

The Importance of Culture and Bargaining in International Negotiations

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During the course of my contracting professional life, I served more than twenty years in overseas assignments. I had the opportunity to visit more than 40 countries on five continents. Though the predominant international commercial language is English, and the universally accepted currency is the U. S. dollar, the bargaining process and cultural awareness of a given country have a profound impact on success or failure on negotiations and business arrangements.

Most negotiations focus on terms, conditions, and prices in order for the parties to mutually agree to form a contract. The American culture often doesn't embrace the need to create a larger environment for trade offs in order to come to an agreement. Our considerations are often limited to cost or price and are fact-based, either on data provided or an audit. In international discussions and negotiations, the culture often requires that additional non-price trade-offs are included in the negotiations. Frequently

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in a foreign culture, extensive bargaining must occur as a matter of course in order to save face, and this extensive bargaining can be leveraged to get a better overall deal or to get more bang for the buck.

The Importance of Bargaining

When I was a Navy contracting officer assigned in Naples, Italy, a severely storm-damaged destroyer required extensive repairs. The ship was directed to Greece where the repairs would be done under a non-competitive contract. During the repair period of three weeks, further critical damage was discovered and needed to be fixed. It was the end of the fiscal year, and no additional funds were available. For the safety of the ship, the work could not be canceled or delayed. A fair and reasonable amount for the newly identified repairs was \$40,000. I had only \$15,000.

The contractor, a large shipyard in Greece, displayed in its boardroom the plaques of some 60 U.S. Navy ships that had been repaired in its yard. The company's glossy brochure featured photographs of the Navy plaques on its cover. Because of political differences with Greece at the time, no ship repairs had been done in more than two years. Realizing the political and public relations value the current repair could have to the company, I decided to leverage the intangible value of a ship's plaque against my \$25,000 shortfall. The ship's crew had the capability to manufacture a plaque. I met with the skipper to inform him of my negotiation strategy.

The ship yard did first-class work, and the ship's commanding officer agreed to write a letter of appreciation on the ship's letterhead. The work was completed on time at the reduced price, and we avoided the additional \$25,000 cost of the repairs. The shipyard hosted a presentation ceremony, including photographs. The brochure produced by the company for the next year prominently displayed the plaque, letter of appreciation, and a photo of the presentation. The use of bargaining saved the Navy \$25,000 and was worth the amount, in kind, to the shipyard.

Where Culture Comes in

Bargaining is most impacted by the culture in the overseas country. To prepare properly, the negotiator must have an awareness of how information is assimilated, history, concept of time, customs and practices, behavioral taboos, and geography of the given country.

Assimilation of Information

First of all, the negotiator must appreciate how information presented is received, absorbed, digested, calculated, and summarized. Most Europeans think in a linear fashion, like Americans. We go from point A to point B, to point C, and so on, until we reach a conclusion based on a logical progression. Many other cultures, especially Mid-

dle Eastern, Asian, and African countries think in a circular pattern, with the additional bits of information rolled into the next concept. Both parties may reach the same conclusions; however, the amount of time taken, the thought processes, and the rituals associated with ensuing discussions are significantly different.

Perception of Time

In cultures other than our own, people's perception of time is linked with their view of history. Chinese and Russian cultures, for example, think in terms of centuries, not years, and history is a continuum. There's usually not a sense of urgency unless there's a life-threatening situation. On the other hand, the tendency of Americans is to be very time-conscious. Time is considered a precious commodity; time lost is viewed as an opportunity lost. Americans often arrive in advance of a scheduled meeting. Conversely, other cultures may consider that time is relative to other commitments and appointments, not an hour and minute on the clock. Punctuality is often not considered a virtue, and many cultures consider individuals who are preoccupied with timeliness to be impulsive or impertinent.

Meeting Rituals

Different cultures have different views of proper negotiation form. A society may consider local custom, culture, and business practices inextricably linked. It's often the perception that in many overseas business meetings, nothing "productive" occurs during the first scheduled appointment—just introductions, pleasantries, and exchange of business cards.

The importance of (in particular) the business card ritual as the prelude to a meeting cannot be over emphasized. It is recommended that the business card be printed on both sides. One side should be in English and the other in the host nation language. Titles are very important, since many cultures are position- or rank-conscious. The business card should be kept in a small container in the breast pocket of the shirt or suit coat, not in a wallet in the pants pocket. This creates the impression that the person carrying the card considers the other person important enough to make a presentation from the heart. Most countries have a ritual associated with the presentation of the card. For example in Asia, the card is held with both hands and the person presenting gently nods his/her head. When you receive the card, take a minute or so to study it. If you immediately place the card in your pocket, you may create an impression that your counterpart is inferior.

Overseas meetings can run the gamut from very informal to highly structured, depending on the location and the familiarity between the parties. Meetings are often accompanied with large amounts of tea, coffee, local beverages, and often food. If one keeps drinking, the host

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will keep pouring. Once the guest has had sufficient refreshment, the cup should be left full. The guest should not attempt to cover the cup when the beverage is poured, since that action implies the offering is lacking in taste or not fresh. Get used to tobacco smoke during an international meeting. Many countries don't have the prohibitions against smoking that are enforced in the United States.

Don't anticipate that final agreement will be reached in one or two meetings. The initial meeting is often social, and it may not be until the second meeting that topics or business areas of interest are introduced. In some countries, business is discussed over lunch, and the lunch meeting may drift into a dinner meeting when the parties get into more details. In other countries, business is never discussed over meals. The final meeting to consummate the agreement is usually in an office setting, and there is often a separate session scheduled for the actual signing of the contract, which is usually followed by an exchange of gifts and the taking of photographs.

Local Etiquette

As final notes on cultural and ethnic awareness, inform yourself of social taboos, acceptable gestures, and use of words in the country—or even the part of the country—where you will be negotiating. Our sign for "OK," for example, has an entirely different meaning in other parts of the world. Sometimes the written word is the safest for common understanding within a given country. In the People's Republic of China, for instance, where there are many distinct dialects, a word spoken in one region's dialect may have an entirely different meaning in the dialect of another part of the country. The written symbols, however, are universally understood.

Language

A major consideration is that your foreign counterpart know English as a second or third language. Even so, allow your foreign counterpart time to comprehend and assimilate the English language. Avoid American slang, business and military jargon, acronym-speak, and extremely colloquial expressions. They often have a short shelf life and confuse the listener. It is very difficult to explain slang phrases like "What's up with that?" or "My

bad!” Jargon expressions like “hit the ground running” or “pushing the envelope” are likely to mean nothing to many non-native English speakers. And remember that since acronyms universally understood within the Department of Defense aren’t comprehensible even to most non-DoD Americans, foreigners certainly won’t understand them.

Advance preparation with regard to knowledge of the culture, customs, and language of a given country cannot be stressed enough. The Department of State is a source of literature on aspects of culture and customs in different countries. Another excellent resource is *Do’s and Taboos around the World*, published by the Parker Pen Company and edited by Roger E. Axtell, who has authored several books on the subjects of do’s and taboos of international trade, hosting international visitors, public speaking, and body language.

Creative Negotiations Make for a Win-Win Situation

Once the cultural aspects of negotiations have been considered, the next concept is bargaining, which provides the parties with an opportunity for a win-win situation in negotiations. Trade-offs made in lieu of prices or cost considerations need to be part of the negotiation strategy. To illustrate, I will use a personal bargaining experience.

I was the technical director for contracting and procurement for an office in Singapore that supported the Joint Task Force for Full Accounting (JTF-FA) program in Vietnam, Cambodia, and Laos. The JTF-FA mission was to locate the remains of missing in action (MIA) pilots, airmen, and soldiers. The contractor was affiliated with the Vietnamese Air Force and had completed two contracts. The program had been in existence before the United States and the People’s Socialist Republic of Vietnam had diplomatic relations.

As a result of budgetary cutbacks and the diminishing number of likely sites for the MIA remains, the program funding was cut by approximately 20 percent, or more than \$5,000,000, over the period of the contract. Our dilemma was compounded by the fact that the contractor had been encouraged by the program manager (PM) to buy newer, larger-capacity helicopters, replacing the Soviet MI 8 with the MI 17 model. The newer helicopters were more expensive to maintain than the older model. The two previous contracts had contained a requirement that one helicopter be available on a 24/7 schedule to extract our personnel in the event of civil unrest. Since diplomatic relations had been formalized with Vietnam, that requirement would not be included in the next contract. The Vietnamese relied on the payment in U.S. dollars since the helicopters and their parts were purchased from the Russians with U.S. dollars. The Vietnamese dong currency had no international standard to leverage overseas

buying. All other imports were paid in dollars, especially fuel and lubricants. Our team knew that the negotiations would be extremely delicate as compared to previous negotiations because the reduction in the price of the next contract—the result of no standby helicopter and fewer missions—would be unpalatable to the contractor.

We needed to employ a unique, creative strategy for the impending negotiations. I met with the PM in Bangkok to discuss and implement a plan for negotiations. The strategy would include educating the Vietnamese contractor to understand and use capitalist approaches and Western business practices. The previous contracts were priced per mission, based on continuous use of two helicopters, as indicated above. Because most of the sites as likely areas for MIA remains had been identified, we could determine with certitude the exact number of missions required per year. Each mission lasted between 30 and 45 days. The JTF support personnel to assist in the searches were available for six-week periods, and the PM could identify the specific dates for each mission. We worked closely with the customer to identify the exact requirements. We structured the pricing section of the solicitation like a menu in a restaurant. Cost of aircraft operation per hour, fuel, maintenance, standby, and other price elements were specifically covered in the proposed contract.

During our negotiations, we stressed with the Vietnamese contractor that we encouraged use of the helicopters when there was no scheduled search mission. We suggested they contact oil exploration and mining companies that might be interested in using their helicopters, and we gave the contractor the names of companies and points of contact. Although the Vietnamese firm would receive a contract worth \$5 million dollars less than the previous contracts, the opportunity for greater revenue was significantly increased. As further incentive, we suggested that their team come to Singapore for a formal contract-signing ceremony, and eight corporate officials did so. We scheduled a formal luncheon with photo opportunities for the attendees. The ceremony was a great success and was repeated when each option on the contract was exercised.

In conclusion, the importance of understanding culture, history, language, bargaining, and business practices in foreign negotiations cannot be overstated. Advance preparation and awareness of the differences in the non-American environment will lead to success and a win-win outcome for all parties.

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