

CROSS-CULTURAL NEGOTIATION

What does it mean when people say they “negotiate”? Does “negotiate” have the same meaning all over the world? Do all cultures view negotiation similarly? Generally, negotiation is a joint decision-making process by which parties try to arrive at a mutually favorable and acceptable agreement on matters of a shared interest. Negotiations take place in a variety of contexts, from simple bargaining in a marketplace to the complex process of negotiating peace between two countries.

According to Christopher Moore and Peter Woodrow, individual cultures can look at negotiations differently. An interaction that is straightforward in the context of one culture can quickly become conflicting because of intercultural misinterpretation. A lack of knowledge and unrealistic cultural expectations can hinder effective cross-cultural negotiation. Even if two groups speak the same language and wear similar clothing, one should not assume that they share similar viewpoints. In cross-cultural negotiations, groups cannot only differ in physical features, language, and business protocol, but they may also differ in the way they perceive the world.

Preparation for Cross-cultural Negotiation

Understanding the culture prior to negotiating is key to successful negotiations. Different communication styles between countries can impede cross-cultural negotiations. A business professional can prepare for cross-cultural negotiations by studying the foreign country’s cultural context through Geert Hofstede and Edward Hall’s concepts. Along with communication styles, Hofstede and Hall cover the following cultural variables that can hinder successful business negotiations:

- Greetings
- Negotiating Styles
- Attitudes Regarding Time
- Meanings of Numbers
- Gift-Giving Customs
- Significance of Gestures

An understanding of the other party’s cultural variables will assist business professionals in avoiding cross-cultural pitfalls, like shaking hands instead of bowing or scheduling a meeting on a date considered unlucky to the other party. Preparation is the key to success. We hope this manual will provide American business professionals with valuable information, leading to successful cross-cultural negotiations.

Negotiating in Switzerland

SWISS BACKGROUND

Switzerland, also known as the Swiss Confederation, is one of the most competitive economies in the world because of its economic and political stability. Switzerland is also one of the top ten wealthiest countries in the world, enjoying one of the highest GDP per capita. According to *Forbes*, Switzerland is a top country in the world for international business, ranking ninth in its “Best Countries for Business” list. Switzerland’s economy includes a highly accomplished and extremely skilled labor force that benefits from low unemployment.

Switzerland's major industries are machinery, chemicals, watches, textiles, and precision instruments. While limited in raw materials, Switzerland produces high-value added exports by fabricating raw material imports, and they have the world's highest manufacturing economy. As an example of their export acumen, Switzerland exports 85% of their pharmaceuticals and 95% of their Swiss watches and is the leading insurance exporter in Europe. Figure 6.1 shows how half of the Swiss population is employed in the highly developed service sector, which includes financial, insurance, pharmaceuticals, and tourism. The machine and metal industry employs 40% of the population and the agriculture sector employs 10% of the population.

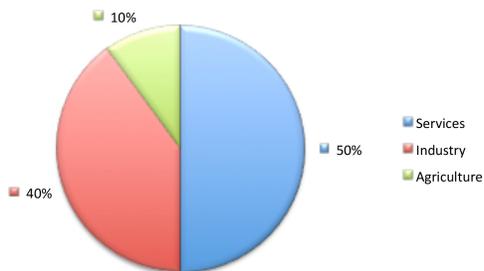


Figure 6.1 - Employment sector distribution

Swiss Cultural Background

Swiss businesspeople are experienced intercultural communicators because of Switzerland's immense cultural diversity as Figure 6.2 shows. Switzerland is landlocked with several major European countries that strongly influence the country's languages and cultural practices. Switzerland has four official languages, and the population includes the German Swiss majority, French and Italian Swiss minorities, and smaller groups of indigenous Romansh, as well as a number of immigrant cultures. Furthermore, many of the Swiss speak English, along with two additional languages.

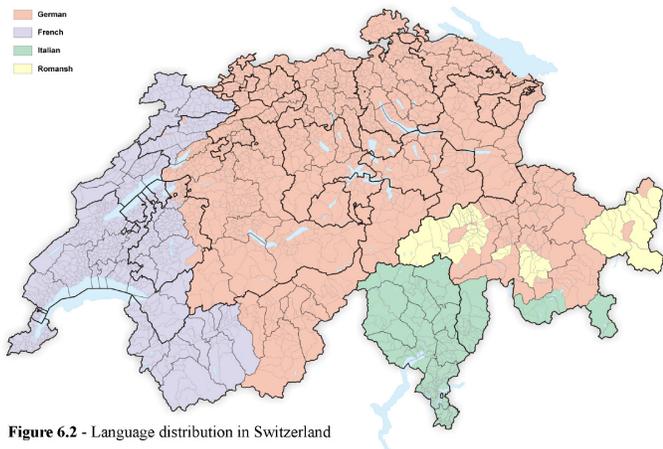


Figure 6.2 - Language distribution in Switzerland

In business dealings, an awareness of a regions' and/or cantons' (sovereign state) cultural influence can dictate the communication style in negotiations. The Swiss are proud of their multi-cultural country. In fact, the Swiss can be ethnocentric and cautious about outside foreign influences, especially in areas outside of the country's primary international business centers of Zurich or Geneva. It is important to be aware of this attitude because it can affect your business negotiations.

The political climate of Switzerland also influences the communication and business style of the Swiss people. Lars Feld and Gerhard Kirchgässner argue, in their research on Switzerland's economy, that direct democracy (the only one in the world) affects Swiss culture and communication style. Switzerland's direct democracy political culture incentivizes its citizen's into gathering all pertinent information before making decisions, thus empowering them with a say in the decision-making process. This political culture bleeds into the business culture, where information and the opinions of everyone involved in a negotiation are considered

and consensus is the goal.

THE SWISS NEGOTIATOR

One of the primary rules in negotiating is to “prepare, prepare, prepare.” Cultural context influences business relations and communications, and it is helpful to prepare for negotiations by learning Swiss cultural behavior.

Hofstede’s Cultural Dimension

Hofstede’s Four Dimensions of Cultural Variability can help business professionals understand cultural differences between Swiss and American societies. Although Switzerland and the U.S. score similarly on the Hofstede scale (Figure 6.3), the differences warrant a brief overview of the Swiss negotiator. Keep in mind that Hofstede analyzes Switzerland as one overall country, without considering the German, French, and Italian regional influences. In addition, considering the cultural influence from surrounding border countries can help you avoid breaking cultural protocol.

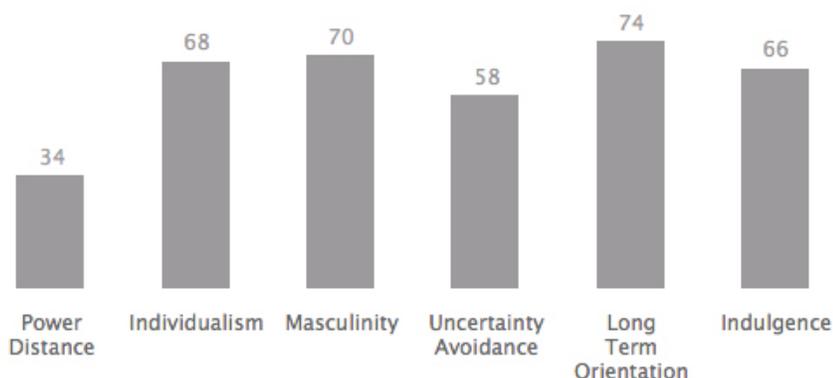


Figure 6.3 - Hofstede’s cultural dimensions: Switzerland

The Swiss desire for security (they are risk averse) and low power distance leads to a hierarchical and consensus social structure. However, in most Swiss organizations and businesses, there is a strong sense of hierarchy with a tendency towards a top-down management style. The German Swiss appreciate independence and equality more than the French Swiss do. The French Swiss believe everyone has their proper place, so hierarchy is welcome and challenging leadership is unpopular. Switzerland is a success-oriented culture, and this trait is more noticeable in the German-speaking parts of the country.

Cultural Context

Switzerland is a low-context culture that focuses on words to convey meaning and messages are literal. According to Edward T. Hall’s research, the German Swiss have the most direct communication style and the French Swiss are less direct. Because the overall Swiss communication style is more direct, non-confrontational, and unemotional, all of the Swiss cultures are likely to reach thoughtful, well-considered, and fair decisions.

Switzerland is a monochronic society, and time is a precious commodity. As task-orientated businesspeople, the Swiss do not like to waste time. In a country of watchmakers, being a few minutes late is a poor reflection on a business professional’s value. Punctuality is of utmost importance, as well as diligently adhering to deadlines and timetables.

NEGOTIATION STRATEGIES

Negotiating in Switzerland is similar to negotiations in the United States; conversations are generally impersonal, brisk, orderly, planned, and task-oriented. It is important to be well prepared for a business meeting in Switzerland. The Swiss divide their time efficiently. The Swiss tend to be calm and use non-aggressive arguments, and they prefer empirical evidence and facts as a means of persuasion. Negotiation is a problem-solving process that leads to an acceptable agreement between all parties. The Swiss follow the win-

win concept of negotiating and prefer to come to a consensus in negotiation decisions. Trust and respect are extremely important to the Swiss businessperson. To negotiate effectively with the Swiss, you must possess the following traits:

- Patience
- Thoroughness
- Preparedness
- Straightforwardness
- Punctuality
- Efficiency
- Calmness
- Non-aggressive

Business Conversation

The German Swiss prefer to get straight down to business. The French and Italian Swiss spend more time conversing and enjoy small talk about their country's beauty, football (soccer), and skiing. The Swiss are extremely private people and do not like to share personal information until a relationship is firmly established. The Swiss are very earnest and sober people, and you should avoid using humor and jokes when negotiating because it may be perceived as mockery. It is extremely important that you avoid interrupting the Swiss negotiator until they have completed their point of view, and you should only offer yours when asked. The Swiss are extremely attentive and rarely forget, so you should present your ideas carefully because errors can damage your negotiation process.

Negotiation Pace

Patience is your friend when negotiating with the Swiss. The Swiss are methodical in their planning and negotiating process, especially the German Swiss. Negotiating and decision-making can be a slow process, as the Swiss prefer to carefully gather information and work through agreement details. Deductive analysis and thorough explanations are expected from your negotiations. Swiss business professionals believe in high quality over fast pace.

Bargaining

Although the Swiss have a long negotiation process, the price is rarely negotiable. Your initial offer should be very close to your actual asking position. The Swiss will not bargain or haggle and do not appreciate the other party attempting to do so. A non-negotiable price is part of the Swiss straightforward and non-aggressive character. The Swiss do not like pressure tactics because they are upfront and direct, and they expect to reach a fair agreement for all parties without haggling. Emotional communication is not a part of Swiss culture, and they believe facts and empirical evidence are most valuable.

BUSINESS PROTOCOL

The business climate in Switzerland is very formal, conservative, and regulated. Meetings are punctual and behavior is reserved. You should dress well and be exceedingly polite. Business attire includes nice suits for men and pantsuits or conservative length skirt-suits for women. Although the Swiss appreciate wealth, they do not like ostentatious and overt displays of wealth. Jewelry should be elegant and simple, and a Swiss watch is always a nice touch.

Prior to Meeting

To conduct business in Switzerland, formal introductions are necessary. Having a local Swiss connection is essential to making future business connections. Appendix B is a case study of what happens if you do not follow Swiss business protocol in this context. You must be well prepared prior to any meeting. The agenda details all topics, and time frames are set in a logical order and are strictly observed.

Meeting and Greeting

You must have plenty of business cards, as you will hand a business card to each individual you meet,

including the receptionist and the secretary. Include your business title on your business card; it determines your status within the company, which is meaningful to the Swiss businessperson and valuable in negotiations. If your company has longevity, you should put the start year on your card, as well, because the Swiss appreciate businesses that are proven. Although most Swiss businesspeople speak English, it is a nice touch to have one side of your business card printed in the language of the region you are visiting,

As stated earlier, punctuality is extremely important. You should arrive no later than five minutes before the meeting time to make a good impression. You must shake hands with everyone present (in a social context, even children). In German Swiss regions, greet men and women by handshake. The French and Italian Swiss regions are more demonstrative than their German Swiss counterparts, and you may kiss cheeks with women and shake hands or kiss cheeks (depending on the length of the relationship) with men in these regions.

It is important to address all people as Mr. or Mrs., followed by their surname. In the German region use Herr and Frau; in the French region Monsieur and Madame; and in the Italian region Signore and Signora. First names are not used until a personal relationship is firmly established, and your Swiss business partner invites you to use informal titles.

Nonverbal Language

It is important to avoid speaking loudly, the Swiss are reserved and prefer quiet tones. The Swiss look at poor posture negatively, so avoid slouching and stretching. You should also avoid using the following hand gestures because the Swiss find them insulting:

- Pointing your index finger to your head.
- Pointing with just your index finger and not your whole hand.
- Putting your hands in your pockets.

Following a Meeting

The Swiss want to have everything in writing after negotiations: this includes all details of the agreement and the signatures of the involved parties. The Swiss prefer to secure everything legally, but keep in mind, if you were to bring a lawyer to the negotiations, your Swiss partners may misconstrue the gesture as a lack of confidence in the Swiss word. After details are in writing, the Swiss are unwilling to budge or make any changes on the agreement. Any follow up conversations should be in writing, including email, because the Swiss prefer a paper trail.

CONCLUSION

Doing business with the Swiss is a straightforward process yielding positive results, if followed correctly. The Swiss like to deliberate extensively in negotiations to produce a well-made and long-lasting final agreement. These characteristics are why Switzerland is one of the best countries in the world for business, and negotiation on their terms will result in long-lasting and profitable business relationships.

APPENDIX B: Swiss Case Study

John Berger is a brilliant mechanical engineer and works as an independent designer. He went to a top engineering school in the United States, and he is extremely good at designing precision mechanics. John is a huge fan of watches; he probably has ten different ones that he cycles through on a weekly basis. On his personal time, John invested time looking at the internal components of an old watch of his and he discovered that he could improve on the precision time keeping components of the watch: the balance wheel and the hairspring. After extensive research and hours of work, John believes he has created the most high quality components for watches, yet.

The Swiss reputation on watch design is world-renowned and only the Swiss would marvel at John's design and improvements. John knew if he could get Swiss watchmakers to see his work, he would be the exclusive maker for all Swiss watch balance wheels and springs.

Knowing how much the Swiss appreciate quality work and because John believes his design is of utmost quality, he started cold calling the top Swiss watchmakers to arrange a meeting to present his quality design. After a month of unreturned calls, John thought it might be better to demonstrate his work in person. John gathered examples of his new component designs and booked the first flight to Geneva.

John went to the first watchmaker business on his list. He approached the receptionist in his business casual dress, in an attempt to be unpretentious, and he asked if he could see the president, telling her he had a component design that would "knock his socks off." The receptionist quickly escorted Paul off the premises.

What did John do wrong in his approach with the Swiss watchmakers? Why would the Swiss not be interested in using a high quality component in their high quality watches? If John were able to do it all over again, what could he do differently?

Analysis

According to Terri Morrison and Wayne Conaway in their book, *Kiss, Bow, or Shake Hands*, Switzerland has an "old-boy network" when it comes to connections. Vital to doing business with the Swiss is having an influential contact that can introduce you. The Swiss conduct their business formally and they place a great importance on appointments made in advance. They are not spontaneous and prefer to be completely prepared with an agenda before meetings and discussing business.

John could have avoided unreturned phone calls and being escorted out of the Swiss watchmaker business office if he had prepared in advance. If John did not have any personal or professional connections, he could have reached out to business associates to see if they had any connections. If that failed, he could contact the United States State Department to see if they could help him with business connections. Perhaps, John could contact the US Embassy in Switzerland to determine if there was a program in place - introducing US business professionals to Swiss businesses. The extra effort could have helped John with introductions, and this may have resulted in a return phone call.

John should not have shown up at a Swiss business without a prior appointment because the Swiss do not conduct meetings without a prepared agenda. John's unannounced visit would not be welcome in the Swiss business culture. As stated earlier, the Swiss are extremely formal. They place a great emphasis on appearance, and they are conservative in their dress. Perhaps because he is an engineer, John is not accustomed to formal business dress. If John had prepared ahead of time, he could have learned the Swiss business dress code and dressed appropriately. Dressing in business casual does not make a good first impression in Switzerland, especially if you want the Swiss to take you seriously in business.

The Swiss businessperson always exchanges business cards with everyone they encounter, and this includes secretaries and receptionists. Without presenting a business card to the receptionist, John broke Swiss business protocol, which did not aid him after arriving without an appointment.

John's greatest problem in this case study is he did not prepare. Preparation is key to doing business in general, but adding the cross-cultural dimension to business negotiation makes preparation even more imperative. If

John had done research on Swiss business protocol and culture, he would most likely be the exclusive maker of Swiss watch balance wheel and spring components.