



NAC Executive Insights

Considerations in Cross-Cultural Negotiations

Key Points

- When dealing with other cultures, it is important, indeed critical, to make the effort to gain some understanding of those cultures.
- How different cultures negotiate is explored.
- How select cultures choose negotiators is discussed.
- The decisionmaking process in different cultures is examined.
- Feedback on the author's cross-cultural negotiations and writings is provided.

Introduction

Many years ago, I sat aboard United Flight 976 to London and found myself trying to get into an “international” frame of mind. This was something I had become conscious of as the company I was with grew internationally. Often the hardest place for me to ascertain cultural differences is when I’m in an English-speaking country with strong European roots, the language and norms being similar. I’ve discovered I’m more aware of different cultures when the differences are more acute. Over the years, I have observed that cross-cultural differences are often most stringent when fundamental cultural norms (behaviors, values, governments, social norms, and more) differ from my own cultural roots.

Cross-cultural research, methodologies, and studies abound and readers are encouraged to peruse the enormous resources available to gain an informed view of this important aspect of the engineering, design, and construction industries. From a strictly personal perspective, I will describe how I have seen cultural differences enter into negotiations and other business dealings with a client, partner, or supplier. I’ve also come to acknowledge that regional cultural differences within a culture can be equally important.

This topic is broad, crossing national, regional, and various subcultures. This Executive Insight is far from exhaustive.

Questions and Examples on Cross-Cultural Negotiations

Here are some questions and cultural examples regarding cross-cultural negotiations:

1. How do different cultures view a negotiating session?

Americans generally see negotiating sessions as a problem-solving exercise and are likely to start out expecting to trust the other party. They view persuasion in public forums and “giving a little” to achieve

a compromise as acceptable. In many other cultures, however, this trait may appear as aggressive and rude.

In Japan, such a session of give and take would be uncomfortable, with advocacy rarely conducted in formal settings. The view would be to publicly accept what has already been agreed to through a patient consensus building process. The likelihood of change in a formal session is miniscule. In other cultures, this may come across as “stand-offish.” This tendency toward smooth public sessions is not unique to the Japanese culture, but also is found in Thailand and Indonesia.

In Mexico, the approach to formal negotiating sessions varies widely. When dealing with the U.S., the sense of protocol is less as compared to negotiating sessions with other cultures. Form and ceremony are valued. Grand ideas may be pursued. Problem solving in public forums is not a comfortable endeavor. To some cultures, this approach found in Mexico will appear overly dramatic and impractical.

In France, the expectation from a formal negotiating session would be similar to that experienced in the U.S. The French will advocate their priorities, openly disagree, and be pragmatic in order to “solve problems.” They will project self-assurance drawn from their country’s long history of negotiating. Formal negotiating sessions with the French can become forums for debate. In some cultures, the French will be viewed as “difficult,” making speeches and rationalizing without any “give and take.”

2. How are negotiators chosen?

Just as the view of a negotiating session varies across cultures, so does the framework for selecting negotiators. For Americans, technical competence counts while “position” provides authority. Personal background plays little into the process of selecting negotiators in the U.S.

A Japanese negotiating team (and this is often a big difference from the American’s approach) has a well-defined approach to group dynamics. Team leadership relies more on seniority and experience while technical competence might lie elsewhere on the team. Age is important.

In Mexico, negotiating team composition is more likely to reflect social standing and political or business connections. Personality also will count more than it does in the U.S. Personal relationships among team members from Mexico may drive the degree to which there are internal negotiations within that negotiation team. It is not always apparent who holds personal authority, but look for someone with an assistant, even if it is another member of the negotiating team.

A French negotiation team will reflect competence, but also a social self-assurance, yet not as pronounced as one may witness in a Mexican negotiation team. The French negotiating team will be well prepared. Centuries of negotiating experience by the French provide them with a framework for conduct that can result in a feeling of inadequacy in their negotiating counterparts.

3. How are decisions made?

In an international negotiation, or in any negotiation for that matter, it is important to get into the other side’s head. You must be able to anticipate their decisionmaking process and its likely outcome. Then

you must act in a way to shape that process to cause an outcome closer to the end state you desire. You should seek cultural advice from an experienced individual because in some cultures, even where you sit at the table can and does matter.

Recognize that fundamental cultural differences also act to create well defined subcultures within respective societies. There may be more or less differences in a specific negotiation than what one might otherwise anticipate by merely looking at the national cultural frameworks. A case to illustrate this point can be seen as U.S. firms developed business relationships in Russia. From the American point of view, anything is possible unless it is prohibited by U.S. or Russian law. From the Russian point of view, nothing is possible unless it is explicitly allowed by the state.

Contrast these differences with Mexico, where negotiations are never just on the point or opportunity at hand (as in the U.S. context), but are rather on a much broader plane that requires trade-offs among opportunities and issues. Decisions in negotiations in Mexico tend to be made by the Mexican executive who holds authority, although that individual's position on the organization chart may not necessarily be clear. True authority in Mexico is rarely delegated, so if you are not negotiating with the individual with true authority, you are negotiating against yourself. Authority here is reflected in the personal significance, public presence, leadership, and wisdom an individual brings. Don't overlook the "private secretary," who may hold more sway over the individual with true authority than any member of the Mexican negotiating team.

By contrast, the French decisionmaking process largely mirrors the U.S approach, but the decisions arrived at may often appear "unreasonable" from the U.S. context. This "unreasonableness" is often attributed to the different timeframes reflective of cultural heritage. The French culture starts with a longer-range view of objectives as contrasted with the U.S culture's focus on the short term. This lack of large and obvious differences often masks the important, subtle ones that do exist. When in the UK, our common language may mask the fact that our words being used in a particular negotiation may not mean the same thing in the UK as they might in the U.S. So too in negotiations between Americans and the French, the common decision process does not assure we have the same temporal frameworks for possible outcomes.

In Japan, the notion of time also comes into play when looking at how decisions are made and how this manifests itself in a negotiating session, which, in effect, is oxymoronic from a Japanese perspective. Within the Japanese negotiating framework, the process of agreeing to a new direction goes hand in hand with the process for preparing to implement the arrived at decision. Often, Japanese negotiations are preceded by social time together in order to get to know one another and to build trust before meaningful negotiations take place. Thus, when a decision is made, implementation from the Japanese side will quickly follow. In a U.S. context, the balance of the organization will have to be brought onboard once the final decision has been reached.

Since decisions on the Japanese side reflect a consensus on approach from within the heart of its organization, the negotiator at the table essentially has little leeway as that authority flows from the consensus, not from personal technical competence or social standing. Also, fact finding during the early

stages of the negotiating process with the Japanese will appear extensive, and from a U.S. perspective will be perceived as well beyond what is needed at this stage. It represents, however, the best opportunity to shape the outcome of negotiations with the Japanese.

One further point is in order here. From a Japanese perspective, a negotiated agreement indicates “direction” versus the “finality” that a U.S. negotiator may expect. As conditions change, the Japanese approach to decisionmaking allows for suggested changes should these changes make “better sense.”

Cross-Culture Experiences and Feedback

In my involvement in actively negotiating and in writing about various aspects of cross-cultural considerations, I have received extensive feedback. This feedback, included here from various sources, is intended to add color and richness to this Executive Insight. The feedback entries have been edited for clarity.

#1

We as Americans should gain as much upfront knowledge of the customs and beliefs of other nationalities and communicate with them at their level rather than assuming everyone is working to our standards/levels. I have heard of certain British, especially English, people getting upset by the way we spell some of our words, e.g. favor vs favour. We need to constantly remind ourselves to become knowledgeable about our audience just prior to "facing" them.

#2

The most important issues in cross-culture negotiation (having had the good fortune to negotiate with virtually all major cultures except central Europe/Russia) are:

- Understand their culture to understand what is and is not generally achievable.
- Understand the individuals that you are dealing with to understand what they can agree to and what they cannot. This takes a lot of time and requires a lot of information.

A key issue is that the more cultures you are exposed to (including the changing British and American cultures, of which I am part) is that our understanding—as a visitor or even a resident visitor to the culture—will be extremely limited and that the sources with greater understanding of the culture and individuals will have their own spin so that you are always working in the dark to some extent. It is extremely important therefore to understand what you want and what you can offer as the basis of the negotiation, as this is the only thing that you can really understand completely, and to operate with a willingness to change as your understanding deepens.

#3

Culture is a very important subject, as I learned from my negotiating days at an international contractor organization. Typically, when entering into any kind of negotiations with people from other cultures, one is best served by having an advisor at their side who understands both cultures and can provide advice on how to conduct the negotiations. I've got a lot of scars (in my psyche) from the long, awkward time it took me to learn this lesson.

#4

I've found China to be an interesting country to work in, but initially had difficulties coming to grips with a totally different mindset. It's not unusual to be negotiating with a group of up to a dozen individuals, often from different organizations or parts of the same organization, each with separate requirements and agendas. This can be daunting initially and can make it difficult to identify the true decisionmakers, if they are present. Indeed, those chauffeuring negotiators may also take part in and contribute to the negotiations. Often the negotiator(s) leading these negotiations may not have the authority to actually make decisions and need to refer decisions to a higher authority, who may or may not be present. This can cause negotiations to extend intermittently over several sessions or more and require a number of days to finalize. Conversely, it can be a useful tactic to need to refer to a higher authority over a point or points, even if you hold relevant authority.

#5

Since joining and in turn being exposed to the U.S. parent company, I have taken a strong interest in globalization and cultural boundaries. I've been fortunate enough to be able to study this in depth through my involvement in a young professionals group and the Global Oversight Forum (GOF). The young professionals group has recently undertaken a study to determine the cultural differences faced by each of the various national young professionals groups and also to address the cultural barriers such a group would likely face should they be established in various Asian countries. This was done with regional support and has given us a good insight into the hierarchy and top-down approach of Asian business. My involvement in the GOF has been an eye-opener regarding communications, business operations, and marketing and how they differ across the regions. If we are to operate as a truly global company, I think it imperative that we are all mindful of the cultural differences at play between our regions and ensure that we have a common interpretation of the terms we are using and the expectations and assumptions that accompany them.

#6

I've done some research/writing on the importance of understanding cultural differences in implementing effective public involvement. For example, in Alaska, you need to gain approval of a village's elderly men before attempting to have a meeting. In the African-American rural Southern U.S., there's usually one elder woman who rules the town and must first bless your effort. A team of all-white men in suits doesn't play well in non-urban communities almost everywhere. The Arkansas DOT struck out in outreach to African-American church-goers until the department learned not to speak from the bully pulpit—a place of honor reserved for the preacher—and instead, stood at a lower level of the platform.

Knowing the language also helps. It took over a year for the makers of the Chevrolet Nova to understand why their product wasn't selling well in Hispanic communities—"No va" in Spanish means "doesn't go."

When dealing with other cultures—in negotiations, in project work, in public involvement, or even social interactions—it's very important, indeed critical, to make the effort to gain some understanding of the culture. Interestingly, when I did the survey of senior company women who were potential candidates

for assignments abroad for a woman's focus group, one of the needs they cited most frequently was education about the culture they might be moving to.

#7

One thing I notice when in discussion with others whose native tongue is not English is that differences of opinion, even fact, can be hidden (inadvertently or otherwise) by the non-English speaker with imprecise use of the language. Communication is really all we have to accomplish our objective for consensus; therefore, ferreting out such perceived imprecision is essential even though it may cause extended iteration and reiteration of the conversation. It's important not to get frustrated by this. Simply repeat what the speaker has said and then follow-up with something like "so by this you mean..." and then look for assent in both facial expression and body language from the other party, as well as the words spoken.

When word choices mask meaning, one must be alerted to the possibility that consensus has not been achieved even though both parties are nodding their heads in the same direction. In some cultures, a "yes" nod means I *understand* you, not that I *agree* with your point.

#8

A few examples on negotiations I have had in my career are:

- France — The tendency was for the senior people to agree on the outcome of the negotiation beforehand; the purpose of the meeting was to get the rest of us to agree without too much fuss.
- Korea — Very hierarchical, like Japan; only the senior Koreans spoke and the subordinates made suggestions only when they were asked. Needless to say, there was a bit of shock when a 22-year old graduate student started questioning the senior Koreans motives and decisions!
- Kuwait — Everyone does what the head Kuwaiti (usually with royal connections) wants, no negotiations.

#9

Most of the firm's staff are involved in the customer service chain and hence we all impact the negotiation process. Understanding the client and project culture is key.

- Focusing on customer service = better client understanding
- Understanding your client's drivers = better client relationship
- Forming a good client relationship = better able to manage client expectations
- Managing client expectations = increasing the probability of a higher negotiation settlement
- Successful negotiation = increased profit

#10

Here are a few comments that apply to negotiations with Japanese counterparts that might also generally apply to some other Asian countries as well. These comments stem from negotiations I have

been involved with in an international context rather than a purely Japanese domestic context, the difference being that the Japanese involved have had more exposure to different ways of negotiating.

- Negotiation session — When negotiating in Japan, I found that the consensus building often relies on caucusing during the negotiation so that half-way through a meeting and at unusual times it is suggested that “we break for half an hour.” This has nothing to do with wanting a cup of coffee, but more with the fact that there is a need to undertake some further internal discussions and negotiations that cannot be aired within the public framework. I have seen non-Japanese be surprised at these breaks, treat them as a coffee break, and try to engage in social chit chat whereas it is important to let the private discussions take place. When the “public” session is reconvened, be aware that there may have been a shift on some point and be prepared to act or react accordingly.
- Choosing negotiators — The leader is chosen on seniority and experience. But it should also be recognized that there is likely to be an understudy to the leader and this person(s) is very important. The leader will use feedback from the understudy to better understand the other side and prevent the leader from being blind-sided. The understudy also provides a means to better understand the Japanese side. However, the relationship with the understudy must not be seen to be more important than the relationship with the leader.
- Negotiating techniques — As in all relationships, be honest, fair, and open. Honesty and fairness are always valued and a degree of openness, although perhaps counter-cultural, may help with forgiveness when the cultural divide is breached. Politeness is a critical attribute that goes a very long way.
- Long fact-finding tour — This is often when the deal is made, or not. The reason for this is that at this stage, it is possible to walk away from a deal without losing face. (By the way, not wishing to lose face applies to all cultures when you think about it). Nevertheless, it is a timing issue and the fact-finding time is when the relationship is built or fails to materialize. Once you have a relationship built on trust and respect, then any deal is possible. It comes down to relationships, relationships, relationships.
- *Viva la difference* — Whilst recognizing the differences are important, it should be remembered that playing on the difference can also be useful. I can think of three such instances:
 - Once in an international consortium led by Japanese, we were the vehicle through which the Japanese leader talked through to the other non-Japanese parties. Thus, we talked to the Japanese in a consensus way, but then we were expected to bring the others onboard using our own “Western” ways. They felt comfortable that they could get their message through to us, but recognized that others would not respond. Sometimes this was even done in front of the Japanese parties, but it was acceptable since it was non-Japanese to non-Japanese.
 - In another instance, we were encouraged to use “Western” negotiating tactics with one Japanese group on behalf of another Japanese group. It was basically using us as a shock tactic and could only be done in an

extremely polite way and only with the prior approval of our Japanese client. It nevertheless was effective and saved time. The second party probably thought us rude, but recognized we had backing from our (Japanese) client so it was acceptable. It has to be done very carefully, be planned, and have the backing of a long-standing relationship with our side.

- Not quite negotiating, but I have used my broad Australian accent in the U.S to get my message across and understood. This was many years ago on a light rail transit (LRT) project during design reviews. These were two day talk fests and there was a high propensity for glazed eyes. I soon figured that if I used a very broad accent, because people struggled to understand, they actually woke up and listened. I got the best feedback of all.

#11

I have the good fortune of having a cross-cultural upbringing. My mother is Chinese and my father an Anglo-Australian who used to do business in China. On one particular trip, a negotiation was reaching completion after days of touring factories. There was a substantial power imbalance in the negotiation, with my father's firm having a relatively weak position. Between functions, my mother spoke with the government representative who would ultimately have control of the contract. She quietly said to him that he had better treat this deal with honor as she had been an ambassador for China and encouraged her husband to do business with China. She went on to tell him that she was placing her honor in his hands. If he were to behave dishonorably, it would reflect badly on her and lose face for Chinese in Australia.

The impact was startling at this point. The attitude changed from a business focus to a proud win-win meeting of cultures. The terms of agreement were better than was to be expected and a firm and profitable association was born. While this is nothing more than a story about an insignificant deal, I quite like the implication that sometimes we can successfully play out the big picture on a small stage.

#12

I have had experience with international cultural differences working with military and governmental agencies in my former U.S. Army Corps of Engineers assignments. Your comments could also apply to working with some clients here in the U.S. who have a very different idea of what "negotiating" means and what it is supposed to accomplish, vis-à-vis a decision that we may consider final and authoritative. I have seen several examples of clients negotiating with an apparent mindset that, unfortunately, can best be described as "I don't know what I want, but I am sure I will recognize it when you discover it for me." This usually translates to wanting us to do a lot more than the stated scope for an assignment, but for the same or even a lower price than what was originally stated at the beginning of the negotiation.

#13

I think with many Asian cultures the issue is best summed up via the concept that "saving face" or not being embarrassed is of paramount importance. In Australian culture, although it is not ideal, giving in or

even winning is not a life-or-death issue (except with sport, and only until the final siren). Pragmatism rules. So, if someone gets a bit embarrassed in a deal, then too bad, they will be over it in five or ten minutes.

But in Thailand, "face" and the quality of business relationships in general is crucial. If you have the upper hand in a deal, be gracious and don't grind your opposite number into the dust. That is terribly poor form, and likewise, it is worth remembering that your client will probably be concerned to ensure that you have a "face saving" way to "lose"...and better still a mutually good deal will be most appreciated and ultimately will be far more rewarding.

Often the first thing that strikes people about Thailand is how everyone has a "friend" who can help you with your problem. These are relationships cultivated over a lifetime. Australians (and Americans) often move on in their careers or in their primary locations of work, or both, too often to have this sort of network. And the concepts of "mates" or "buddies" don't always carry the same weight of obligation.

In Australia it is sometimes helpful to display one's annoyance, perhaps even raising one's voice a bit to make a point if need be. This is part of the rough and tumble of life there and is usually forgotten quickly, but it can help get people's attention and might even enable access to the senior person (say in a shop). But losing one's temper in Thailand is completely ineffective. In Thailand the most revered people are those who have a "jai yen yen" (cool heart). Thus, a person who *never* gets angry no matter how they are tested is much more likely to win the esteem of the Thai client. The most important Thai phrase therefore is "mai pen rai" (never mind).

Thai people often tacitly test Westerners (pharangs) by arranging it so you have to wait in a foyer for a while. If you get irritable, you do not have "jai yen yen" and are not respected (my longest and highly successful "test" was eight hours). People who lose their temper (e.g., in a shop over poor service) are not disliked, just laughed at and considered to be juvenile.

Even a reasonably slim Westerner looks big, fat, and unhealthily pale in Thailand, so when one adds in the average Westerner's general sweatiness and tendency to be short-tempered, it's a wonder Thais even deign to speak with us. Grooming and nice clothes are very important. For men, if you have a beard, it *must* be short and impeccably clipped. Women simply must go the whole nine yards (makeup, hair, silk blouse) or be regarded as a slob. Trouble for women is getting around looking like you are going out on a very special date and this may also mean paying roughly twice the normal cab fare that an equally ranked man might pay, but at least when you get there, the locals will respect you.

Hospitality is another thing that is back to front sometimes: as one who would normally expect to buy my client dinner, I have found myself being obliged to accept numerous invitations to very expensive dinners in order to "honor" my client. And forget about sarcasm, it's not going to work, by the time you've explained why your joke was funny your Thai hosts are laughing *at* you, not *with* you (or worse still because they don't want to lose face by showing that they have no idea why you think your joke is funny). Lastly for anybody who ever thought about making even a complimentary observation about the

Thai King: don't. You probably can't be respectful enough and there is no better way to poison the air than impugn the King's good name. Seriously, if you blow it on this topic, you are in big trouble.

Summary

We have looked at the importance of understanding the culture of the counter-party you are negotiating with. Examples have underscored the potential for very different frames of reference and sense of time. To add further richness to this Executive Insight, select feedback previously received by the author has been incorporated.

About the Author

Bob Prieto was elected to the National Academy of Construction in 2011. He is a senior executive who is effective in shaping and executing business strategy and a recognized leader within the infrastructure, engineering, and construction industries.

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