PROFILE OF AN SKILLFUL INTERNATIONAL BUSINESS NEGOTIATOR

Donald W. Hendon
Zafar U. Ahmed

This paper examines the characteristics of an skillful international business negotiator. These characteristics have emanated from an extensive review of the pertinent literature, authors' hands-on experience in actual negotiating in many nations on six continents and from a survey questionnaire, that was administered to executives in these same nations who often negotiate.

Introduction
USA is geographically large and isolated. Only two nations, Canada and Mexico, are on its borders. A sizable minority of people along the Mexican border speak Spanish, and some people near the Quebec border speak French. But most Americans speak only English. On the other hand, European nations are much smaller in size. Each nation is relatively close to several other nations. Television and radio programs (with different languages) cross national borders there, and so most Europeans are exposed from an early age to foreign cultures and languages. Even though many metropolitan areas in the USA have several non-English broadcast and print media, most Caucasian and African-Americans, who make up the great majority of the population in the USA, do not read, watch, or listen to these foreign-language media.

As a result of this isolation, most Americans are extremely provincial. As a whole, they are not bilingual and have never traveled abroad, except may be to Canada, which, with the exception of Quebec, is very similar to the USA. They just do not know or understand foreign cultures.

Americans do not feel it is necessary to know or understand foreign cultures, either. For most of the twentieth century, the USA was the world's number one market. The domestic market was so large than Americans paid very little attention to overseas markets, treating them as “icing on the cake.” Why bother with overseas markets when you are already doing business in the nation with the world's largest GNP per capita?

Ironically, Americans, probably more than any other nationality, need to become more skilled at international negotiating. That is because of this double danger: the naïve feeling (and smug superiority) that if it works in the tough USA market, it should work overseas, combined with the fact that the USA is probably the world’s most unusual nation. What works in America probably will not work abroad. There are three reasons why the USA became probably the world's most unusual nation.

The USA threw off its ties to its European colonial master more than 200 years ago. Most nations in the world, with the exception of many Latin American nations, did so only in the twentieth century. It became different from Europe and European colonies as a result.

Because it was isolated from the rest of the world by two oceans, the USA developed its own unique way.

America's huge GNP per capita made it turn inward, except during its relatively few overseas wars. (For example, it was not drawn into any European war until World War I.) It never appreciated the importance of foreign trade the way European nations did – until relatively late in its existence as a nation.
When you are the most unusual nation in the world and do not know much about the rest of the world, you find it difficult to empathize with other nations. That makes it more difficult to sell abroad. Here are few signs of the unusual nature of the USA as a country:

- Americans turn on their lights by flipping the light switch upward. Most nations of the world turn their lights on with a downward motion.
- Most nations have been on the metric system for many years. With the exception of its currency, the USA is still not metric.
- The USA uses 110 volt electric current, while most nations use 220 volts.
- Only America and few other nations use the NTSC video system. Most of the rest of the world uses the PAL system.
- The classic study by Sethi (1965), which grouped nations of the world into relatively homogeneous categories, had only one nation all by itself – the USA.

It is very difficult to become skilled at international negotiating. If one does not possess the skills mentioned in this article, one should try to get them. Here are three initial suggestions:

- Read books on the subject.
- Attend seminars. (Unfortunately, there are very few university courses dealing with international negotiating – anywhere in the world.)
- Practice on a small scale by interacting socially with people of other lands and cultures with whom you work and/or who live in your neighborhood.

- It will take many years of practice to become skilled. But not trying is worse. In most nations of the world, the foreign market is growing faster than the domestic market. The skilled international negotiators are the only ones who can take immediate optimal advantage of the faster foreign growth rate.

This paper focuses on negotiating between buyers and sellers from different cultures. This kind of negotiating has increased greatly in importance in recent years throughout the world, especially in the last decades of the twentieth century.

**Inflow of FDI**

An increased foreign presence has occurred in the USA. There is much more foreign direct investment in the USA, traditionally the biggest player in the international market, than ever before.

**European Union’s Competitiveness**

Many dramatic changes have made Europe more competitive, including the collapse of the former USSR, the reunification of Germany after the demolition of the Berlin Wall, the introduction of the Euro, and the deregulation of Europe’s financial markets. Many banks have crossed national boundaries. For example, Deutsche Bank acquired Bank of America’s Italian network of 100 banks. In 1999, the UK-based Hongkong and Shanghai Bank Corporation, originally headquartered in British-controlled Hong Kong, purchased the Bank of Seoul. And the possibility of many member nations of the former Warsaw Pact nations joining the European Community in various ways has given even more importance to understanding different economic systems and cultures.

**Japan’s Global Influence**

Well-known growing significance of Japan in international business is a very important factor. From its copy-cat beginnings in the 1940s and 1950s, through its early focus on exports to nearby Asian nations in the 1950s and 1960s, to its more recent acquisitions of production facilities in its most important Western export markets, the Japanese economic juggernaut makes it imperative for non-Japanese business executives to learn how to negotiate successfully with them.
Developing Countries Assert Themselves on the Global Stage
Third world nations are industrializing, and this has led to increased global competition. The so-called “Tiger nations” of southeast and northeast Asia, including Korea, Singapore, Taiwan, and Hong Kong, have been joined by many other nations, including several nations in eastern Europe. Ireland is a success story of the 1990s, too. The Ireland Development Authority called attention to Ireland and predicted its growth in a series of international ads during the 1980s which repositioned that nation thusly: “Ireland – we are the young Europeans.” Negotiations in these and other rapidly-developing nations are complicated because of many factors. For example, governments are even more concerned than ever before about such issues as transfer pricing issues, political interference of a former colonizing nation, fears of the oligopoly power of multi-national corporations (MNCs), and conflicts between the national interests of a developing nation and the global objectives of MNCs. And, as Dymsza (1985) pointed out long ago, MNCs are facing even more inconveniences, such as inconsistent and highly bureaucratic regulations, too many government offices involved in the approval process, too much power subjectively given to too few decision-makers, and dealing with many forms of bribery and corruption. This is still true in the new millennium.

Growth of High Tech Industries
The growth of high-tech industries is so fast that it is too difficult for one company alone to control critical elements of production. This has led many firms to forge alliances with partners in other nations. Ohmae (1985) first drew popular attention to this trend, which has continued unabated since then.

Technological Breakthroughs
Increased modernization, education, and technological diffusion have improved business practices. For example, the new crop of managers produced by European business schools are much better prepared to handle the challenges of international business. Many companies have reorganized their structure to suit the demands of global operations. Finally, advanced telecommunications technology has made it possible to transmit information across borders instantaneously.

Short Term Perspectives
Many businesses throughout the world have shifted their perspectives more to the short term and shortened their planning horizons. Uncertain world conditions, accelerated change, and intensified international competition have reduced the sense of security of permanence that even the larger MNCs have always had. Given the shorter time period within which to produce results, business executives are hard-pressed to negotiate the best deals possible anywhere in the world within restricted time periods.

A Profile of the Ideal International Business Negotiator
As a result of these and other recent events, business executives throughout the world are negotiating more and more with their counterparts in other nations. Two factors have led the authors to the conclusion that the best, the most skillful international negotiators possess the following characteristics:

Literature Review
An extensive review of the literature led to the development of several preliminary questionnaires which attempted, with varying degrees of success, to reveal the profile of an ideal negotiator across cultures. These questionnaires were refined over time, as new findings from the literature emerged and as the authors gained first-hand experience in international negotiating. In the 1980s, five sources especially influenced early questionnaires: Calero and Oskam (1983), Copeland and Griggs (1985), Fisher (1980), McCall and Warrington (1984), and Sheth (1983). Refinements occurred throughout the 1990s, and 14 sources were especially influential in this process of improving our questionnaire: Drake (1995), Engholm (1992), Foster (1992), Frances (1991), Frank (1992), Gulbro and Herbig (1995), Hendon-Hendon-Herbig (1996), Herbig and Kramer (1991), Husted (1994), Kramer-Gray-Herbig (1994), Kramer and Herbig (1992), Reardon and Spekman (1994), Salacuse (1991), and Walsh (1993).
**The Authors’ Experience**

The authors’ experience in 32 nations on six continents – (1) conducting international negotiating seminars, 
(2) negotiating with business and government executives, and (3) consulting – led to further refinements to 
our proprietary questionnaire. The output of a completed questionnaire is a profile of the respondent’s 
negotiating profile. The ideal profile makes up the main part of this paper, the eight most important 
characteristics of a successful cross-cultural negotiator. This profile enables the respondent to determine 
how close or how far away from the ideal he or she is. Subsequent training and counseling by the authors 
enable this person to move closer to the ideal.

**Effectiveness**

Ideal international negotiators understand and work effectively with the decision-making processes peculiar 
to the nations with which they are dealing. These negotiators mesh well with the wide variety of institutional 
norms and practices found in different nations. They are flexible enough to be able to shift their tactics 
radically, whether they are dealing with developing nations with their centralized structures, or with 
developed countries with their decentralized decision-making. These skilled negotiators know that 
significant procedural differences are present within each group, and they can deal with that quite well.

For example, Germans usually process their decisions through committees composed mainly of technical 
personnel. French executives emphasize their long-term objectives and seem to adopt a more centralized 
decision-making structure. This means it takes more time for them to make a decision. They also seem to 
feel comfortable dealing with a great deal of conflicts during their negotiation sessions – while many 
nations, including Japan and the USA, are usually unnerved by the stumbling blocks introduced by conflict.

Most Third World countries, on the other hand, have much different decision-making processes. Mexicans, 
for example, prefer centralization, and, in that nation, the personality of whoever holds the position of 
authority largely influences the decisions. In fact, authority in a Mexican firm usually resides more in the 
person than in the position itself. There is also a relative lack of technical expertise held by negotiators 
from those nations (even by those educated in developed nations).

Two other Third World problems are dealing with host governments and handling delays. For example, 
most host country’s governments are normally concerned about achieving attractive economic benefits 
without inviting unnecessary political attacks from rival politicians and pressure groups. They also try to 
siphon off as much as they can above the rate of return demanded by the MNC in the form of taxes, shared 
profits, or exchange controls, to keep excess money in the country. Delays are also big areas of conflict. For 
instance, it takes longer to negotiate business deals in Latin America and Asia than in the USA. Negotiators 
from “hurry-up” nations easily mistake delays as a sinister ploy on the part of the other side (TOS). They 
do not realize that, especially in highly centralized nations, decisions often have to pass through many 
bureaucratic layers. See, for example, Burt (1984), Fayerweather and Kapoor (1976), Kapoor (1974), and 
Wells (1977).

**Flexibility**

Ideal international negotiators are flexible enough to handle effectively even the most delicate issues, such 
as bribery, and they manage these issues within the context of the local culture. Gift-giving or handling out 
payoffs has always been a contentious issue for negotiators whose cultures deem bribery unethical, while 
other cultures look upon the same practice differently. In fact, residents of some nations who come to the 
USA for the first time see a double standard in Americans’ attitude toward bribery. These foreigners see 
absolutely no difference between tipping waiters – bribing them not to spill coffee on the customer – or 
airport skycaps – bribing them not to lose your luggage – and a bribe to a foreign customers inspector. The 
position of Western negotiators, especially those in the USA who are bound by the Foreign Corrupt Practices 
Act, is to play strictly by market rules and compete in terms of quality, price, and service. There is no place 
for gifts and payoffs. Some of these negotiators have walked out of negotiations in less developed nations 
where various forms of what Westerners call bribery form part of accepted business practices. These 
unskilled negotiators do not understand the three linked traditions which explain the cultural significance 
of payoffs in underdeveloped nations: (1) the inner circle, (2) preserving the system of future favors, and (3)
gift exchange. Fadiman (1986), Heiba (1986), Lamont (1987), and an unidentified author in *Trips* magazine (1988) discuss other aspects of bribery. Let us now discuss these three linked traditions:

Cultures which are more communal seem to have a greater need to divide society into those who belong to the *inner circle* (those with whom they have active business dealings) and those who belong to the *outer circle* (strangers, aliens). Such communities restrict their social and commercial dealings to members only of the inner circle, because they prefer to deal only with those they know. For example, a member of the inner circle may be asked to hire workers only from a particular clan in exchange for dependable labor.

Members of the *inner circle* enliven their relationships through an exchange of *favors*. Japanese call this *giri*, or inner duty; Kenyans call this *uthoni*, or inner relationship; Filipinos call this *loob*, or inner debt. And there are many other terms for this in other nations. Under this system, it is assumed that any person who is under obligation to another person or group has the duty to repay the favor at some time in the future. In the process of repaying the debt, of course, the person paid for the favor now becomes the debtor. A lifelong cycle of obligatory relationships has thus been formed.

People from non-Western nations often value long-term personal relationships in business more than the material *gift exchange* itself. They use gifts to express both their affection and willingness to maintain the business relationship indefinitely. Their logic is this: Gifts are an appropriate way of creating social ties and obligations with impersonal Westerners who in gatherings generally talk only about business. Therefore, it is necessary to instill in the Westerner a sense of obligation, if trust is to be cultivated in the relationship.

Skilled international negotiators understand these three traditions. They work better within the inner circle of non-Western business colleagues and participate actively in the exchange of favors and gifts. As a result, their firms are usually given preferential treatment in the market; they gain access to an otherwise clandestine network of business contacts and intermediaries; and they become more trusted by the members of the local culture as they reinforce their contractual obligations.

**Intuitive Sensitivity**

Ideal international negotiators have a keen intuitive sensitivity in intercultural situations and are able to empathize with “The Other Side” [TOS], and to anticipate and respond appropriately to TOS’ emotional and social needs, even when TOS has a hard time expressing them. For example, Asians place great importance on preserving smooth interpersonal relations and the appearance of harmony. They observe their society’s standards of right and wrong, rather than their own internal values. To Asians, making the appearance of conforming to society’s standards is very much the basis of their personal worth, so they invest a lot more personally in preserving acceptable appearances than do Westerners. And they judge TOS more on the basis of their actions rather than on their words. Skilled international negotiators behave appropriately in Asia – they never criticize TOS in public or try to force and answer out of them when the time is not right. They allow extra time for business meetings and avoid giving the impression that they are in a hurry. They do not rush about, because they know this leaves the impression that TOS is unimportant. Knowing how important it is not to lose face, they will hesitate to make those concessions which will result in their losing face. They will let TOS take the lead in determining procedures, not only to give them a sense of importance, but also to understand and conform to the local ways of doing things. In Latin America, for example, they will open business meetings by discussing family matters important to TOS before getting down to shop talk. (Skilled negotiators would never do this, of course, in such traditional Arab nations such as Saudi Arabia.) And in Europe, they will avoid using data that emphasize how the productivity of Europeans is lagging behind that of their own nation – if that, indeed, is the case.

**Agile Communicator**

Ideal international negotiators can communicate and relate effectively with TOS because they are keen observers of the subtle communication clues in TOS’s verbal and non-verbal behavior. Their verbal skills are important – they have the ability to use suitable language to summarize and test their understanding of what TOS has said. They know, for instance, that the flat tones of the British make many people think
people in the UK are bored or sarcastic – but this may not be true. They know that when Arabs speak English, they often sound as if they are shouting – but exaggeration and over-assertion is the natural way Arabs express themselves. And they see to it that they themselves use the appropriate pitch, loudness, tone, speed, and rhythm associated with their intended meaning. Finally, they do not hesitate to use good interpreters – not the kind Jimmy Carter brought with him to Poland in the late 1970s. The interpreter was so incompetent, he translated Carter’s remarks that he liked the Polish people by saying that, “Carter lusted after Polish women”.

They are also sensitive to and sharp observers of non-verbal communication, or body language. See, for example, Mehrabian (1968) and Hendon and Hendon (1990). International negotiators who understand body language have a great advantage over those who do not, because non-verbal behavior is the most natural way humans have of expressing their spontaneous and true reactions. Several research studies have shown that people tend to believe non-verbal behavior more than the verbal content of a message. For example, Americans are more informal in their business meetings. They believe that a relaxed atmosphere is more conducive to effective communication, so when they deal with other Americans, they slouch, put their hands behind their heads in a flying elbows position, and sometimes even rest their feet on top of their desks. However, skilled American international negotiators do not do this when dealing with Asians and northern Europeans, because they know these two cultural groups regard such behavior as rude and unpolished. These skilled American negotiators recognize their responsibility of changing their own behavior when abroad, if TOS prefers to stick to their own way of behaving. For example, when in Mexico, they give TOS the respect, deference, and social distance that Mexicans show they are seeking through their authoritarian mode and macho behavior.

**Personal Stability**

Ideal international negotiators have personal stability, a sense of inner security, and the ability to handle stress on the job. It is usually more stressful to negotiate with foreigners than to negotiate with your fellow countrymen/women. Skilled international negotiators are so secure within themselves that they do not have a great need to be liked by others. They know that wanting to be liked makes them want to “give away the store” just to see TOS smile! They guard against the tendency to be over-solicitous to foreigners in order to gain their goodwill, because they know that some foreigners will try to take advantage of this. For example, Chinese have tried to exert pressure on the British by creating guilt feelings. They have done this by reminding the UK negotiators of past British policies that promoted the so-called mistreatment of China. Finally, they roll with the punches when they are the targets of the prejudice and negative behavior of TOS. For example, some British executives have seemed at times to consider themselves superior to Australians, while the latter, naturally resenting this attitude sometimes call the British “pommy bastards.” (“Pommy” stands for Prisoners of Mother England. P.O.M.E. was stenciled on the belongings of convicts sent to Australia when it was a penal colony of Great Britain many years ago.) Skilled British negotiators take the terms “pommy” and even “pommy bastard” with a grain of salt.

**Good Taste Humor**

Ideal international negotiators use humor with good taste and discretion to break the ice and enhance the pleasant ambiance of business negotiations. It is a rare pleasure indeed to be able to indulge in humor with one’s foreign counterparts, considering the complexity of the cultural differences involved. Japanese humor, for example, which is based on word plays and “twitting” at tradition, is not easily appreciated by foreigners. On the other hand, the Japanese do not find Western humor based on irony particularly funny either. Some business executives have learned that when attempting humor in Japan, they should pref ace their statements with appropriate warnings such as “Joke is coming. Here it is.” – simply to help out their audience. Others have suggested trying jokes without words through antics like card tricks.

**Tolerance**

Ideal international negotiators can tolerate ambiguity and are patient with TOS, even under situations of great pressure. Many Westerners perceive Orientals as inscrutable. Part of the challenge facing Westerners who negotiate with Asians is the latter’s unexplored potential for verbalizing and expressing thoughts and feelings. Societal constraints, such as the rules governing saving face and the authoritarian tenor of some
cultures like China’s Confucian tradition have held them back. To be more specific, many American negotiations for whom we have served as consultants have reported to us that Chinese hold their cards close to their chest and refuse to reveal their own needs and objectives, even after much time has been spent breaking the ice. Without any guidelines about what the Chinese really need, foreign negotiators are really navigating in the dark and are less effective in their proposals. Pye (1992) reports the same finding. But skilled international negotiators persist through ambiguous situations and wait patiently until TOS are willing to share vital information. Skillful negotiators know TOS will not reveal this information until TOS are convinced that their counterpart has earned the right to know TOS’s real needs. These skilled negotiators also exercise deliberate patience, especially as they await final decisions by the different parties involved in the negotiations. They are prudent enough to build a good deal of extra time into their schedules to allow for bureaucratic delays, procrastination, and extra-thorough deliberations by TOS.

**Networking**

They get involved with TOS’s organization, actively seeking allies and extending their network of influence throughout TOS’s company. Unskilled international negotiators miss a lot of other business opportunities because they fail to reach out, extend, and cement their initial relationships. They erroneously believe that the momentum obtained from the signed contract will carry them through to winning future contracts. For example, McCaffrey and Hafner (1985) reported that an American engineering firm signed a one-year operating and maintenance contract in Asia. Because the technology they introduced was so superior, they thought this alone was enough to build a foundation for a long-term relationship. However, members of TOS were highly dissatisfied with what they perceived to be unfriendly, impersonal, and arrogant behavior on the part of the Americans. Keeping these feelings to themselves, they made overtures to other engineering firms about future contract work, and the American firm eventually lost out to another foreign bidder.

The lesson to be learned from this is: Effective international negotiators nurture their interpersonal relationships at all times, taking nothing for granted. They realize the value of spending extra time exchanging social pleasantries, feedback, and loyalties. They study the power network of both the firm and the community and create gestures of goodwill to penetrate these networks. They pay the price of what it takes to be socially accepted and rewarded in that community.

**Conclusion**

International business negotiating is a skill that takes many years to learn. It takes even longer to become skillful at cross-cultural or international negotiating because of the extra layer of cultural differences involved. Americans, probably more than most nationalities, have the longest path to take in order to become skilled at international negotiating.

**References**


