

# THE IMPORTANCE OF THE INTERCULTURAL DIMENSION OF INTERNATIONAL COMMERCIAL NEGOTIATIONS

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## **Abstract**

*Starting from one of the definitions for culture, we discuss a set of characteristics for international commercial negotiations that are closely connected to the peculiarities of language, customs, religion, politics etc. of the parties involved. These peculiarities may have a decisive influence on the result of negotiations, either positively or negatively. When doing business, the main objective of negotiations is establishing trust. Negotiation management, culture, history and own value system play an important role. Hierarchical distance, individual decisions, aversion to uncertainty and masculinity are the main elements that are closely linked to each country's culture and they must be taken into account when important international commercial negotiations take place. In the end of the article, we focus on a cultural grouping of negotiations according to "worlds" – Anglo-Saxon, German, Latin and developing countries – and this leads us to finding out a set of managerial characteristics for each world, sets that must be taken into account when doing commercial negotiations.*

keywords: intercultural dimension, commercial negotiations

## **DEFINITION OF CULTURE**

Culture may be defined as "the totality of ways of living, including art, faith and institutions belonging to a population, that have been transmitted from one generation to another. Culture is the way of living that is valid for an entire society. For example, this includes behavior in society, dress code, language, religion, rituals, laws and morality of individuals that are part of the respective society.

Anthropologists use the term *culture* in order to refer to the ability of people to classify, encode and communicate their experience in a material and symbolic way."<sup>1</sup>

Culture is, in fact, "a set of values, customs, behaviors and ways of thinking that the members of a society use in order to live in their world, among other people and which is transmitted from one generation to another during life and by means of education."<sup>2</sup>

## **CULTURE AND INTERNATIONAL COMMERCIAL NEGOTIATIONS**

In any international commercial negotiation, the ability of the decision-makers to master the cultural differences will lead to the success of their projects.

Employees are not always very sensitive to intercultural differences and they do not pay attention to the consequences these differences may have on their business. One may notice that there are malfunctions and misunderstandings, but they may have been avoided. For example, being late for a meeting may be seen as a disaster by a Danish, Swedish or Norwegian, but the same fact may be easily forgotten by a Senegalese. It is a well-known fact that some cultures, especially North-American, Scandinavian and German cultures, have a poor communication context, meaning that their messages are explicit and to the point. On the contrary, Asian cultures, Middle Eastern cultures or Latin American cultures pay attention to the context, which may influence the result of some negotiations even if it starts from unanimously recognized humanistic principles.

National culture is a complex reality. Values, symbols, myths, heroes, religions, they are all part of a common frame of reference for each and every individual.

In order to understand the culture of the person we negotiate it is necessary that we make a structural analysis that is based on some principles. In the following paragraphs, we will focus on these principles, as they are very important to international commercial negotiations. We will carry out this analysis in a strict way, but we will also take into consideration the managerial techniques and company policies.

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<sup>1</sup> Culture – from Wikipedia <http://en.wikipedia.org/wiki/Culture>

<sup>2</sup> Weiss, E. – *Commerce international*, Ellipses Edition Marketing S.A., 2008, p.37

## **PRINCIPLES TO BE TAKEN INTO CONSIDERATION IN INTERNATIONAL COMMERCIAL NEGOTIATIONS**

### **Language issues**

The first issue that is to be discussed in international commercial negotiations is that of language.

Using an international language, such as English, may lead, from the beginning, to the establishment of a certain distance and even reciprocal distrust among the interlocutors. They may have the feeling that their ideas have not been correctly and fully understood by their business partners.

Apart from vocabulary issues, individuals from different cultures do not decode messages on the same referential basis. For example, Chinese and Indian people do not have the same perception on notions such as truth or negations as their European counterparts.

Even if the language is perfectly understood, the core ideas will probably be altered during communication process. An European citizen will understand differently the language, for example English, that is used by a British speaker and by an American speaker.

It is even more difficult to lead negotiations in the language of the business partner, because (s)he may be tempted to understand part of the phrases with all the subtleties a mother tongue involves and this may not be in favor of the speaker. From this point of view, it is preferable to lead negotiations in a language that is not perfectly mastered by any of the speakers.

### **Gestures issues**

In intercultural communication, language is but a component of the transmitted message. The receiver may interpret additional nuances, meanings of the verbal message as well as those associated with the gestures, behavior and intonation of the interlocutor.

The same gestures may have completely different meanings according to the culture: a Spanish winking during the conversation may infuriate an Englishman!

### **Social behavior issues**

Every culture has its own values, its preferences as far as social behavior is concerned – for example, good manners and greeting formulas – as well as its heroes and symbols. Knowing very well such practices means avoidance of misunderstandings and of distrust towards the interlocutor.

Thus, for example, raising your head may be interpreted as “no” in Greece.

Dialogue in a short physical distance, as it is the case in the Middle East, may be seen as aggressive by Germans and Anglo-Saxons.

Warm hand shaking should be avoided when meeting Japanese people.

In some countries from South-East Asia (Thailand, Malaysia), pointing an individual with your foot is disrespectful, since feet are the least noble part of the body. At the same time, touching head must not be done, since the head is the home of the soul.

“Chileans greet each other with warm hugs and kisses, since this is a way of shortening the distance between themselves and foreigners. This kind of greeting is very unusual in India or in China. Indians do not have a person to person conversation style that could be compared to the European style. They do not make jokes as it is the case of Germans. In China, for example, persons of any age but having the same gender hug each other often and walk around hand in hand – this fact would be seen as unusual in other countries.”<sup>3</sup>

### **The importance of the communicative context**

Not every country pays attention to the context of communication. It is generally believed that North-Americans, Scandinavians and Germans have a poor communicative context, meaning that their messages are explicit and are to be interpreted word by word.

On the contrary, in Asian, Middle Eastern or Latin American cultures there is much attention paid to the context. For example, if you can talk directly to a North-American about money, this is not the case and should be avoided when talking to a Latin-American!

### **Time management**

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<sup>3</sup> See also *The influence of culture in our behaviour* – commentaries within a workshop organized by Melton Foundation, 2008 <http://carlaconcha.tripod.com/id9.html>

North-American phrase *time is money* is not always welcome when doing business internationally!

Punctuality, planning and following the terms of a contract are surely basic values both in the USA, and in other Anglo-Saxon countries, as well as in the German and Scandinavian worlds, where efficiency is at the core of their preoccupations.

There are regions in the world where one may find a more flexible concept about time: Africa, China, India, Indonesia, and even Japan, where things must be left alone and time must pass until a good decision may be reached.

Efficiency is not evaluated by means of time. Forcing a customer to sign a contract is the worst thing that may happen. It is best if one can obtain even a partial verbal agreement or, at the end of a working day, one may invite a customer to dinner or to a show, and save some time and sign the contract the next day.

### **Mono- and polychronism**

*Monochronic* cultures are those cultures that pay major attention to time efficiency and they can only do one thing at a time. The schedule is rigid and the solutions to be found are sequential. Any distraction from the envisaged result is a bad omen.

*Polychronic* cultures try to outline the ability of the individual to do a lot of things at the same time: answer the mobile phone during business talks or carry out two different issues. This can be achieved easily by a Moroccan or even by a Frenchman!

Understanding this cultural difference is very important since it allows relativization of some frustrating situations that may arise. It is even more important nowadays when information technology and communications allow one to use performant means so that one may achieve a lot of things without too much effort.

### **Links to the past**

Some cultures have strong connections with the past. Chinese, African or Indian cultures believe that following traditions is essential, as well as respecting old habits and history.

Other cultures are present-oriented. This is the case of some Latin cultures, French culture and even Romanian culture. What matters most is the present status of the company and its opportunities to close deals in a short time.

There are also culture that are future-oriented. They favor innovation, investment, risk taking and sometimes they involve too many risks and they cannot be easily understood by other cultures.

### **Business trust**

Business trust is essential to a good business relationship.

#### *“A posteriori” trust versus ‘a priori” trust*

There are cultures that have a system of establishing business trust *a posteriori* and other cultures that establish business trust *a priori*.

Among the systems of establishing business trust *a posteriori* we mention the following cultures: Latin, Semitic, Slav, Asian, African or Middle-Eastern. In such systems, establishing trust can only be achieved after sharing the private lives of the business partners.

The intrusion of affection in business relationships gets different nuances from one case to another. In South America, this intrusion is achieved by vivid conversations and sharing feelings about each other, while in Asia the intrusion is achieved in a more discreet manner. In both cases, affection is involved in doing business. Once trust was gained by the business partner, (s)he is willing to start making some concessions, such as admitting that the merchandise will be delayed.

In the cultures that establish business trust *a priori*, business partners trust each other from the very beginning.

Affection is totally useless and it may even be considered a barrier. If reciprocal trust is lost during discussions, the rupture is definite and not following the standard behavior is unacceptable.

#### *Credibility at national level*

Studies show that a chubby person of a certain age has better conviction power in some African countries. For others, trade dynamics is synonymous with good physical shape, but there are markets where women are in top when doing business.

One may even find out that there are perception differences according to the nationality.

For example, the image of France in African countries is different from the image of Germany.

The same may be said about the image of Romania among the European Union member states, since there are different perspectives in Italy, as there are in France or in Belgium.

While French people appear in the eyes of foreigners as proud, romantic, luxury people, who appreciate quality, Romanian people appear as modest, selling cheap things, who are price-oriented, good merchants who are not afraid to trick a business partner.

*Written or verbal agreement?*

Trust is best visible in a written or in a verbal agreement.

In Northern cultures, written agreements come naturally; they are very precise and essential in a commercial agreement.

In Southern cultures, writing may be considered secondary and it may arise from informal factors. Showing insistence to make everything formal by writing an agreement may be interpreted as lack of trust. For example, a verbal agreement in Maghreb or in China is as valuable as a written agreement.

This is the point where misunderstandings and malfunctions appear when designing a contract.

In some cultures, it is better to focus on informal factors and some terms in the agreement should be flexible, so that unfulfillment of the contract is avoided. On the contrary, in Anglo-Saxon cultures, there is the tendency to write everything exhaustively and include all the terms of a contract. In such cultures, maximum attention must be paid to the interpretation of the texts that form the basis of the contract.

### **MANAGERIAL SYSTEMS AND COMPANY'S POLICY**

Negotiating with companies from another country involves taking into account the different managerial systems.

Understanding these systems allows the identification of the true decision-makers.

On the other hand, if branches are to be implemented in a different country, these branches must adapt their managerial system to the practices of the respective country. Many times, unfulfillment of this leads to "cultural shocks" among managers and workers, both of them having different nationalities. The same thing may happen when the managerial team decides to hire foreign employees because there is a lack of domestic labor force or the team decides there should be economy in payment.

In fact, each company has its own culture, its own history, its own system of values. Yet, these may be more or less influenced by the national culture.

It may even be considered that the following four elements are conditioned by the national culture of each country<sup>4</sup>: *hierarchical distance*, *individual decisions*, *aversion to uncertainty* and *masculinity*.

#### **Hierarchical distance**

Hierarchical distance may be defined as the perception of inequality between the person who has the power and his direct subordinates. Within organizations, this may be translated as the degree to delegate power and as a more or less autocratic leadership.

In cultures with a big hierarchical distance it is difficult to have participatory leadership by means of objectives, because in such a company, there cannot actually be any kind of negotiation between the managerial team and its subordinates. The management is carried out by leaders who gain their respect.

On the contrary, in cultures with small hierarchical distance, decentralization is indicated and consensus is sought among the participants.

Among the countries that have big hierarchical distance we can mention Malaysia, Panama, Guatemala, Philippines, Mexico, Arab countries, West Africa, together with France and *Romania*.

There are countries with small hierarchical distance, such as: USA, Canada, the Netherlands, Australia, Great Britain, Finland, Norway, Sweden, Denmark, Israel.

As far as treaties are concerned, special attention should be given to face *interlocutors with the same hierarchical level* when negotiating with countries that have big hierarchical distance, otherwise, negotiations may be stopped. For example, one cannot delegate a simple trader to close a deal having as his business partner a manager.

#### **Individual decisions**

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<sup>4</sup> See Weiss, E. – *Commerce international*, Ellipses Edition Marketing S.A., 2008, pp.45-51

While some cultures allow individuals to make decisions by themselves, in other cultures important decisions are arrived at by more actors (these are *communitarian cultures*). In this case, the actors must be identified as well as the role each of them has within the decision-making process.

In individualistic cultures, the individual may act in his own interest. That is why (s)he must be compensated by means of a bigger salary, of continuous training and education.

In a communitarian culture, recruitment must take into account the relationship an individual has with the group (s)he is part of, so that possible conflicts are avoided.

Among the countries that have an individualistic culture we mention: USA, Australia, Great Britain, Canada, Italy, Belgium, Denmark, Sweden, France and Romania.

Countries where communitarian culture is favored are the following: Malaysia, Hong Kong, Chile, West Africa, Thailand, Singapore, South Korea, Peru, Pakistan, Indonesia, Colombia, Panama.

### **Aversion to uncertainty**

It is a known fact that uncertainty appears in every business. When an agreement is signed, it is difficult to evaluate the real risk and its influence in the long run.

Some cultures encourage risk taking, meaning that taking risks does not necessarily lead to problems.

On the contrary, in countries where aversion to uncertainty and risk is high, individuals have difficulties in adjusting themselves to such situations, they tend to be nervous and want to regulate everything, but this is difficult to be achieved.

Here are some countries and geographical regions that take risks: South Africa, New Zealand, Indonesia, Canada, USA, Philippines, Malaysia, Ireland, Sweden, Hong Kong.

Here are some countries and geographical regions that show great aversion to taking risks: Costa Rica, Chile, Greece, Portugal, Guatemala, Belgium, Japan, Spain, France, Romania.

One may notice the tendency of the Latin countries to control uncertainty. This quality is often perceived by negotiators from different cultures (that take risks) as lack of ambition and courage within the projects they support.

In the above mentioned situations, a plus of entrepreneurship is useful and it should be doubled by a cautious attitude towards the business partner.

### **Masculinity**

This phrase does not simply refer to the issue of men – women relationship within a company.

It is a known fact that modesty, foregrounding of personal relationships, interest for the quality of life, help, environmental issues are values that are supported mainly by feminine cultures.

On the contrary, parade, power, ambition are values that mark masculine cultures.

In countries with a masculine culture, such as Japan, Austria, Venezuela, Switzerland, Italy, Mexico, Ireland, Great Britain, Germany, Philippines, South Africa, Australia, Ecuador or USA, negotiation is nothing but a form of competition and success is connected to figures and financial results.

In the other group of countries, such as France, Spain, Peru, East Africa, South Korea, Guatemala, Thailand, Portugal, Chile, Finland, Costa Rica, Denmark or the Netherlands, human relationships among the actors of negotiation process play an important role in the decision making process.

### **Cultural ranking according to the area of specific management**

Establishing cultural regrouping among different countries is almost impossible to be achieved. Neither the language criterion, nor the wealth or on the contrary the lack of material resources are worth being taken into consideration.

Yet, one may try to relatively classify not the countries, but the “worlds” to which they belong from the point of view of specific management.

According to this vision, one may distinguish among four categories of worlds: *Anglo-Saxon*, *German*, *Latin* and *Developing countries*.

#### *Anglo-Saxon world*

From a managerial point of view, the Anglo-Saxon world is characterized by the central role of the owner of the company.

His decisions are recognized and the managerial team is often obliged to respond for its actions in front of the manager.

Every time a strategic decision is arrived at, the formal or informal acknowledgement of the owner is mandatory. In most of the contracts, direct support of the owner is more valuable than the efforts of the negotiators.

The company itself is seen as a “contract knot”, and each person feels they are closely connected with the organizational structure by means of a contract.

#### *German world*

In the German world, legitimacy must be *democratic* and *concerted*.

A company is seen as a community. To convince means to obtain group adhesion, not of a single interlocutor.

We are thus dealing with a rigorous approach, based on written documents, seriously studied and commented before confrontation.

Unions also take an active part in their own organization by means of supervising councils and by means of negotiations with the management.

#### *Latin world*

In the Latin world, legitimacy is connected to “grandeur” and honor.

The ethics of the worker is based on the fulfillment of regulations, even if this does not always happen.

Hierarchy plays an important role. Thus, there are some managerial similitudes with the Asian type of management, to which one adds respect for the “superior”.

Rank within an organization, social success or diplomas attract the linking of the decision-making factors.

Romanians, just as French, belong to this world and they do not have difficulties in adjusting to commercial negotiations.

Affective factor may play tricks during discussions. Being “friends” with your collaborators or with negotiators, mixing professional life with private life may be the causes of misunderstandings and wrong decisions. That is why time is needed to fully understand those human relationships that may influence, in one way or another, managerial decisions.

#### *Developing countries*

In this world, the company is a kind of “brotherhood”, a family, dominated by one person. The myth about the “founding father”, together with a paternalistic type of management, is characteristic for the majority of the structures.

Important decisions are made by the historic leader of the company. As a consequence, if we deal with such companies, it is important that we identify the leader and get in touch with him.

The leader, either formal or informal, does not play a direct operational role. Yet, ignoring the leader by an unskilled negotiator could lead to difficult situations.

Another characteristic of the developing countries, *corruption*, is the real trial for foreign negotiators. In many circumstances, what is thought to be corruption in other countries, is seen as “legitimate” by the business partners from this world. Gifts, honor grades, tips are frequent and they are thought to be part of the business relationship.

On the other hand, “to be liked by the superior” is a central element of the managerial policy belonging to negotiators from this world. That is why, every gesture or attitude during negotiations must not lead to a situation in which the negotiator would not accept the deal on the grounds of not being liked by the superior (see also the size and importance of the gifts as compared to those offered to superiors).

## **CONCLUSIONS**

Trying to culturally regroup the countries according to “worlds” led to defining, for each world, some managerial characteristics we must take into account in the process of commercial negotiation.

Thus, if we deal with partners from the German world, one must pay attention to minute preparation, based on written documents and one must not neglect the position of the unions.

If our business partners are part of the Latin world, one must not neglect friendship, while if our partners are part of the Anglo-Saxon world it is very important to know the owner, the decision maker, while our partners are from the developing countries, one must have serious and thorough documentation on the meaning of corruption in their country.

No matter the world they are part of, it is good advice to take into account the four elements that are conditioned by the national culture in each country: *hierarchical distance*, *individual decisions*, *aversion to uncertainty* and *masculinity* that may manifest themselves differently according to the nationality of the business partner.

In the end, one should always take into account general principles, such as those connected to language, gestures and social behavior, communicative context, time management, mono and polychronism, links to the past as well as establishing maximum trust during the negotiation process.

What we presented above is nothing but a set of recommendations for international negotiation processes, that are based on studies and observations. Of course, each negotiator may improve this process according to personal experience, which is valuable in the context of rapid evolution of factors from the international trade<sup>5</sup>. We are talking about the development of information technology and communications (ITC)<sup>6</sup> that allows negotiators access to information about the partner, historic data about the company, data about the owner of the company and the country of origin, the history of the country and a lot of data about the cultural evolution of the geographical area that is interesting for us.

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<sup>5</sup> see Rădulescu, I. G. - *Comerț internațional*, Colecția INDE Ploiești, Editura Universității Petrol-Gaze din Ploiești, 2008

<sup>6</sup> see Guțu, S. - *Tehnologiile informației și comunicațiilor. Mijloace multimedia*, Editura ILEX and Editura Universității din Ploiești, București, 2001

