



Cross-cultural negotiations: avoiding the pitfalls

When entering into negotiations, we should always take into account cultural factors such as the educational or religious background of the person sitting across the table, but, says INSEAD professor Horacio Falcao, many people both underestimate and overestimate the cross-cultural aspects.

That’s something of a paradox, says Falcao, Affiliate Professor of Decision Sciences. In terms of underestimating cross-cultural factors, “People come to me normally and ask ‘how do I negotiate with the Chinese? And I would say which Chinese exactly do they want to talk to? Do you want to talk to the Chinese from Beijing or in Shanghai? The one who came from the countryside and moved to the city, or the one who was born and raised in the city?’”

“There are so many Chinese ... that it becomes really hard because they all have what? Different cultures beyond just being Chinese and that’s the underestimation (part).”

“People tend to only look at national culture when they go into international negotiations ... but there is also educational culture, race culture, gender culture, a religious culture. All of these also impact the way people behave and they are all ‘cross cultural,’ which means that we’re underestimating the role of culture because we are only looking at the national one; but as negotiators, we need to try to understand all the others.”

This is because these cultural factors will help “us understand how the other person thinks and

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communicates, and therefore (we’ll) be able to negotiate and persuade that person better,” Falcao says.

On the other hand, if the person across the table comes from a similar background, we can also fall into the trap of making incorrect assumptions. “Why? Because with that second person, we might feel we are so alike, that we make so many assumptions that we should know and understand (each) other that we are going to run of the risk of over-estimating that proximity.”

When negotiating with “someone I see is so different from me, I am going to be so extra careful through the negotiations ... that I would actually run less of that risk.”

Falcao says we should regard every negotiation as a ‘cross-cultural exercise,’ adding that communication – the process in which people deal with each other – is a very important dimension in which rituals have a major impact.

“In Japan, you don’t say no directly,” he says, “you have to find a more indirect way to let the other person know and understand that you don’t want to do something.”

Training or coaching can help negotiators avoid some of the pitfalls. Falcao says he “would much rather have someone from the country (of the other side in the negotiations) help me understand what normally goes on, especially someone who has bi-national experience – someone who has lived in the country that you’re going to ... so they can do the translation as accurately as possible.”

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In terms of tactics, he advises a strategy of exploration, preparation and adjustment. “I start with the assumption maybe, of at the very ‘get-go’, of zero: I don’t know. And why does that help me? That helps me to approach you from a learning prospective; I’ll start to try to learn as fast as I can about you to know if you’re friend or foe.”

That said, it can be wrong to assume the person across the table has to be either friend or foe. “The individual in front of you might be neither, or might be both, depending on how you approach them. If I already approach them as foe, they will reciprocate, if I approach them as friend, they might reciprocate as well.”

“So you need to really understand that one person there,” he says. You have to figure out how much you need to adjust or adapt to the person across the negotiating table. “In terms of negotiations, there are only two cultures: the competitive culture and a collaborative culture, friend or foe in a way.”

“We try to build a system that works for both of us,” he adds. “That might take time, but if you are talking about a long-term relationship, or a big value-creation exercise, or something that just matters a lot, then that’s the right way to do it. It might be a little harder, it might take a little bit more time, but you run much less risks and you are much more certain to be successful.”

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