The National

A deal lost on a firm handshake

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Brokering a business deal is often a series of chess-like moves, but sometimes an unintentional, unknowing gesture can lose the game.

In this globalised economy, business is often conducted between companies on opposite sides of the world and between countries with vastly different cultures. And a misinterpreted turn of phrase, or even a handshake that is too firm, can cost a contract.

“Many deals probably fail because of that, without being aware that is what is failing the deal,” says Horacio Falcao, a negotiations professor at INSEAD’s Asia campus in Singapore. “It was the unintended message.”

For example, he says, in North America or his native Brazil, a firm handshake signals commitment. However, in some Asian countries it can be interpreted as intimidation.

“Communication is an imperfect mechanism and with that imperfection we tend to fill in the gaps.”

Once the domain of jet-setting executives in far-flung outposts, cultural sensitivity training is now becoming important for those at headquarters too, says Martha Maznevski, a professor of organisational behaviour and international management at IMD business school in Switzerland.

“A lot more managers are working in cross-cultural situations but never leave home,” says Prof Falcao, who adds that those situations can foster the “trap of globalisation”.

“You start speaking English, everyone seems to have gone to the same business schools, suddenly everyone starts thinking that they all think the same,” he says. “Well, that’s not true either.”

Beyond making the surface-level faux pas, deeper cultural differences, such as how people see the world, affect how they make decisions.

“If you start seeing everyone like yourself because the world is globalised and we wear the same Armani suits and everything else, then it becomes very dangerous that we assume too much that the other one is like us and not be as careful,” he says.

Executives working in the GCC should bear in mind two key cultural characteristics in the region – a preference for hierarchy and collectivism.

For example, businesses based in the Gulf will usually send the most senior person to broker a deal to signal how important the issue is to them, Prof Maznevski says. In contrast, countries with a lower preference for hierarchy, such as the US or the UK, will send the worker with the most knowledge about the geographical area or topic.

“The challenge is that the person will make assumptions about the importance of the deal to the other party by the hierarchy of the people they’re sending. The person from UAE thinks ‘hey, this is not so important to the supplier because they would have sent someone important to negotiate with instead of this junior kid’.”

Gulf cultures also take a more collectivist view and tend to be less adversarial. “We do this because we are in this together and we are going to negotiate for something that helps us both in the long term,” Prof Maznevski says.

Putting in the time and effort to build relationships is fundamental in the Middle East, says Allyson Stewart-Allen, the director of International Marketing Partners, a cross-cultural consulting firm, and the co-author of the book Working With Americans.

“The US, more than western Europe, is very transactional in our business approach, where in the Middle East it is all about relationships with people. That’s how you win business.”

Sometimes cultural preferences can be used as a negotiating tactic as well. Western businesses tend to operate on short time frames and companies for which time is less of an issue can manipulate the situation, Prof Maznevski says.

“They know that the guy from the US or Canada or the UK is on a short-term time frame and needs to get back soon with a deal,” she says. “And so they hold out and use it to their best advantage, which is smart.”

Prof Maznevski adds that companies from different backgrounds may have different goals, but those can still compliment each other.

“Often it’s possible to build win-win situations because we want different things,” she says. “Within cultures, we are more likely to want the same thing.”

She warns against blaming culture for failure. “It’s never only culture,” she says. “But culture can lead up to problems that are not related to culture and how you solve them should also take culture into account.”

In the meantime, Prof Falcao cautions that culture differences can be subtle and all the training in the world cannot prepare executives for every nuance.

“The general rule is to be as open and transparent about your intentions as you can,” he says.

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