

**CULTURAL DO'S AND TABOOS IN INTERNATIONAL BUSINESS
TRANSACTIONS:
SOME OBSERVATIONS OUT OF ASIA**

**For Women's Interest Group of the IBA
Monday 18 September 2000 from 14:30 to 17:30**

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In Asia the rule is definitely not "What you see is what you get." Even when dealing with "westernized" Asian interlocutors, we may need a different rulebook for preparing to negotiate in Asian countries.

Even negotiators with substantial international experience in Europe and America sometimes run into difficulties when facing a negotiating partner whose culture is vastly different from ours. Some cultures may be infinitely more sophisticated and subtle than ours, while others may appear to be more simple or even primitive. In either case, westerners operating in Asia lack such shared cultural bridges as "common law", "Latin roots", "Romanic legal tradition" – even religious and philosophical beliefs and social customs. Before embarking on any kind of negotiations in Asian countries, we would do well to know about "guanxi," "naniwabushi ballads"¹ and the 4th century military strategist Sun Tzu.

Every time you prepare to negotiate, one question should be uppermost in your mind: How can I know what the other side is thinking and what they really want, so as to come to an agreement that not only makes me happy, but also satisfies my partner? In a situation where we are dealing with someone from our own country, culture, and language, we can refer to certain signposts in our common heritage that, once observed, usually give us insights and stimulate our intuition. These smooth the way to a successful and often pleasant negotiating experience.

Westerners often make the mistake of assuming that the goals and values of other parties are similar to ours: the competitive spirit and the will to win, the virtues of frankness and forthrightness, and the concept that "time is money" are a few examples. We only think we understand power and influence. And we may neglect entirely the influence of concepts like hierarchical society, "face" (or loss of it), indebtedness, fear of ostracism, the supremacy of the state, and countless others.

Following are some examples of how cultural differences can affect the style and outcome of negotiations. China and Japan are spotlighted because of their enormous

¹ See *The Japanese Negotiator: Subtlety and Strategy Beyond Western Logic*, by Robert M. March, Kodansha Int'l 1989, p. 22

commercial influence in the region and indeed in the world. However, it is a mistake to think of Asia as a monolith, any more than is Europe or Africa. Hong Kong and Manila may be 90 minutes apart by airplane, and in both places you can find an obvious veneer of Anglo-Saxon culture and English language. Culturally however, they are worlds apart.

Speaking of language, many misunderstandings and perceived insults could be avoided if we remembered that another person's fluent conversational English does not necessarily carry with it an understanding of our values, irony, and humour. Anyone who has tried to tell a joke through an interpreter learns the hard way that jokes fall flat in an international audience, and even worse, may be perceived as insults.

Whether negotiating through an interpreter or directly with an interlocutor who speaks our language, we need to be aware of different customs and behaviour that are surprising. The French and Swiss are delighted to be greeted with a kiss on both cheeks by a woman colleague. The Italians, Spaniards and Turks as well, even if they're both men. The English prefer a handshake, whereas a Thai will place both hands together as if in prayer and bow. It won't do to kiss a Thai and if you bow to an Italian he'll think you're strange!

Just as customs vary from one country to another, negotiating approaches may be vastly dissimilar. A westerner will find the highly contextual, formal, indirect and collective approach of Asian negotiators quite disorienting. We arrive at the Japanese company's office with a colleague or two, and are met by a team of fifteen from their side. We are taken aback by how much the Japanese negotiating partner wants to know about us, our business and even sometimes our family lives. Expecting to get to the issues right off the bat, we may become impatient about the length of time necessary for the "real business" to get underway. But that is the way of Asia, and patience will usually pay off.

Japan: The Negotiator as Melodramatic Hero

With tongue only slightly in cheek, Robert March, in "The Japanese Negotiator: Subtlety and Strategy Beyond Western Logic", advises westerners to remember that every Japanese, in his heart is the hero of a great melodrama starring himself, in which he struggles to succeed despite society's rules and the competition of others. If he fails, he is the victim of blind fate, and whatever harm ensues is unearned and undeserved. It is all in the script, and all the Japanese hero can do is defend against an unfair attack from a powerful adversary. To a westerner this sounds like a victim mentality, and the temptation is to react with anger or disdain. A more constructive approach is to recognize the different approach, and deal with it, perhaps by offering some kind of compensation, "sweetener" or tribute. Recognizing the style can be the most important step in dealing with it successfully, and perhaps even adapting it for your own purposes. You might, for example, find yourself involved in a negotiation in which one party is using *Naniwabushi* Strategy.

A negotiation following the form of the *Naniwabushi*² ballad has three distinct phases. First, there is the general background and setting of the scene involves describing the relationship between the parties up until now. But caution, it should not be a “sales job” extolling the virtues of your company or product, because that is quite simply, vulgar commercialism. Second comes a dramatic focus on critical events or issues which must be resolved for you to succeed. Last, the dire consequences for you of failure – sometimes complemented by outright pleading and stage effects. This lays the groundwork for a feeling of guilt if the other party fails to help you succeed. Try this is a London banker’s office and it’s likely they’ll remove you in a straight jacket. But in Japan, some artful, calculated melodrama may be exactly what you need to win the desired outcome!

Other features to keep in mind in Japan

Appeals to the conscience of your negotiator (“Are you a man/woman of your word?”) may be a challenge the Japanese negotiator cannot resist.

Nemawashi is the preliminary and informal sounding taken before the proposal is committed to writing. Discovering problems beforehand gives you the opportunity to devise a solution ahead of time and gives your proposal a greater chance of success.

Gifts are a charming and unexpected feature of Japanese business. But don’t forget that as you admire the silk scarf or drink the vintage whiskey, your interlocutor is aware that you are now indebted to him/her, and in honorable tradition, must find some way of repaying the gift, or live with the guilt of not doing so. The pay-back will most likely come in the form of some contractual concession.

Advice from elders is treated much more seriously than in the west. When negotiating with an older person, a too-casual or flippant attitude will translate as failure to show proper respect and instead of having the intended effect of relaxing the atmosphere can actually poison the relationship.

Fear of ostracism is a serious consideration in the close-knit society of Japan. A Japanese negotiator will not do anything to risk this. Hence the importance of consensual decision-making in Japanese business.

March also observes the Japanese as being quieter, secretive, less likely to give feedback – positive or negative – and less interested in the fine details of the negotiations. Ambiguity is a virtue and forthrightness is considered rather naïve. On the other hand, their teamwork is excellent, they will strive to know everything about you before and during negotiations, and they are not rushed. Generally the Japanese team is willing to spend as much time as necessary to come to an agreement.³

The virtue of deceit is expressed by the Chinese military strategist Sun Tzi, who is still much respected in Japan today. The warrior’s way is one of deception. The key to

² ibid p 22

³ ibid p.88

success is to capitalize upon your power to do the unexpected, when appearing to be unprepared.

China: Philosophy, the Art of War and International Business

Sun Tzi was a Chinese philosopher in the fourth century. He taught that “to defeat the enemy psychologically is the superior strategy, and to need to win by military force is inferior strategy.” Seventeen centuries later, his ideas remain one of the most important influences on the Chinese business operator.

Daoism, a rather anti-society school of thought that has translated into western culture as “go with the flow,” has evolved over 25 centuries. Its goal was and is to harmonize with the flow of the universe and be one with it. The concept of oneness with the cosmos has given rise to a vast array of superstitions that remain with us today. Don’t scoff when a Chinese person tells you he’d rather have an eighth floor office than the cheaper one on the fourth!

Many will be amazed to know that the “rule of law” originated in the Chinese philosophy of Legalism. According to Legalism, the law, which had previously been at the whim of the emperor, was written down and published. All persons were equal under law, and enforcement was strict. The Qin Dynasty used this philosophy ruthlessly to unite the Chinese states in 221 BC after 200 years of war. Unfortunately, the strictness of Legalism, which held that morality, human nature and benevolence had no place in society, made it vastly unpopular, and the Qin Dynasty fell after only 14 years, to be replaced by the more humanist ideas of Kong Qui-zi, or Confucius.

Confucius had lived even earlier, from 551 to 479 BC, and although he died a failure, never having achieved the high office at Court that he coveted, his followers spread the word, and Confucianism became the official philosophy of united China just before the birth of Christ. Confucius was obsessed with ritual, which he believed differentiated humans from animals. He taught that the prime virtues were righteousness, relationships and benevolence, and that society’s main goal was to keep order in relationships, social hierarchy and the state.

Why bother about these ancient thinkers, the most modern of whom died before Christ? Because their heritage is still very important in Chinese society today. The Chinese have a culture and a history that is ancient, entrenched, and some might argue, immutable. From a Chinese perspective, we will always be the newcomers. We may have skills and techniques that they can learn and use, but to a Chinese person, the idea of our actually effecting major change in China is akin to the tail wagging the dog. In consequence, the Chinese negotiator is patient, secure in the knowledge that, no matter what occurs in the short term, in the end, the Middle Kingdom, the center of the earth, will endure.

Fast forward to the twentieth century: With the “liberation” of Mainland China by the Communist party in 1949, the country effectively closed itself off from the west in order to pursue its political, economic and social plans. It was not until thirty years

later that western businesses once again began to negotiate with the Chinese. When they did, they were for the most part quite ignorant of the closed, isolated and controlled society that existed there. The people in charge until only recently had been raised on suspicion and distrust of western ideas and behaviour. Only now, with the new generation of western-educated, English-speaking young Chinese, is that distrust beginning to dissolve. In any case, westerners still find negotiating in China an extremely challenging experience. Carolyn Blackman, in "Negotiating China," observes, "We hear that the Chinese value harmony, good relationships and politeness, ...yet... are confronted with fierce adversarial bargaining that appears to lack politeness and consideration. The high pressure of such bargaining, often backed with threats and pep talks about the way things are done in China, takes westerners completely by surprise."⁴ The pressure is intensified by the huge teams of negotiators who attend meetings, many of whom take copious notes of every aspect of the proceedings. Western negotiating teams, usually made up of one, two or three members, can't help but tire when faced with such a barrage of attention.

Mao liked to use another of Sun Tzi's quotes: "When the enemy tires, we harass!" This maxim aptly describes the persistence and the haggling which Chinese negotiators expect in business. No wonder that the Chinese merchant will quote a price many times the amount he will actually accept; he or she is expecting the buyer to haggle and reduce the price to a sensible figure. The haggling takes place over much more than just money. It may be the quality of the goods or claims for its effectiveness. Carolyn Blackman mentions some recent Chinese textbooks teaching negotiation techniques: "Do not use lies to cheat the opposite negotiator" she quotes, and "economic negotiation is not just simple marketplace haggling."⁵ This is particularly obvious to a "gweilo", a pale-faced foreigner operating in China. Although within Chinese groups loyalty, solidarity and family spirit are very strong, they see nothing wrong with overcharging, tricking or deceiving strangers or outsiders. I was once about to buy 100 specially printed umbrellas from a Chinese company, but before closing the deal asked my Chinese associate call the seller and ask the price. The opening price quoted to her was about one-half of the final price I'd managed to negotiate!

Older Chinese from before 1949 may have their own resentments of western expatriates, who during their century of trade with China were frequently insensitive, arrogant and racist. In a Shanghai park was a prominent sign, "Dogs and Chinese Not Allowed." In Hong Kong, as recently as 19... , only the British were allowed to have homes on the Peak, which was considered the healthiest and best area of the colony. Other Europeans had their own ranks, further and further down the hill, but the Chinese had to live at sea level, which tended to be infested with mosquitoes. Little wonder that today, the children and grandchildren of those people love to flaunt their homes on the Peak as they ride in chauffeur-driven Mercedes and Rolls to their modern skyscraper offices. The concept of "face" or standing in the community is of paramount importance. A negotiator who forgets this risks going home empty-handed.

⁴ Blackman, *Negotiating China: Case Studies and Strategies*, Allen & Unwin 1997, p. xi

⁵ *ibid*, p.8

Because Mainland Chinese people are not mobile like their western counterparts, a mistake can be disastrous. Instead of being able to resign, move away, join another company and make a new start, the Chinese citizen does not have this right, and so must live with the error, and the knowledge that everyone around – workmates and neighbours – are aware of it. The punishment for failure is draconian. Hence the enormous importance of avoiding mistakes, and failing that, of casting the blame elsewhere. This gives rise to meticulous attention to detail, long discussions leading to consensual decision-making, and reluctance to take individual initiatives. “He who sticks his head up is likely to get it cut off,” according to a popular Chinese maxim.

One feature of life in China which westerners find particularly disturbing is corruption which pervades many areas of Chinese administration. Decisions are made not by public frameworks but by the behind the scenes influence of powerful individuals who do not hesitate to use their influence to change the rules to suit their own interests. The system of “guanxi” – translated as “pull”, “influence” or “a friend at Court” – is an ancient, sophisticated, finely tuned and effective means of keeping power in the “right” hands and thus maintaining organizational structure of society. It includes favours and gifts, all of which need eventually to be repaid. What we view as nepotism or cronyism is an accepted fact of life in China.

Mike Hutchinson, an American engineer who has spent many years in Mainland China and speaks fluent Mandarin, has just returned from 30 months on a 12-month highway construction project for the World Bank. His advice: Don’t come in at a low price, because the project is going to take longer and cost you more than you could ever imagine. And assume that the group you are negotiating with is NOT the decision-maker. The real decision-maker is upstairs, out of sight, and will be briefed later by the group facing you.

Having gleaned a little about where the Chinese negotiator is coming from, how do we try to exploit that knowledge to improve the negotiation procedure? Briefly, establish a personal relationship, preferably over a long term. Once the your Chinese negotiating partner stops thinking of you as an outsider, you have more chance of getting a fair deal. Friendship is as important as business. Remembering the cautious Chinese spirit, do not plough in immediately and present a full-scaled formal proposal. It will overwhelm the Chinese team, who will not be able to react and so will probably be silent. That silence is often mistaken for acquiescence. Blackman describes the Chinese negotiating process as like peeling an onion: one layer at a time, until the heart of the matter is exposed. This gives the Chinese team the opportunity to mull over the many facets of the proposal over time, to discuss them and arrive at a consensus, and to come back with a reaction to the proposal. Don’t forget to haggle; it is an important part of the game. Emphasize the joint benefit to be obtained by working together; this appeals to the Chinese value of equal reward for equal work. And avoid direct attacks or complaints that would cause the Chinese partner to lose face.

One last comment on Chinese negotiating style. Blackman lists the five phases to a negotiation in China. First, a pleasant and general opening phase, followed by a long and detailed technical discussion; then debate over the terms of the contract, with last minute demands for new concessions just as you thought the contract was to be

signed; and finally, once the contract is signed, a new round of post-contract negotiation!

Indonesia: You Mean I Have to Repay This Loan?

American lawyer Karen Mills has been practicing in Jakarta for many years and warns that before you can have any inkling of how to interpret what an Indonesian says, you must first know what part of the country he is from and which of its many cultures he belongs to. That will give you clues as to how your Indonesian partner view his obligations to you. One common element though, is that it is impolite to bring bad news, or a negative answer. No one will say “No” to you. You may hear nothing, or you may be referred from one party to another, or get a “not yet” or no response to your telephone calls. If you push, you may end up with an unauthorized signature, or even a real signature even though the other party has no intention of performing the contract. Given the weakness of the Indonesian court system, and the difficulty of enforcing any contract, this is not as absurd as it sounds. Culturally, says Karen, the Indonesians don’t really understand the concept of a loan – that there is an obligation to repay the money. This is reflected in the difficulty of recovering anything in a bankruptcy court. Thus, you have to be sure you have a truly and easily enforceable security arrangement before any funds are advanced.

In Conclusion...

From the foregoing, it should be obvious that going to Asian countries to negotiate is a much more complex endeavour than bargaining with an American or a European. Vast, often hidden gaps in history and values, language and cultural differences, and divergent goals – all of these make working in Asia a challenge for the westerner. As well as all of the foregoing information, let me offer three last pieces of advice:

1. Take time before leaving home to find out as much as possible about the people, the company and the culture with whom you will be negotiating.
2. Never lose your temper. Given the many frustrations, misunderstandings and discomforts of negotiating in an alien environment, it is all too easy for tempers to flare. Angry attacks cause loss of face, and make it nearly impossible to return to a positive footing.
3. Get local counsel. Talk to people who have been there before and find out who has assisted them. A resident lawyer or facilitator may seem at first like an unnecessary additional expense, but in reality will prove to be an invaluable source of insight and advice, invariably saving you time and money in the long run.

If you have decided to take the step of going into Asia, it is presumably because you and your client have seen the marvelous opportunities for growth in the region. If you can get past the negotiating obstacles, the rewards will be well worth the effort!