

Negotiation Successfully with Foreign Business Partners

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Date: August 2004

Introduction

Managers who must negotiate abroad often ask themselves how they should behave in front of foreign partners. In many cases, they start by buying a book giving advice on how to negotiate e.g.: in Japan, China, Korea, Saudi Arabia, Brazil, etc.

Such books and similar sources of knowledge may provide very useful information and insights. Relying on them alone is however not sufficient:

- First of all, the individuals involved should always be taken into account. There are as many differences between two Egyptians as between two Germans. As a matter of fact, cultural stereotyping is always dangerous. On top of this, the number of managers who have spent several years studying or working abroad, and therefore became "multicultural", is steadily increasing.
- Nationality is only one of several cultural elements influencing the behavior of negotiators:
 - * Professional culture: Sales people do not negotiate the same way as lawyers for instance. A French software engineer will probably face less difficulty in dealing with an American colleague than if he/she was negotiating with a French investment banker or the French Creative Director of an advertising agency.
 - * Company culture: Consciously or not, companies develop their own values and behavioral rules which can totally overshadow the national culture of their employees.
 - * Negotiation culture: A German procurement officer who learned his job with the notorious Jose Ignacio Lopez and tries to maximize the gains of his company at the expense of suppliers (distributive bargaining) has very little in common with another German procurement officer who tries to reach agreements that will make both his company *and* its suppliers more competitive on their respective markets (integrative negotiating).
 - * Socio-economic culture.
 - * Political or religious culture.
 - * etc.
- Regional subcultures exist in each country, which increases cultural diversity exponentially. This is true even in tiny Switzerland and of course in such huge countries like China.
- Managers who negotiate in 10 or 20 different countries over the course of a year will most probably not have the time to read a book on each one of them.

Fortunately enough, there are some universally valid principles that can help negotiating successfully with the most different people everywhere in the world. Those principles are the topic of the present article.

The goal and the hurdles

Negotiations – and most particularly intercultural ones – can only be deemed genuinely good and successful if the individuals involved are able to have a meaningful dialog together and to design an efficient joint decision-making process.

Negotiators must overcome two main hurdles in order to be able to do this: the first one relates to relationship and more specifically to communication, the second one relates to perceptions.

Negotiating has a lot to do with relationship management. Any negotiation takes place in the framework of a working relationship and has a decisive influence on its further development. This being said, we all know that people view relationships very differently depending upon their culture. Between two different cultures, there are profound differences with respect to the conditions that must be met in order for a relationship to start and grow, the time it takes to establish a relationship, the expectations that people have when they enter into a relationship, the assessment of the success of a relationship, etc.

Normally, one of the major characteristics of intercultural negotiations is that the people involved do not speak the same native language – which of course makes communicating more complicated. On the one hand, it is much more difficult for the person who is talking to express herself in a way that will be understood on the opposite side of the table; on the other hand, it is much more difficult for the person who is listening to understand what is said and meant by the other party. Misunderstandings are therefore common in an intercultural environment¹.

Several conditions must be fulfilled in order for communication to work properly, e.g.: the sender must find words and sentences that accurately reflect his/her thoughts and can be truly understood by the other participants; what has been said must be interpreted by all participants in roughly the same way; the way of expressing oneself and one's own tone must be acceptable for the other participants. All these conditions are stumbling stones in an intercultural environment:

- There are words in any language that are not directly translatable in other languages: the word "issues" for instance cannot be easily translated in French or German.
- Words that appear to be similar in two languages can mean something quite different. Take the word "Projekt" in German or "projet" in French (project in English) for instance. When Germans speak about a "Projekt", they usually mean something that will be done and the steps for doing it will quickly be defined in a detailed action plan. When French people talk about a "projet", they usually have something in mind that may – or may not – be done; a "projet" is rather just an idea and the way to implement it is certainly not yet defined. If German and French members of a project team are not aware of such differences, they will quickly face difficulties!
- The very direct way in which people in the Northern part of Germany tend to express themselves, the heated debates that French people enjoy having together or the hearty hugs with which Brazilians often greet one another can be very disturbing for the members of other cultures.

People negotiating together will inevitably have different perceptions and points of view, making it often more difficult to find common ground. One person sees the glass as being half empty; the other one sees it half full. For one individual, fairness means equality (everybody should get the same amount); for the other one, it means equity (those contributing more should get more). For some people, free competition and free trade are the best ways to promote economic growth everywhere in the world; for others, a pro-active industrial policy and governmental interventions are a must for any country that wants to assert itself on the world economic stage. As perceptions are heavily influenced by culture, diverging points of view are particularly frequent and strong in a multicultural setting.

¹ In many cases, negotiators try to resolve the language problem by deciding to speak English. Germans negotiating with Spanish and Japanese counterparts will have a perhaps "simplified" interaction, but if they all share a similar command of English, language ceases to be such a stumbling block. Caution is however again necessary, when native and non-native English speakers are negotiating together. Regardless of their level of expertise and/or hierarchy, the native English speakers will tend to dominate the proceedings.

Universally valid principles

In spite of the endless list of characteristics that distinguish people from different cultures, there are also some striking similarities among human beings that are relevant as far as negotiating is concerned. In all countries where I lived, worked and negotiated, it was obvious that people appreciate being taken seriously or respected and hate when they are told that their opinion does not make sense. It is often said that letting Asians lose face is the worst negotiating mistake that can possibly be made; however, I am not aware of any country where people particularly enjoy losing face. And it seems to me that stubbornness, arbitrariness or threats produce the same reactions everywhere on earth.

Working on the principle that a "good" negotiating means designing solutions which are useful for all parties concerned and are perceived as being fair by all individuals involved, the following rules of *principled* negotiation (that were developed within the framework of the "Harvard Negotiation Project" at Harvard University²) appear to be helpful wherever they are applied:

- * Address relationship and substance independently

There are two sets of issues in every negotiation: people- or relationship-related issues (e.g. emotions, communication, reliability and trust) on the one hand, substantive issues and problems (e.g. specifications, terms, dates, numbers and price) on the other hand. It is useful to disentangle these two sets of issues – to separate the people from the problem – in order to deal separately and differently with each: *hard* on the substance, *soft* on the people. The strategy of trying to fix a relationship by making substantive concessions – or the other way around: trying to obtain concessions by taking the relationship hostage – does not lead to good agreements. One can improve a relationship by being unconditionally constructive, showing consideration for the other side's perceptions and concerns, and refraining from threats or blackmailing.

- * Care about a good two-way communication

A constructive negotiation implies a substantial exchange of opinions and ideas. Good communication tends to avoid misunderstandings and to make negotiations proceed more efficiently. Effective negotiators listen carefully and try to understand (without necessarily approving) the standpoint of the other party. Be careful however! Active listening is much more demanding than most people think: merely remaining silent, waiting until you have your say or thinking about what you will answer, is not listening! Real listening means becoming authentically involved and curious in coming along with the other person, without judging.

- * Pay attention to perceptions and possible prejudices

Personal values, points of view and perceptions of a given situation vary considerably from one individual to the other. Such differences, which are even more pronounced among people from different nationalities and cultural backgrounds, have a strong influence on any negotiation. Good negotiators are well aware of this and try hard to *understand* the point of view of the other party, without *judging* it. Unchecked assumptions with respect to the perceptions of the other side often reflect preconceived opinions. First impressions about people as well as assumptions concerning their intentions are often at least partly wrong. Relying on such feelings without checking whether they are valid or not, is dangerous.

- * Look for interests behind positions

Positional bargaining, in which each side comes to the table with a list of demands and claims is both ineffective and costly. The negotiation is indeed likely to become a tense contest of wills in which each side insists that their position is correct. As a prerequisite for a constructive negotiation, the parties should identify the fundamental interests underlying their demands and

² See: Roger Fisher, William Ury and Bruce Patton, *Getting to Yes – negotiating agreement without giving in*, 2nd edition, Penguin Books

share ideas on how to satisfy them³. Only then can they start working out mutual gains on the basis of their common interests.

- * Look jointly for different options

Often negotiators come to the negotiation table knowing what they want and determined to convince the other party that it is in their best interest to agree. What usually follows is an exhausting exchange of arguments and counter-arguments. The best negotiations are those in which the parties jointly explore a number of options (i.e., possible solutions to the negotiation). When the parties do not explore such options, they usually come up with a "least common denominator"-type solution, i.e. an outcome that leaves value on the table. To facilitate the option generating process, the parties should brainstorm first and decide later.

- * Use "neutral", jointly chosen decision criteria

Unfair agreements almost never last long. To resolve conflicts of interests, it is therefore very important to base decisions on some fair standards, precedents or other objective criteria of legitimacy. To be qualified as "neutral", such decision criteria must be independent of the will of either side; some are pre-existing (e.g.: a market price, the inflation rate, industrial norms), others are developed and selected jointly by the parties. When an agreement is based on such criteria, it is also much easier to explain to one's own constituents why it should be accepted.

- * Assess the alternatives to a negotiated agreement

Negotiators should always think carefully in advance about what they will do if the negotiation does not conclude with an agreement. In any negotiation, the parties have always the choice of either walking away or pursuing the discussion. The key question is to know whether the solution which may be agreed upon is more favorable than (a) the best action that one can take independently or (b) the best arrangement that can be made with somebody else than the person who sits on the other side of the negotiation table. Such an action or arrangement is called a BATNA - i.e., a Best Alternative To a Negotiated Agreement. Those who really take the time to prepare their walk-away alternatives, make sure that at least one of them is implementable, and then even improve it, will greatly increase their self-confidence and power in a negotiation.

Cross-cultural negotiation competence

In my view, cross-cultural competence is based on two main pillars: being more prudent and attentive on the one hand, negotiating the architecture of the negotiation on the other hand.

Prudence and attention

While my own experience confirms that the above mentioned principles are universally valid, I am fully aware that their practical implementation in a cross-cultural environment is particularly demanding.

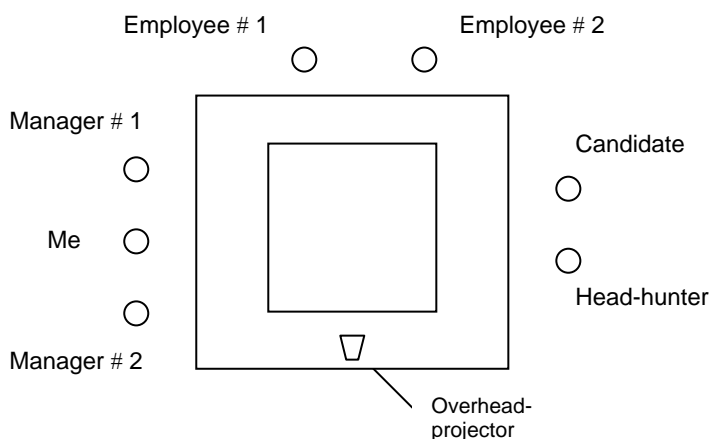
The negotiations which we have with foreign business partners are fraught with many more uncertainties than the ones that we conduct in our own country: Is my usual behavior acceptable for the other party? Do I really understand what they tell me and do they really understand what I tell them? Am I making correct assumptions regarding their point of view, interests and ideas, and how

³ "Interests" are what really motivates people (e.g.: „In spite of the customer's wish to get lower prices, what really matters in this case is that we should be able to increase or at least maintain our profitability"). When people think about how their interests could be met, they come up with "ideas" (e.g.: „Maybe we could increase the volume that we sell to this customer, thereby getting economies of scale, or they could perhaps help us in serving them in a more efficient and less costly way“).

can I motivate them to explore my own point of view, ideas and interests? How open can I be without providing them with an incentive to take advantage of me? How should I interpret their behavior? May I simply say "No" and what do they really mean when they say "Yes"? Is now the right moment to try to close the deal?

Because of all those uncertainties, we must move more carefully and be more attentive when negotiating across cultures. Caution is necessary in applying the rules of one's own culture, in treating people on the other side of the table, in expressing ourselves, in making assumptions, in trying to move the conversation forward, in managing time, etc. And because what the people on the other side really mean can be very different from what we hear them saying, we must constantly pay attention to the risk of misunderstandings, i.e.: paraphrasing what they just said in order to make sure that we understood them correctly (and inviting them to do the same the other way round); describing what we are about to do or to say and explaining why ("I would like to ask you a question, because ...", "I'm a very structured person; may I therefore try to summarize what we have said or agreed upon up to now?"); etc.

The following example shows however that caution and attention are worth the effort. As I was managing a small US-based business unit for a large Swiss pharmaceutical group, I had to hire a local manager in Japan and I therefore traveled to Tokyo to interview candidates. Those present for the interviews were two managers and an employee from the group's subsidiary in Japan, me and one of my co-workers in the US, a head-hunter and the candidate. Tables formed a rather large square in the middle of the meeting room that my Japanese colleagues had foreseen for the interviews. As we all entered the room for the first interview, the head-hunter and the candidate moved to the right. I wanted to sit next to the candidate and therefore made a step in the same direction. However, one of the Japanese managers grabbed my arm and dragged me to the left so that I ended up sitting on the other side of the square, quite far from the candidate. The seating arrangement looked like this:



I suddenly had the impression of sitting in a courtroom: the judges on the left (myself among them), the clerks in the middle, the defendant and his lawyer on the right! The effect of this configuration was terrible: the candidate obviously felt miserable, started to stutter and almost completely lost his English.

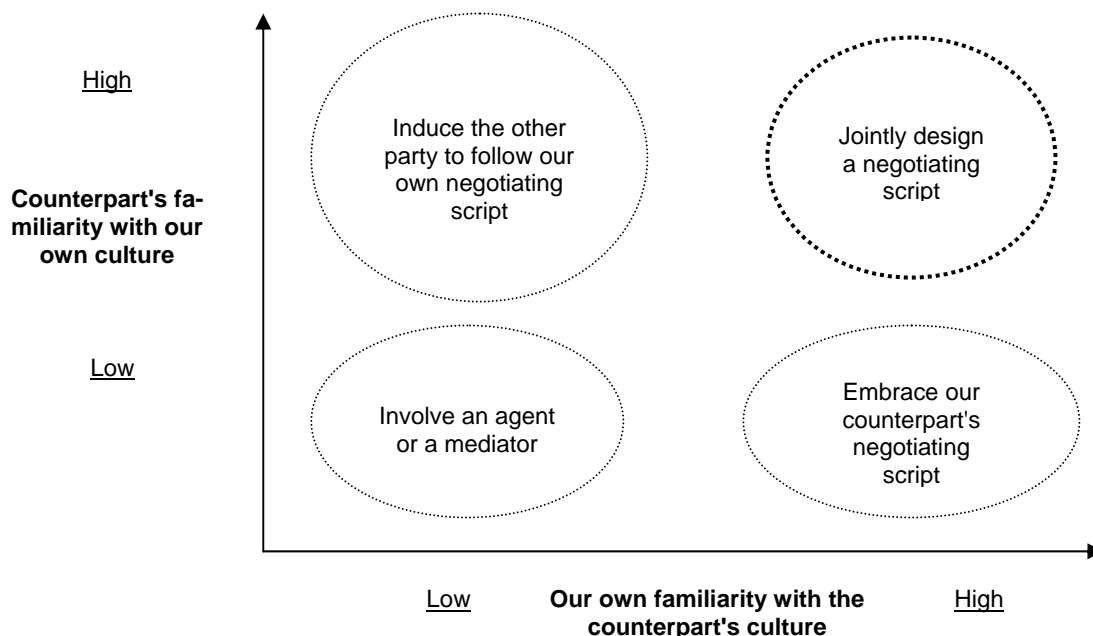
I stayed in the meeting room after the first interview, asking myself how to avoid the repetition of such a disaster. It seemed out of question to simply instruct my Japanese colleagues to change the configuration of the room. By chance, I looked under the tablecloths and realized that each side of the square was actually made of three separate tables. I went into the corridor and asked the senior Japanese manager whether he was satisfied with the first interview. His answer being rather negative, I took him back into the room and suggested to remove one table on the upper and lower sides of the square, so that we could bring the left and right sides closer together. He didn't make any comment, but said yes. During the next interview, I visibly leaned forward as much as I could, which allowed me to get much closer to the candidate. The interview went better. When I arrived in the office on the following day for the next interviews, I was hugely surprised to discover that my Japanese colleagues had chosen another meeting room: this one was smaller and much more comfortable; there was a sofa corner and armchairs; green tee was served on a side table (whereas we didn't even have mineral water on the previous day)!!!

Negotiating the architecture of the negotiation

Prudence in cross-cultural negotiation doesn't mean that you should throw your own culture over board and adapt yourself unilaterally to the local way of behaving. You may quickly become laughable by trying to imitate the local practice like a parrot and this would not necessarily help the participants on both sides to have a meaningful dialog together and to jointly design an efficient decision-making process.

A mutual adjustment process is necessary in order to reach this goal. This process can only happen if it is openly addressed, negotiated and agreed upon. This is what I call "negotiating the architecture of the negotiation". Issues to be covered at this stage are for instance: the language in which the negotiation will be conducted; the meeting place and the sitting arrangement; the line-up of the delegations; the creation of working groups; the responsibility for preparing the agendas and the minutes; the time management; the ground rules; the hosting of the discussions; the social events; the decision-making formalities; etc.

A critical question is of course to determine which party should adapt to the other. The following graph⁴ provides a useful guide in this respect:



It is absolutely essential that the discussion of the negotiation architecture be conducted with the sole objective of fostering a meaningful dialog and jointly designing an efficient decision-making process. If one party "misuses" this discussion to strengthen her position in a subtle (or not so subtle) way or to steer the negotiation in a direction that is favorable to her, it will soon get into trouble. The other party will indeed most probably see through the maneuver and vehemently resist it. The climate will deteriorate and instead of proceeding constructively and efficiently, the negotiation will quickly turn into an unproductive positional confrontation.

⁴ According to: Stephen E. Weiss, *Negotiating with "Romans"*, Parts 1 and 2, Sloan Management Review, Winter and Spring 1994

Conclusions

The type of negotiation competence in a cross-cultural environment that is described in this article can be considered to provide a solid foundation. It underlies the ability to establish working relationships and to negotiate well in most cases with the most different people anywhere in the world.

This kind of negotiation competence is not innate. It must be consciously developed, by training for instance.

But once this competence is available, country-specific information and advice fall on particularly fertile ground. The resulting combination of basic cross-cultural intelligence together with local knowledge and experience is particularly strong and can lead to remarkably good negotiation results.

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After studying law, Jérôme Racine first worked as a legal counsel in the public service in Switzerland. He later joined F. Hoffmann-La Roche Ltd., taking up a wide range of managerial positions - first in the pharmaceutical and then in the diagnostics business - in the fields of strategic planning and marketing at the group headquarters as well as in Brazil, France and the United States. As General Manager of a newly created high-tech business unit, he developed its foundations in Europe, the US and in Japan, renegotiated previous cooperation agreements in order to secure full product and technology ownership, negotiated several new industrial partnership agreements (R&D, OEM, sales and marketing), and prepared a spin-off from the Roche Group with the involvement of two venture capital groups. In 1997, he created a negotiation process consulting practice and at the same time joined the team of Associate Consultants of [Egger, Philips + Partner](#) (EP+P): a firm affiliated with the Harvard Negotiation Project. Working as a trainer, and also as an independent coach and facilitator or mediator, he focuses on assisting companies and institutions in strengthening their negotiation competence as a way to improve the quality and efficiency of their critical business processes.

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