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Smooth Operator

Learning negotiating tips for different cultures is essential for dealing in Asean, but be careful not to stereotype.

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By being tagged a lower-cost operating centre, Southeast Asia has drawn an influx of multinational corporate investment as these firms have strong financials and negotiating power.



Though the Asean Economic Community scheduled to take effect in December 2015 is supposed to make doing business within the region even easier, negotiations could be more challenging than ever.

Encountering cross-cultural differences is common when negotiating in the region. There are several cultures and ethnicities with deeply rooted customs and ingrained ideas that influence mindsets and behaviours.

Negotiators have to be mindful of the other party's cultural customs and practices lest they offend the other side.

"In Asia it is about who you know, not what you know," said Vilaiporn Taweelappontong, a consulting lead partner at PwC Consulting (Thailand) who has been working closely with a variety of international clients.

"People are personal in this part of the world. Understanding the person's background can be very helpful because it is important to know who we do business with and who to connect with," she added. "Taking a Western approach such as using facts and being straightforward is not going to work."

Ms Vilaiporn said politeness and high respect for seniority and social status must be maintained at all times during negotiations or other business dealings. Southeast Asians, unlike Americans or Europeans, are not too assertive. Most regularly avoid confrontation, though Singaporeans are deemed to be the most direct, Westernised and results-oriented.

Asean Farang

The Philippines is another country with a distinctive cultural history rather different from the rest of Asean. Asst Prof Pavida Pananond from Thammasat University Business School sees the Philippines as the "farang" of Asean.

"Filipinos are different in terms of their cultural history from other countries because it was colonised by Spain first and then the Americans," she said, adding Filipinos have adopted Westernised traits and speak better English than other countries in Asean.

On the other hand, Ms Vilaiporn said Filipinos are similar to Thais and regional nationalities in terms of deference to seniority and conflict avoidance.

"It is very important to be polite and respectful, and try not to be too aggressive and read between the lines, yearning to understand what 'yes' really means in the conversation," she said.

"Filipinos rarely answer direct questions. Yes could mean something else, such as 'I agree with you', 'I will agree with you' or 'I don't agree with you'."

She added Filipino culture puts a strong emphasis on written commitment. When reaching a consensus from a verbal conversation, an agreement must be made later in written format.

Ms Vilaiporn said despite the Philippines being colonised a couple times, some parts of their culture have remained, such as the way they are raised and educated.

"It helps for negotiators to try and understand where the other party is coming from to gain an insight into their behaviour," said Ms Pavida.

"For example, Muslims consider it rude if you use your index finger to point at things, so they use their thumbs. By knowing this kind of cultural difference, it will endear you to the people you are dealing with."

Muslim-majority countries such as Malaysia, Brunei and Indonesia are very sensitive to religious issues due to certain Islamic principles of sharia law. The law governs nearly all aspects of Muslim life and imposes certain restrictions on finance and investments namely, riba and haraam.

The Islamic Investment Network's website equates riba with interest payments in conventional banking, which are considered impermissible. Haraam prohibits Muslim businesses to invest in anything considered unlawful, such as pork, alcohol, tobacco, pornography, prostitution, gambling, weaponry and some forms of Western entertainment.

"When meeting with Muslims clients, we ask Muslim colleagues to tag along to the meeting to ensure we follow the right cultural procedures," said Ms Vilaiporn. "Really do your homework when dealing with Muslims."

In addition, Ms Pavida added Muslims have certain dietary restrictions, like abstaining from pork, and it is good to know these rules before meeting to show appreciation of their culture.

"The whole purpose of cross-cultural management is to make people understand not everyone comes from the same culture," she said.

Thai investment bankers used to dealing with varying Asean cultures suggested Thai companies acquire different skill sets before expanding abroad. Negotiating with a Singaporean would be very different than with someone from Thailand or Myanmar.

"The best way to deal with Singaporeans is to be straightforward and give them lots of factual data, in order to convince them it's a good deal," said a senior corporate banker with a leading financial institution who asked to remain anonymous.

"Dealing with Singaporeans requires less skill and less game-playing," he said.

"You have to have a clear framework for rules, legal requirements and contracts. Singaporeans are level-headed, but not as aggressive as those from European countries. They do not overpay for assets because they are value-oriented and price-sensitive."

Hopefully this kind of knowledge can make negotiators better dealers. But there is a risk to intensely focusing on only national culture or religion.

"The danger is stereotyping people from a country, because people everywhere still have different characteristics," said Ms Pavida.

Looking wider

Though Asians share some cultural and religious roots, even within Southeast Asia there are immensely distinctive behaviours and traditions. Business negotiation is more complicated than worrying about not embarrassing the other party.

"We should consider the wider context and not just the national characteristics. It's a lot more complicated than attaching a certain nationality with certain traits," said David Lim, chief motivation officer and negotiation coach at Everest Motivation Team in Singapore.

"Let's say you are negotiating with somebody from Indonesia who was educated in the US and worked with a multinational company for years. He has a nationality and certain cultural traits may be present, but you should pay attention to the bigger picture if you want to close the deal."

Preparing for a negotiation session can be time-consuming and require lots of effort. Mr Lim said researching the other negotiator is important, but in Asia it's difficult to get reliable information because often the negotiator is not the one making the final decision.

"Rather than looking at nationalities, look at more influential factors such as whether it is a direct or indirect culture, whether the other party is from a more communitarian or individualistic culture, or whether they come from a quick-time or slow-time culture," he said.

Quick-time cultures are results-oriented societies such as Hong Kong and Singapore, where risk is not accepted and decisions are made fast. Slow-time cultures are more community-based and take longer to decide and negotiate.