



Magazine Article / Negotiation Strategies

The Secret to Cross-Cultural Negotiations

Follow these basic rules. *by Horacio Falcão and Thomas Wiegmann*

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Heiko Hellwig

In a globalized world, businesses increasingly look to international markets for growth. But cutting deals across borders is difficult. Teams of individuals from various cultures must negotiate in the face of differing expectations about not only the outcome but also the process. The parties may lack both a common language and shared working norms, complicating an already complex endeavor.

In bridging these gaps, negotiators are often left to fend for themselves, relying on anecdotal or conventional wisdom that has little bearing on the negotiation at hand. Or they may turn to academic or other theories that seem to explain cultural differences but generalize about cultures as a whole, ignoring individual variances. All this may encourage dealmakers to overascribe negotiation difficulties to cultural differences.

In one contract negotiation we studied, a German negotiator attributed problems with his Chinese counterpart and the deal's stalled progress to his lack of understanding of Chinese culture. The Chinese negotiator repeatedly rejected terms offered by the German, even when they aligned with international standards. Instead, he pushed for terms that he claimed met local Chinese standards. When asked for evidence, the Chinese negotiator seemed offended and said that the German negotiator should trust his word.

Later in the negotiation, after they had agreed on several points, the Chinese negotiator kept reopening issues while presenting no legitimate reasons for doing so. He consistently pushed to improve the terms of the deal to his advantage and rejected counterbalancing suggestions, slowly but surely transferring more value away from the German negotiator. Whenever the German negotiator objected, his counterpart stated that this was necessary to build a long-term partnership the Chinese way. Only much later, after coaching by a negotiation expert, did the German negotiator realize that his counterpart had been using cultural differences as a smokescreen for questionable and adversarial behaviors.

So how can negotiators successfully navigate the complexities of culture? We've been researching, teaching, and advising on cross-cultural negotiation and multicultural teamwork as well as conducting

negotiations ourselves for a collective five decades. Through this work, we've come to realize that the secret to good outcomes in cross-cultural contexts involves respecting four basic rules: First, look past cultural differences and focus instead on individual players. Second, work out whether your counterpart is seeking to exploit a perceived advantage or is interested in generating value for both parties. Third, create shared norms for the negotiation (rather than adapting to the other party's rituals). Finally, leverage the differences in preferences between parties to improve outcomes for everyone. Following these four rules will help you create a stable and lasting deal.

Let's begin by looking at why it's best to focus on the person rather than the culture.

[Rule 1]

Negotiate with the Person, Not the Culture

Culture can be defined as the operating system through which we make sense of and interact with the world. Culture influences our behaviors and perceptions as we go about our day-to-day business. A very strong culture can foster ethnocentrism—an assumption that one's own norms are or should be shared by everyone. This is a recipe for conflict.

There are many dimensions along which cultures can vary, such as tolerance for risk and how to handle conflict. Communication is another obvious one. Israelis, for instance, are generally direct and straightforward in communicating, whereas Mexicans tend to be indirect in giving feedback, especially on sensitive issues. Of course, individuals may hew to their cultures to a greater or lesser extent. Some Mexicans are very direct, and some Israelis are far from straightforward. In some contexts, the various dimensions can serve as a framework for interpreting and for setting behaviors. For example, INSEAD professor

Erin Meyer advises that when adapting to a new culture, people should strive to behave according to the midpoint of the local range on a given cultural dimension.

But in a very specific context like a negotiation, knowledge of local culture is of limited value because your counterpart may not represent its norms. Imagine you are preparing to negotiate with an Angolan executive, and you have read widely about Angolan cultural norms in preparation. Unbeknownst to you, however, your counterpart was born in Angola of foreign parents, educated in a British school there, traveled to France to continue her studies, married an Indian partner, converted to Islam, worked in sales for a U.S. company and then in procurement for a Japanese corporation, and has been living in China for the past 11 years. This executive is unlikely to be prototypical of her national culture, and thus you should be careful when using your research to make assumptions about her behavior.

In a negotiation, you are trying to understand the individual in front of you. And in this context, a focus on cultural differences may encourage unconscious stereotyping—that is, narrowly classifying and attributing expected behaviors to others. This creates two risks:

Negative perceptions. Stereotypes may foster perceptions of cultural superiority or inferiority, leading to a sense of entitlement or a lack of empathy toward the other party. That can feed a rationalization for conflict.

Presumption of universality. Stereotyping disregards the individuality and diversity present within any culture, which may blind negotiators to opportunities for positive outcomes and learning from their counterparts.

Another reason to focus on the individual rather than the culture in a negotiation is the infeasibility of becoming an expert in the customs and norms of all the geographies in which one might do business.

For example, an executive responsible for the EMEA region may have morning negotiations with counterparts from Turkey and South Africa, followed by lunch with her boss who is expatriated from South Korea, then a meeting with executives from Ethiopia before closing a deal in the late afternoon with UAE nationals. The agenda for the next day might involve an entirely different set of nationalities. And even when you are dealing with a single foreign country, teams may include people from multiple backgrounds and cultures.

All negotiations should begin with the question, “Does my counterpart want to work with me or against me?”

In such situations, it is nearly impossible to memorize and leverage all the cultural dimensions relevant for each interaction. What’s more, trying to be all things to all people only encourages your counterparts to question your integrity. You will constantly be outside your comfort zone, which makes you more vulnerable to ignorance, doubt, insecurity, and exploitation.

We believe that one key to a successful cross-cultural negotiation is, to some extent, taking culture out of the equation. Business negotiators often have much in common with their counterparts—maybe even more than with their parents, partners, or children. After all, our international counterparts may be closer to us in age, education level, professional interests, the corporate world they operate in, or functional expertise. For these reasons we advise negotiators in cross-cultural

settings to focus specifically on their counterparts, learning their own particular intentions, rituals, and preferences.

A British negotiator from a London-based family office negotiating with a Japanese executive offers an instructive example. Instead of assuming that his counterpart would exhibit common Japanese cultural traits such as a preference for indirect communication, formality, or long investments in relationship building, the British negotiator observed how she actually behaved.

From the start, he saw that she was extremely friendly, shook his hand, greeted him in English with a slight American accent, and explained that she valued quick decision-making and innovation, having worked at a tech startup in Silicon Valley for many years prior to creating her own venture in Japan. She was candid, quick to share ideas, and clearly signaled her intention to collaborate. Noticing those traits, the British negotiator reciprocated with an equally open, collaborative style, which helped them establish a strong working rapport.

[Rule 2]

Identify Your Counterpart's Intentions

All negotiations should begin with the question, “Does my counterpart want to work with me or against me?” The role culture will play in the negotiation is largely determined by the answer to this question.

If the counterpart is a win-win or, better still, a value negotiator—that is, someone who is ready to pursue his or her goals without the use of power—cultural differences become operational challenges to be solved together. But if the counterpart is a win-lose or, worse, a power negotiator—ready to use whatever power is in his or her arsenal to secure negotiation success—the person will harbor adversarial

intentions and is likely to use cultural differences as a tool for exploitation. That was the case for a Singaporean executive negotiating with a Swedish counterpart. He intentionally drew out discussions and withheld clear responses, capitalizing on the discomfort people from the Swedish culture tend to have with ambiguity. The Swedish negotiator fell into the trap and started to concede on certain points just to move things forward.

In another deal we studied, one of the negotiators, perceiving a slight power advantage, intentionally set tight deadlines and emphasized the need for quick responses. Her goal was to pressure her Vietnamese counterpart, recognizing that his preference, typical of his culture, was for consensual decision-making and conflict avoidance. She justified her moves by claiming that they were standard procedures in her culture and that since they were negotiating in her country, the Vietnamese executive should adapt. Through these power tactics, she pushed the Vietnamese negotiator into operating outside his comfort zone, which caused him to make mistakes and bad decisions. He ultimately ended up making an unfavorable deal.

The best way to gauge your counterpart's intentions is to make your own explicit, because this typically encourages reciprocal behavior.

No amount of cultural savviness will stop win-lose negotiators from trying to use power-based moves—such as lies, threats, abuses, manipulations, and ultimatums—to get what they want, often at the counterpart's expense. Win-win negotiators choose collaborative, non-power-based strategies to reach a favorable deal with their counterparts. They rely on enhanced communication, trust building, emotional

intelligence, rational decision-making, and creativity to help both parties identify risks and opportunities and work together toward good outcomes. This approach is easier to implement if your counterpart is also a win-win negotiator, but it is often the best approach to get what you want from a win-lose counterpart. Instead of fighting fire with fire, win-win negotiators change the game and use water so that no one gets burned. That said, a win-win approach is not without its risks, because when poorly done you may come off as weak, desperate, or indecisive.

The first effort, therefore, of a cross-cultural negotiator is to cut through the cross-cultural noise and zero in on intentions. Doing so will help you anticipate and interpret your counterpart's behavior and actions and clarify your own. The best way to gauge intentions is to make your own explicit, because this typically encourages reciprocal behavior. It can also reduce your counterpart's fears and resistance to the negotiation and open a path for a more-collaborative process and superior outcome.

Throughout the negotiation, take care to explain your intentions and continually probe your counterparts about theirs as well. It can help to ask yourself two sets of questions:

What do my counterpart's moves signal? Was that a win-win or a win-lose move? Is it contradictory to or compatible with previous moves? Does it make sense to me? Could I be misinterpreting it? Are any of my counterpart's moves unfamiliar or surprising to me?

What have my own moves signaled? When I say something I consider to be positive, does my counterpart seem to appreciate it? When I raise a sensitive matter, does the person seem to understand its gravity? When I make a complex point, does the person seem to have grasped it? When I say something negative, is my counterpart's reaction appropriate to the message? Is the person's body language compatible with the discussion?

Is the person correctly interpreting and communicating back what I've said or done so far?

Let's look at how you might do that in a specific instance. When shaking hands in a first negotiation encounter, many people believe they should shake hands firmly to signal their commitment to working together. But in some cultures, a strong handshake may be seen as an attempt to intimidate or assert dominance.



Heiko Hellwig photographed the complex choreography of Siamese fighting fish for his series *Grand Ballet*.

If you go in with a firm handshake and see a negative reaction, explain the intention behind your gesture: “It seems that I squeezed your hand unexpectedly hard. In my culture, strong handshakes are usually a way to show enthusiasm and an intention to collaborate. Until now, I thought it was something everyone did. I apologize if my actions sent the wrong message.”

Conversely, if you were on the receiving end of such an unexpectedly strong handshake, remember the heightened potential for cross-cultural misunderstandings before reacting negatively. Adopt a principle of charity in interpreting the behavior and say: “That is a firm handshake indeed. I assume that you are signaling your commitment to this negotiation. I appreciate your gesture.”

Casting people's words and actions in a positive light may look naive, but it is a best practice in cross-cultural negotiations—even if you are facing a win-lose counterpart. If the gesture was indeed the expression of a good intention, you've shown that you understood and have validated the behavior. If the counterpart had a win-lose intention,

you've shown that the person's power move did not faze you, thus reducing the odds that the domineering behavior will continue. Even if it persists, you'll have given an early warning that you will not be intimidated.

[Rule 3]

Don't Adapt Rituals, Co-Create New Ones

Cross-cultural negotiations are further complicated by rituals—the established and sometimes symbolic actions, behaviors, or even ceremonies through which people convey messages and meaning within a social or cultural group. If all members in a group accept and adopt similar rituals, social interactions become smoother, faster, more pleasant, and automatic. In other words, rituals are culturally approved shortcuts for communicating important messages efficiently within a group. They facilitate the process of relationship building.

But among people from different cultures, variances in rituals may expand the communication gap and cause misunderstanding and conflicts. Unfortunately, people often express themselves or act without thinking consciously about how others who are unfamiliar with their rituals will interpret their words, behaviors, and moves. For negotiators, this can hamper efforts to build a trusting relationship and increases the chances that benign behaviors will be misconstrued as adversarial.

Note that differences in rituals have an impact not on what the parties want but on how they prefer to achieve their goals. Some cultures—and individuals—tend to be rigid with time or deadlines; others are lax. Some like to tackle problems head-on; others like to go around them. Some like to talk straight; others are more indirect and careful. Some prize independence and empowerment; others prefer collective decision-making and consensus-building.

Many negotiators attempt to show respect by adapting to their counterpart's rituals. That is a dangerous negotiation approach—even more so if you face a win-lose counterpart intent on taking advantage of you. As we saw with the German negotiator earlier, when you adapt to your counterpart's rituals, you cede the power to determine what is or is not appropriate in your negotiation. Similarly, forcing counterparts to adapt to your rituals is a win-lose move; the cognitive challenge of negotiating outside their comfort zone will likely compromise their performance.



Heiko Hellwig

Instead of adapting, cross-cultural negotiators should create a new set of desired rituals together. They should engage in open conversations to define what a good relationship means, decide how much time they

are willing to invest in building it, and lay out the process for working together.

This can be challenging. Negotiators should make their own rituals explicit up front, share the intentions behind them, and discuss how adopting each other's rituals may introduce difficulties. In one instance of this, two teams from Switzerland and Spain were starting a long-term negotiation that would require regular meetings. Aware of their wide cultural differences, the teams jointly created a simple, shared document, which they named *hoja de ruta* (road map), written in Spanish because one of the Swiss team members was fluent in the language. In this document, they outlined the five positive behaviors they expected from each other during the negotiations, codifying collaborative intentions on both sides. Then they created a ritual around it: At the start of meetings, each person would briefly share a positive *hoja de ruta* behavior performed by a member of the other team. Deviations from the desired behaviors or necessary updates to the document were also discussed. This ritual allowed each negotiator to connect with and feel appreciated by the other team, while explicitly carving out time to discuss their relationship-building efforts and direction. It helped set a positive, collaborative tone, which became the foundation for mutual understanding—without team members' needing to become experts in each other's cultural practices.

In any cross-cultural negotiation, it is important for teams to have ongoing conversations about their shared rituals and behavior. Skipping or phasing out these conversations usually results in negotiators from each side defaulting to their preferred ways of operating and increases the odds of misunderstanding and miscommunication.

If adapting to another culture's ritual appeals to you, then go ahead and enjoy the experience, but beware of the implications and the cognitive

toll it may take on your negotiation performance. Otherwise, negotiate new rituals for communication and relationship building that will satisfy, not compromise, most team members' preferences and avoid forcing anyone to adapt or be at a disadvantage. For example, when non-U.S. negotiators meet, they sometimes choose to build from U.S. rituals (given their prevalence in the global business world) as a neutral foundation that is somewhat familiar to both sides.

[Rule 4]

Leverage Differences in Preferences, Not in Power

As we've seen, win-lose negotiators try to leverage power, often using cultural differences as a way to improve their position or conceal predatory behavior. But in win-win negotiations, each side leverages preferences: inclinations toward options, objects, experiences, or outcomes.

In the negotiation literature, there is a famous story about two sisters fighting over the last orange in the house. Their mother takes it, slices it, and gives each daughter half an orange. Shortly after, the mother sees the younger sister discard the peel and eat her half, feeling only half satisfied. She later sees the older sister remove the peel on her piece and discard the fruit, using the peel to bake only half of an orange cake. Had the mother known about her daughters' preferences before cutting the orange, she could have given the younger sister the whole fruit, and the older sister the whole peel. The younger sister could also have opted to split her fruit with the older one and help her bake the cake, in exchange for a slice of the cake once done.

In business negotiations, most people want the same things: to close successful deals, make money, minimize risks, feel appreciated, and be seen as a good negotiator. The differences are not so much what

negotiators want but how much each of those things matters relative to one another. For example, most cross-cultural negotiation experts point out that people from many Asian countries, which are often more collectivist in their cultures, significantly value saving face in negotiation and are willing to make extra efforts to burnish their reputations. We know of no culture that dislikes being respected, but Asian negotiators generally put saving face higher on their preference list than people from other cultures.

It's important to recognize that while intentions and cultural rituals make negotiations harder as they diverge, the reverse happens with preferences. The more preferences differ among negotiators, the easier it is for them to make deals that create value for both sides. If I value money and you value time, you can pay me a premium to expedite the outcome. If I value risk and you value security, you can buy insurance from me. By leveraging differences in preferences—which are often more abundant in cross-cultural negotiations—dealmakers may find more ways to increase value for both sides.

To return to the example of saving face, if a negotiator from an Asian country values saving face in a deal, a counterpart from another culture who values that less could turn the difference into an equal exchange: “I appreciate that you value saving face in this deal. I value stability and predictability. Please let me know how I can help you, and please share how you can help me so that we can both get what we want.” If you feel that this approach may be too direct, you can offer a selection of options—some that prioritize saving face and some that do not—and observe the reaction to gauge your counterpart's preferences.

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No matter how faithfully you try to respect the rules we've outlined, cultural mistakes may still stymie your negotiation. But if you have

honestly and fairly signaled your intentions and charitably interpreted the intentions of your counterpart, the responsibility won't be yours. Nor will it be a problem of cultures clashing. It will be the actions and agenda of your counterpart that will have sunk the deal. And that suggests that the problem with the negotiation was less an issue of different cultures and more of differences in the characters and ambitions of the individuals involved.

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Horacio Falcão is a professor of management practice at INSEAD.



Thomas Wiegmann is an honorary professor at University College London and a member of the Harvard Alumni Real Estate Board.