) into the deal, an outcome that benefits both parties. If they include this cartoon, they can add an additional \$1 million of value. Negotiators can also include a contingent contract linking price to the future ratings of the *Ultra Rangers* cartoon.

Japanese participants conducted the entire exercise in Japanese. The exercise was translated and back-translated by two individuals fluent in English and Japanese, and U.S. dollar figures were converted to yen at a rate of 100 yen to 1 U.S. dollar, reflecting actual exchange rates at the time of data collection.

Participants were assigned to the role of either buyer or seller, given detailed role-specific instructions, and paired with a same-role partner. Participants were told they would negotiate one-on-one and that having a partner for the preparation session was designed to give them an opportunity to talk through the case and possible strategies.³ They were explicitly told that the purpose was not to generate a single strategy for both to use. After 90 min of preparation, each buyer and seller was assigned to negotiate with someone playing the opposite role. They were given break-out space, a tape recorder, and up to 90 min to negotiate.

Coding and Measures

We began with the transcripts from Adair et al. (2001), which had been coded by a team of four content coders at the level of the *thought unit*. A thought unit consists of a subject-verb-object set (Bakeman & Gottman, 1997). The interrater reliability was calculated using Cohen's kappa ($\kappa = .62$), which is defined as "good" by Bakeman and Gottman (1997). Although coders originally used a scheme of 36 codes, for this study we selected 9 codes for inclusion. All other codes were combined into an "other" category. Offer codes in this study include single-issue offers, multi-issue offers without trade-offs, and multi-issue offers with trade-offs. Information-exchange codes in this study include both statements and questions about preferences and priorities with respect to a

¹ Adair et al.'s (2001) sample consisted of 40 U.S. intracultural dyads and 22 Japanese intracultural dyads. We chose to analyze 20 of each to maintain an equal sample size across the two conditions.

² The original scales along with reliabilities are reported in Brett and Okumura (1998).

³ Preparing with a same-culture partner may have cued the culturally normative approaches we were testing. However, we know from analyzing data from another study with the same preparation strategy that there were no correlations between preparation partners' subsequent individual or joint gains (personal communication from Jeanne Brett to Wendi Adair and Laurie Weingart, March 11, 2006). Thus, it seems unlikely that having the partners prepare together affected the outcome.

single-issue (2 codes), multiple issues (2 codes), or commonalities or differences across the parties (2 codes). Coders identified multiple thought units in complex speaking turns, so we were able to capture the occurrence of both information exchange and an offer in the same speaking turn.

Culture. We dummy coded culture for Japanese (1) and U.S. (0) dyads.

Joint gains. Joint gains were calculated as the sum of the buyer's and the seller's net values (Adair et al., 2001; Brett & Okumura, 1998). In Cartoon, maximum joint gains were \$5.08 million and reflected the Pareto optimal frontier for this exercise.

Offer timing. We coded the timing of the first offer as the number of the speaking turns prior to the first offer.⁴ This is an absolute measure of time that captures how quickly the first offer was made. Values ranged from 1 to 109, with larger numbers indicating that the offer occurred later in the negotiation. We did not use a relative measure of time (i.e., we did not divide by the total number of speaking turns in the negotiation), because we were interested in how quickly negotiators made an offer in the context of their behaviors before making the offer and not after the offer was made.

Information exchange prior to first offer. We counted the number of information-exchange statements made prior to the first offer.

Offer embeddedness. This was a continuous variable for speaking turns that contained only an offer (coded as 0). When a speaking turn contained an offer plus additional thought units, the variable was coded as the number of additional thought units within that speaking turn.

Issue maintain. Each offer was compared with the preceding offer in terms of issue inclusion. Issue maintain was measured as the total number of issues included in a given offer that were also included in the prior offer.

Issue add-drop. We counted the number of issues that were dropped from one offer to the next as well as the number of new issues added in the following speaking turn. Issue add-drop was measured as the total number of issues added or dropped in a given offer in comparison with those that were contained in the prior offer.

Control Variables

To ensure that timing effects were not confounded with the overall amount of information exchange (the variables studied in Adair et al., 2001), we controlled for the overall proportion of offers and information exchange within each dyad for the dyad-level analyses in our tests of Hypotheses 1–2 and 4–5.

Overall proportion of offers. The overall proportion of offers was computed as the total number of offers (including single-issue offers, multi-issue offers, and multi-issue offers with trade-offs) divided by the total number of speaking turns in a dyad's complete transcript. As in Adair et al. (2001), the proportions were log transformed according to Tukey (1977), with the tails of the distribution stretched because of the low relative frequencies of some process codes. This variable was included to control for the effect of overall proportion of offers on joint gains that was previously found in Adair et al. (2001).

Overall proportion of information exchanged. The overall proportion of information exchanged was computed as the total

number of information-exchange statements divided by the total number of speaking turns in a dyad's complete transcript (log transformed). This variable was included to control for the effect of overall proportion of information exchanged on joint gains that was previously found in Adair et al. (2001).

To ensure that effects were not confounded because of some people spending more time negotiating, we controlled for the total number of speaking turns for the speaking-turn analyses in our tests of Hypothesis 3.

Analysis Strategy

We hypothesized about early offers, so we chose to examine the first quarter of negotiations to reflect recent empirical work on negotiation stages that proposes a four-quarter model (Adair & Brett, 2005; Brett, Shapiro, & Lytle, 1998). We analyzed the results at the dyad level to test Hypotheses 1–2 and 4–5. We used multiple regression to test these hypotheses. Because of multicollinearity with interaction terms, we centered first-offer timing and information exchanged prior to first offer before the interactions were calculated to ease interpretation of the data (Aiken & West, 1991). The level of analysis we used to test Hypothesis 3 was the speaking turn. We used general linear modeling to test this hypothesis.

Results

Table 1 presents the means, standard deviations, and correlations for the dyad-level independent and dependent variables. We proposed that Japanese negotiators would make offers earlier in the negotiation than would U.S. negotiators (see Hypothesis 1) and that U.S. negotiators would share more information prior to their first offer than would Japanese negotiators (see Hypothesis 2). Results supporting both of these hypotheses are in Table 1. Japanese negotiators made their first offer earlier than did U.S. negotiators ($r = -.67, p \leq .01, \eta^2 = .45$), and they exchanged less information prior to making their first offers than did U.S. negotiators ($r = -.56, p \leq .01, \eta^2 = .31$).

We used both a qualitative and quantitative approach to test Hypothesis 3 (early offer usage should indicate information consolidation for U.S. negotiators and information gathering for Japanese negotiators). We qualitatively analyzed the content of the first quarter of the negotiation of U.S. and Japanese dyads that made early first offers (within the first 20 speaking turns of the negotiation). See Appendix A and Appendix B for two representative transcripts. The dominant difference was that the early stage of U.S. negotiations was characterized by direct information exchange and argumentation, peppered with a few offers. In contrast, the early stage of Japanese negotiations could best be characterized as offer exchange supported by argumentation and information exchange. Japanese offers were temporally clustered and were less embedded within other kinds of strategic communication than were U.S. offers. Qualitatively, it appears that early in the negotiation, U.S. negotiators used offers for information consolidation,

⁴ Offer timing was also calculated using the number of coded units prior to the first offer. The two alternative measures were almost perfectly correlated ($r = .99$), and results did not differ when using either alternative.

Table 1
Means, Standard Deviations, and Correlations of Dyad-Level Independent and Dependent Variables

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6
1. Culture	0.50	0.51	—					
2. Joint gains	4,191,162.50	723,435.41	.001	—				
3. Timing of first offer	27.73	25.34	-.67**	.16	—			
4. Information exchanged prior to first offer	3.93	4.15	-.56**	.21	.77**	—		
5. Overall proportion of offers	-0.79	0.34	.79**	.05	-.67**	-.49**	—	
6. Overall proportion of information exchange	-0.85	0.31	.09	-.11	-.21	.11	.24	—

** $p \leq .01$.

whereas Japanese negotiators used offers more as a means of information gathering.

We conducted a further analysis to determine whether this observation was quantifiable and generalizable. We again analyzed the first quarter of negotiations, but this time, we used the entire sample. We found that, within a single speaking turn, Japanese negotiators were marginally less likely than U.S. negotiators to combine (embed) an offer with other strategic negotiation behavior (U.S., $M = .54$, $SD = .88$; Japanese, $M = .22$, $SD = .46$), $F(3, 84) = 3.5$, $p \leq .06$, partial $\eta^2 = .04$. This finding suggests support for the qualitative observation above regarding the use of offers.

Regarding the systematic use of offers during the first quarter of the negotiation, we found that Japanese negotiators were more likely than U.S. negotiators to maintain an issue from one offer to the next (U.S., $M = .58$, $SD = .60$; Japanese, $M = 1.0$, $SD = .71$), $F(3, 75) = 6.40$, $p \leq .01$, partial $\eta^2 = .08$. U.S. negotiators were more likely than Japanese negotiators to add or drop issues from one offer to the next (U.S., $M = 1.53$, $SD = 1.19$; Japanese, $M = .80$, $SD = .87$), $F(3, 75) = 12.76$, $p \leq .01$, partial $\eta^2 = .15$. These results are consistent with our prediction that Japanese negotiators would be more likely than U.S. negotiators to use offers to gather information.

We also conducted exploratory analyses on the remaining three quarters of the negotiation to determine how long these cultural differences persisted. We found that in the second quarter, there were no cultural differences in embeddedness, $F(3, 202) = 1.66$, $p = .20$, although U.S. negotiators were still more likely than Japanese negotiators to add or drop an issue from one offer to the next, $F(3, 156) = 9.77$, $p \leq .01$, partial $\eta^2 = .06$. Surprisingly, U.S. negotiators were also slightly more likely than Japanese negotiators to maintain issues from one offer to the next, $F(3, 156) = 6.18$, $p \leq .01$, partial $\eta^2 = .04$. However, by the third quarter of negotiations, there were no significant cultural differences on embeddedness, $F(3, 202) = .30$, $p = .59$, issue maintain, $F(3, 190) = 1.41$, $p = .24$, or issue add-drop, $F(3, 190) = 1.81$, $p = .18$. In the last quarter of negotiations, no cultural differences remained for embeddedness, $F(2, 242) = .93$, $p = .34$, or for issue add-drop, $F(3, 205) = .16$, $p = .69$. But the second-quarter differences in issue maintain reappeared, $F(3, 205) = 9.30$, $p \leq .01$, partial $\eta^2 = .04$. What these results reveal is that the cultural differences supporting our hypothesis of how offers are used by Japanese and U.S. negotiators (for information gathering and for information consolidation, respectively) holds true for only the first quarter of negotiations (i.e., only for early offers).

We tested Hypothesis 4 and Hypothesis 5 in separate regression equations because the variables for timing of the first offer and information exchanged prior to the first offer were highly correlated ($r = .77$, $p \leq .01$). As predicted by Hypothesis 4, controlling for the overall proportion of offers and the two main effects, there was a significant Culture \times Timing on Joint Gains interaction, $F(4, 35) = 4.91$, $p \leq .01$, $R^2 = .36$; $B = -82,369$, $SE = 20,730$, $p \leq .01$. Examination of a plot graph of the interaction (see Figure 1) shows that the longer it took for the Japanese negotiators to make their first offer, the lower their joint gains were. In addition, the graph shows that the longer it took for U.S. negotiators to make their first offer, the higher their joint gains were. Thus, the results supported Hypothesis 4.

As predicted in Hypothesis 5, controlling for the overall proportion of information exchanged and the two main effects, the more information-exchange statements U.S. negotiators made prior to their first offer, the higher their joint gains. Figure 2 shows the opposite was true for Japanese negotiators—the more explicit information they exchanged prior to a first offer, the lower their joint gains were, $F(4, 35) = 2.11$, $p \leq .10$, $R^2 = .19$; $B = -207,006$, $SE = 97,976$, $p \leq .05$. However, we must interpret these results in the context of a potential three-way interaction.

We ran a hierarchical regression analysis to determine whether the hypothesized interactions between these two variables and culture were independent or whether there was a three-way interaction among the variables. Results showed that the Timing \times Culture interaction dominated the Info \times Culture interaction (see Table 2, Step 2). The three-way interaction was significant (see Table 2, Step 3). This three-way interaction is plotted using a median split on the info variable in Figure 3.⁵ The top graph in Figure 3 shows the relationships between timing, info, and joint gains for Japanese dyads. Results show that Japanese negotiators performed the best when they made early offers with low-information exchange. However, the positive sloping regression

⁵ Note that we also plotted the three-way interaction without using a median split following the procedures suggested by Aiken and West (1991), in which the independent variables are centered around the mean and plotted at $\pm 1 SD$. Those graphs illustrated the same relationships that appear in the Figure 3 scatterplots. However, plotting the regression lines at $\pm 1 SD$ of each continuous independent variable creates regression lines extending outside the allowable range of joint gain, making the graphs difficult to interpret. Thus, we present the three-way interaction using a median split on the info variable to ease interpretation.

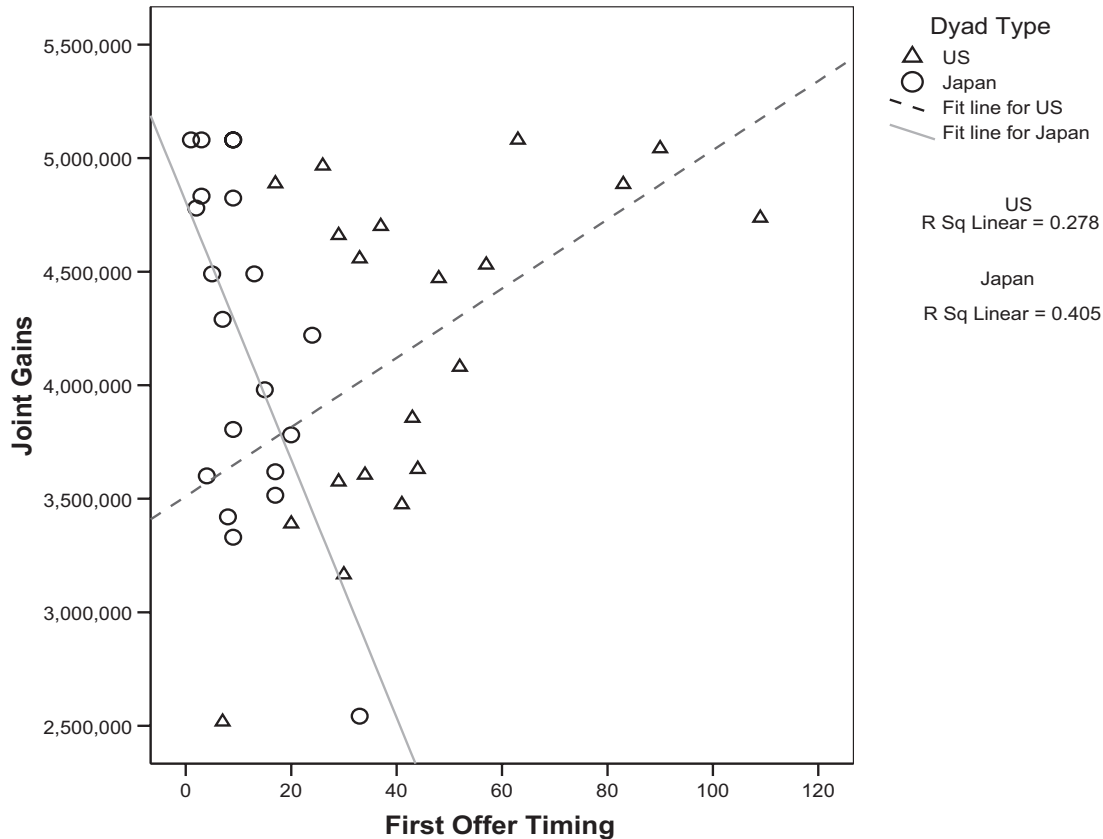


Figure 1. Interaction between culture and timing of first offer on joint gains. $R^2 = R^2$.

line for the high-information exchange group indicates that Japanese negotiators could also increase joint gains when they made a late first offer and exchanged more information prior to that offer. It should be noted, though, that the highest joint gain realized by a dyad in that condition (Data Point 26) was less than optimal—\$4.22 million as compared with a maximum possible \$5.08 million—an amount that was earned by 3 dyads who made early first offers with low-information exchange prior. The bottom graph shows the relationships for U.S. dyads. The U.S. negotiators were less influenced by the interaction between timing and info. Regardless of how much information they exchanged, they were better off making later first offers and exchanging more information prior to early first offers.

Discussion

Our goal was to extend our understanding of the relationship between culture and the strategic function of offers and information exchange in negotiation. In this comparative study of high-context Japanese negotiators and low-context U.S. negotiators, the results were highly consistent with our theories that Japanese negotiators would use offers early in the negotiation to gather information and that U.S. negotiators would use offers later in the negotiation to consolidate information.

In support of our theoretical propositions regarding the timing of first offers and the information exchanged prior to first offers, we found that Japanese negotiators made their first offers earlier in the

negotiation than did U.S. negotiators, who started to use offers later and exchanged more information prior to making their first offer than did Japanese negotiators. We also found that for Japanese negotiators, making a later first offer led to lower joint gains. However, as shown in the three-way interaction, this negative effect held primarily when Japanese negotiators exchanged little information prior to the first offer. For U.S. negotiators, a later first offer led to higher joint gains regardless of the amount of information exchanged prior to the first offer.

In support of our theory that early first offers aid in information gathering via systematic use of offers in Japanese negotiations, we found that, in the first quarter of negotiations, Japanese negotiators were more likely to maintain issues from one offer to the next. In contrast, U.S. negotiators were more likely to add and drop issues from one offer to the next and to embed their offers within other strategic negotiation behaviors like substantiation and information sharing.

These cultural differences in the context within which offers were made did not extend beyond the first quarter of negotiations. After the first quarter of the negotiation, the nature of offers became more similar across cultures. It is likely that by the end of the first quarter, negotiators had enough information to formulate more complex offers, regardless of how they gathered it in the first quarter.

Our results extend prior research on how U.S. and Japanese managers negotiate and also contribute to theory in negotiation and cultural studies. The research extends the findings of Adair et al.

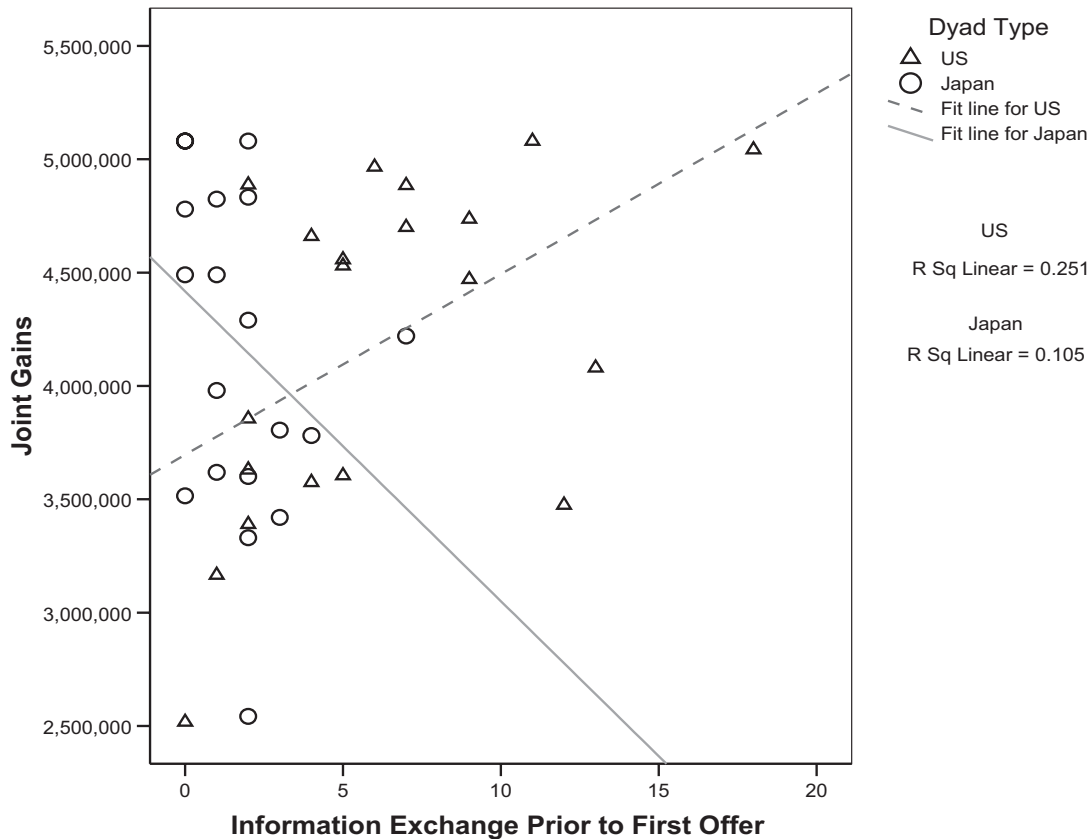


Figure 2. Interaction between culture and information exchanged prior to first offer on joint gains. R^2 .

(2001) by showing that the timing of the onset of offers and the amount of information exchanged prior to a first offer are significant factors in determining joint gains. Adair et al. had shown that amount of information exchange for U.S. negotiators and offers for Japanese negotiators affected joint gains. Our results also explain the mechanism underlying Adair et al.'s conclusion that making offers helps Japanese negotiators generate joint gains. In this study, we showed that Japanese negotiators maximize joint gains by making offers early in the negotiation. We also showed evidence of distinct Japanese offer patterns that suggest information gathering as well as distinct U.S. offer patterns that suggest information consolidation.

Negotiation theory primarily discusses offers in distributive bargaining. This study uncovers two important elements of first offers in integrative bargaining. First, for negotiators in low-context (direct) communication cultures like the United States, an early first offer may act as a behavioral anchor, signaling a strong positional stance that inhibits future exploration and integrative bargaining. The negative relationship between an early first offer and joint gains supports this anchoring effect in integrative negotiations, consistent with the anchoring effect of first offers in distributive negotiation (Galinsky & Mussweiler, 2001; Yukl, 1974). Second, negotiators in high-context (indirect) communication cultures like Japan do not seem to get anchored on early first offers, perhaps because, as we found, they engender more subsequent offer exchange and the pattern of offers becomes a source of

information (Adair et al, 2001; Weingart & Prietula, 2005). For Japanese negotiators, early first offers in integrative bargaining may prompt rather than inhibit information exchange, albeit via different mechanisms (offer exchange vs. sharing of preferences and priorities). These findings inform and extend research by suggesting the anchoring effect of offers may be culturally bound.

Our qualitative and quantitative investigation of the first quarter of negotiations revealed the nuances of integrative bargaining in low- and high-context cultures. Our results regarding early offers show that Japanese negotiators carry issues over from one offer to the next. This suggests that Japanese negotiators carefully consider what each offer means in the context of other previous offers. In contrast, U.S. negotiators do not carry issues over from one offer to the next, and they embed offers in the context of persuasion and information sharing. This suggests that U.S. negotiators use offers to consolidate the information exchanged in the early stages of negotiation. This finding, in combination with the finding that early first offers hinder joint gains for U.S. negotiators, suggests that U.S. negotiators use early offers to stake a claim and that they get anchored on early offers and are therefore less able than the Japanese negotiators to use offers as an effective means of information gathering.

Hence, our study emphasizes the importance of understanding classic negotiation theory within the cultural context in which the theories were developed (Gelfand & Brett, 2004). Given the robust empirical data on anchoring, concessionary behavior, and deadline

Table 2
Three-Way Interaction Between Culture, Timing of First Offer, and Information Exchanged Prior to First Offer on Joint Gains

Variable	Step 1		Step 2		Step 3	
	<i>B</i>	<i>SE</i>	<i>B</i>	<i>SE</i>	<i>B</i>	<i>SE</i>
Constant	3,956,388**	679,415	2,614,304**	716,183	2,653,355**	666,781
Culture	50,965	406,988	-595,016	391,244	-174,321	403,977
Timing of first offer	2,217	9,204	9,026	9,061	11,020	8,474
Information exchanged prior to first offer (info)	57,058	48,716	73,411	56,525	74,829	52,613
Overall proportion of offers (control)	575,132	594,961	-637,228	609,387	-636,119	567,184
Overall proportion of information exchange (control)	-445,528	435,018	-136,384	389,876	-18,174	366,188
Timing × Culture			-78,232**	24,513	-25,782	31,561
Info × Culture			-96,350 ^a	113,874	155,896	149,104
Timing × Info			-677	1,255	-960	1,174
Culture × Timing × Info					24,320*	10,112

Note. The dependent variable is dollars. Step 1: $F(5, 34) = 0.89, p = .5, R^2 = .11$; Step 2: $F(8, 31) = 2.54, p \leq .05, R^2 = .40$; Step 2 change: $F(3, 31) = 4.80, p \leq .01, \Delta R^2 = .28$; Step 3: $F(9, 30) = 3.25, p \leq .01, R^2 = .49$; Step 3 change: $F(1, 30) = 5.79, p \leq .05, \Delta R^2 = .10$.

^a This interaction was significant ($B = -207,006, SE = 97,976, p \leq .05$) when tested separately from the Culture × Timing interaction. The lack of significance in the combined model can be attributed to the high correlation between timing and info ($R = .77$).

* $p \leq .05$. ** $p \leq .01$.

effects in Western culture distributive negotiations, it is not surprising that, for U.S. negotiators, introducing offers early in integrative negotiation seems to anchor and prevent them from exploring value creating solutions. What is surprising is that Japanese negotiators appear to use offers both to create and to claim value. This is not to say that Japanese negotiators will never anchor themselves to first offers, but that Japanese negotiators in integrative negotiations (in which they need information to generate efficient solutions) are able to create value even when they make early first offers. Future research might extend this analysis of culture and first offers in integrative and distributive negotiations by focusing on the anchoring effect of first offers in distributive negotiations in Japan and in other high-context cultures.

Our results also address the use of counternormative negotiation behaviors. Because of norms for low- and high-context communication, we argued that initiating information exchange via offers should be more common among Japanese negotiators and that initiating information exchange through statements about priorities and interests should be more common among U.S. negotiators. The results generally supported our theories, but some results are particularly enlightening. One instance of counternormative behavior occurred when the Japanese made offers and directly exchanged information early in the negotiation. This counternormative behavior led to low joint gains. We propose two explanations for this: When Japanese negotiators use the two information-exchange strategies simultaneously (i.e., both early explicit information exchange and an early offer), they may experience information overload. They may find it too difficult to track the implications of the offers and the content of the direct information exchange simultaneously. Alternatively, an early offer embedded in the context of explicit information exchange may be interpreted as a positional statement that then becomes an anchor and inhibits subsequent information exchange. Both of these possibilities offer avenues for future research.

Another instance of counternormative behavior occurred when Japanese negotiators exchanged direct information prior to making a late first offer. This counternormative pattern led to high joint

gains. These results support theorizing that high-context communicators can engage in low-context communication patterns and use them successfully because they are more flexible communicators than are low-context communicators (Hall, 1976). That the U.S. negotiators could not turn early offers into high joint gains suggests that low-context communicators cannot engage in high-context communication patterns and use them successfully. The fact that Japanese negotiators could use both strategies (direct and indirect information) separately, but not simultaneously, suggests that the two strategies might be difficult to integrate. Future research could examine conditions that would facilitate the use of a combined approach and determine whether a combined approach helps or hinders the quality of agreements.

There are important implications of this study for both high- and low-context negotiators. First, for low-context negotiators, the most effective pattern is to exchange information first and make offers later. Second, for high-context negotiators, the most effective pattern is to make offers early. Third, when negotiating across high- versus low-context cultural boundaries, negotiators have to make some choices. The high-context negotiator can understand low-context communication and, if trust is sufficiently high, engage in direct information exchange with the low-context negotiator. They may then consolidate that knowledge into offers. When trust is not sufficiently high for the high-context negotiator to share information directly with the low-context negotiator, the traditional Western style is not feasible. Instead, the low-context negotiator would need to develop the skill of exchanging early offers with the high-context negotiator while keeping issues in play from one offer to the other and focusing on the information being conveyed in the way the offers change. They cannot afford to allow early offers to anchor them in the negotiation.

As with all studies, there are both limitations and opportunities for further research. Our conclusions are based on our data of early offers. There are other strategies that may also account for the generation of joint gains and provide areas for future research—for example, other forms of high-context communication such as storytelling or nonver-

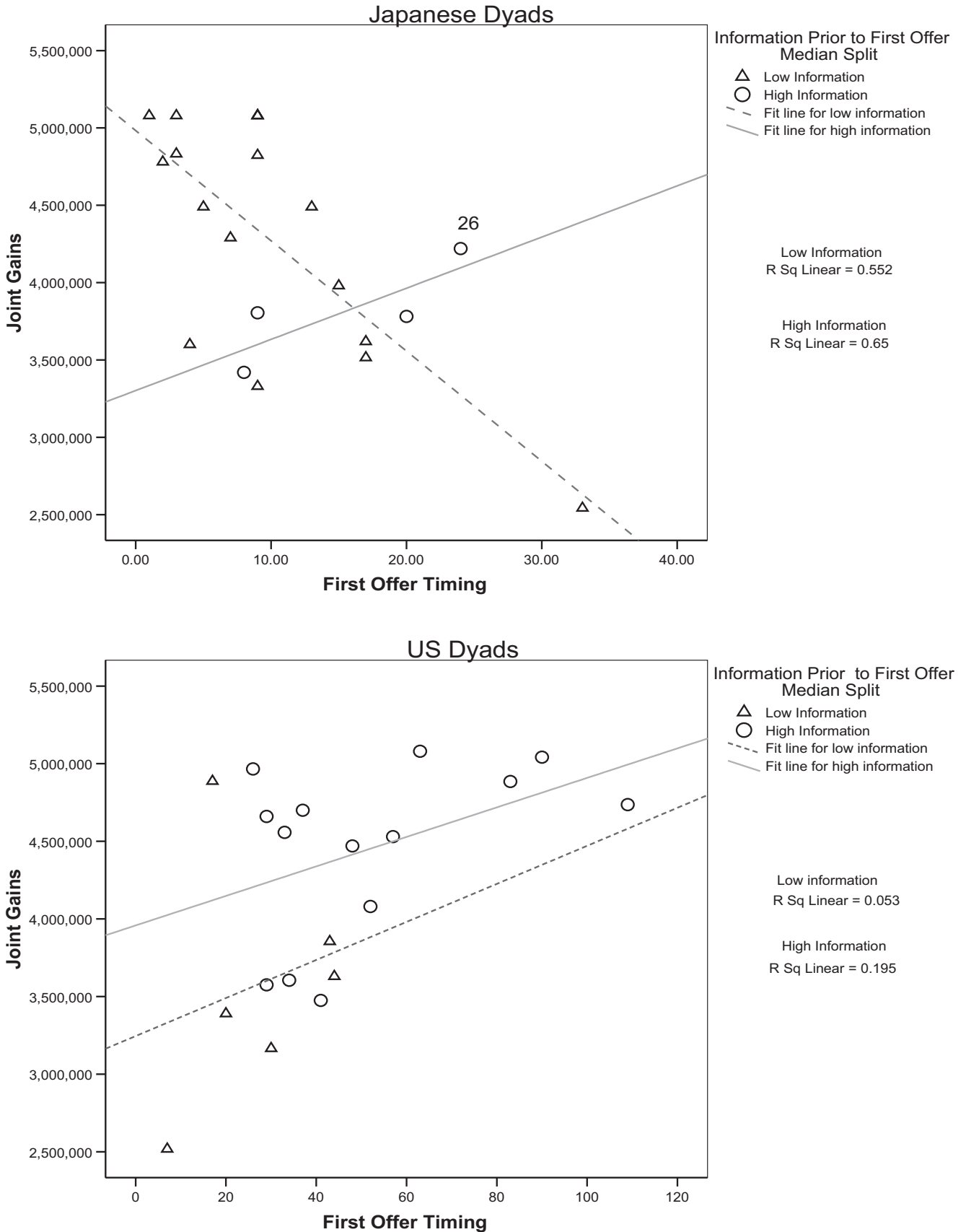


Figure 3. Three-way interaction between culture, timing of first offer, and information exchanged prior to first offer. R Sq = R².

bal behaviors. Also, our research involved a multi-issue integrative task. We do not expect our findings to hold for a single issue distributive task, or for situations in which negotiators have primarily competitive goals that might make them more likely to anchor themselves on early offers. We tested our hypotheses with managers using an integrative negotiation simulation in the quasi-experimental setting of a negotiation-training program. This setting could artificially inflate joint-gain results, as the managers had come to the program to learn about negotiations and knew that they would be doing several of those exercises. Real-world negotiators may behave more competitively and may be more likely to anchor on a first offers. But there is no reason to believe that the setting affects U.S. and Japanese negotiators differently; hence, the setting does not compromise the cultural differences found here.

An important question raised by this research is whether low-context negotiators can be taught to infer information about priorities from offer patterns. This appears promising because U.S. negotiators who have been provided with instruction on integrative negotiation strategies can successfully implement those strategies (Weingart et al., 1996) and improve joint gains. The question remains whether negotiators can be trained to use a strategy that is culturally counternormative. If this is possible, knowing how to appropriately use offers would give U.S. negotiators an important strategic tool for negotiations when trust is low and/or the other party is from a high-context culture.

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Appendix A

First 20 Speaking Turns From a Representative Japanese Transcript

Speaking turn	Role	Translated Japanese transcript excerpt
1	Buyer	I studied the content of your program.
2	Seller	Yes, good. I would like your company to buy it from us.
3	Buyer	Do we want to talk about how many times we want to run the program and how much we are willing to pay for your program, and the payment terms?
4	Seller	Right, right.
5	Buyer	Those three issues, right?
6	Seller	Price per episode, and the number of runs, and the terms. That's right.
7	Buyer	As for us, we want to show the program as many times as possible. We would like to request 8 runs.
8	Seller	I see, I see.
9	Buyer	And as for the price, I understand you must have a certain price in your mind, but we would like to say, 3 million per episode.
10	Seller	3 million?
11	Buyer	Yes, 3 million. I know it's our request only for now. And for the payment terms, we would like to have it as long as possible—we want to take our time paying you. It's hard on our company financially, you know, to buy such a big program. 5 years would be wonderful for us.
12	Seller	5 years?
13	Buyer	That's our request. Let me hear your side of story. Your request, your conditions. I know that it's impossible to ask you to accept 100% of our requests, so it's important for me to understand your conditions.
14	Seller	If it's possible, I would like to ask for 7 million per episode.
15	Buyer	Uh. . .7 million will make us go into red. But that's what you want. Hmmm.
16	Seller	Yes. We would like that. And about the number of runs. . .more runs will make our situation a little tough. I would like to have it 6 runs at most.
17	Buyer	I see.
18	Seller	I also would like to ask you to pay 50% as downpayment, and 1st year and 2nd year, 25% each.
19	Buyer	I see. I would like to run the program 8 times. I understand your situation, though. How about, if I say I will pay all at once in cash, how many times would you be willing to allow us to run?
20	Seller	Wow. That's a drastic idea. You're saying you would pay in cash?

Note. Speaking turns with offers are in bold.

Appendix B

First 20 Speaking Turns From a Representative U.S. Transcript

Speaking turn	Role	U.S. transcript excerpt
1	Buyer	Morning.
2	Seller	I'm representing Hollyfilms and we have a product that we think you might be interested in. We have a cartoon series called Ultra Rangers that was aired on prime-time not long ago with a very strong rating which we. . .
3	Buyer	Well we're really looking to fill a slot on Saturday morning programming. As you know, we're quite a large market and an independent station here in Chicago. And we have really looked at trying to get a top cartoon to syndication this year, and we just think that Saturday morning is a perfect slot and it would be ideal for, for us in the Chicago area. So, for us, it's, you know, we're interested in the Ultra Rangers and we'd be interested to see if we could negotiate some kind of package to meet both of our needs.
4	Seller	Well, we're interested in selling our product. We think it's, it's a quality product. We will share with you, I will share with you that we have another offer on the table, and we think this product is going to move in this market.
5	Buyer	Well, a couple things then. One is, you know, we think you have a good product, and we think, we've done some of our background research also. We do also have an alternative program where we know exactly what our net profits will be.

(Appendixes continue)

Appendix B (*continued*)

Speaking turn	Role	U.S. transcript excerpt
6	Seller	That's on the basis of our market research and based on the, how this kind of series did in its initial airing.
7	Buyer	Hmm. And we really expect that the program will draw somewhere between seven and eight rating points. We think that would be somewhere around 50 percent. And that just kind of got us to, as we were trying to crunch some numbers, that that would be somewhere between, the advertising revenue would be somewhere around 8.5 million in net advertising revenue. Is that close to your number at all?
8	Seller	We are looking at selling this to syndication, we're talking about 100 episodes in a five year contract with six runs per episode was what we initially had in mind, but that's negotiable. We're concerned about over-exposure and the potential future value of this product if it is overexposed and that we would lose our future value beyond the terms of our contract. We're also concerned about—so we would like to negotiate a fee per episode, talk in terms of the financing. Our financial position would make it more attractive for us to have revenue earlier and less financing, but we're willing to work with you on that. What are the most important things to you in acquiring this kind of a product that will help us negotiate an agreement?
9	Buyer	Can I ask for just a point of clarification? Your initial comment about six runs, is that in your mind kind of a constraint that you wouldn't want to go beyond six runs because it would then address the issue of overexposure and potentially future value?
10	Seller	Yeah, we think that if this series over five years runs more than six runs per episode, it will devalue the future product after the terms of our contract are completed. So that we're not stuck on that, we're willing to negotiate that, but we want you to understand that we think that that enters into the value equation. We think that if this product is overexposed, after the terms of our contract are completed, it will be less valuable to use in terms of future sale.
11	Buyer	Okay. Okay. Is a good starting point to look at, let's see, what did we miss, you have to understand the net advertising revenue first, wouldn't they?
12	Seller	I guess. I'm uncertain in terms of net advertising revenue, how that is interpreted in terms of net value to you for this product. We have an idea in mind of what we think a price per episode should be based on our market research, and I can share that with you.
13	Buyer	Sure.
14	Seller	We're in the ballpark of 70,000 dollars per episode.
15	Buyer	Okay. Okay.
16	Seller	We would prefer, if not paid for in cash, we'd prefer a financing terms of two years and six runs per episode as an agreed upon term of the contract.
17	Buyer	You mean the two years financing would be broken out what way?
18	Seller	50 percent down, 25 percent in each of the next two years.
19	Buyer	Okay. You've been real forthright with your information, so let me tell you a little bit about where we think we are from a station standpoint. We, too, try to look at this as total cost. Dealing with the program, we understand that 100 episodes would be a firm number and not negotiable. So, we know that our price could not exceed 60,000 per episode. We also realize that, you know, we never could go below 30,000. It wouldn't make any sense to you revenue-wise. So, we really feel like we have a ceiling of 60,000. That would be the top end from an episode standpoint.
20	Seller	Okay.

Note. Speaking turns with offers are in bold.

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