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## HOW TO DEAL WITH CROSS CULTURAL PROBLEMS IN INTERNATIONAL BUSINESS NEGOTIATION (SOUTH KOREAN STYLE)

### Abstract

The study of negotiation is one of the main challenges facing modern science. The cross cultural problems are one of the most studied in foreign countries. In the Soviet period the problem of negotiations was not studied sufficiently in former Soviet Republics. However, Our Republic transferred into market economy and in the period of globalization negotiation is very important in human interaction. When people interact in different forms they negotiate, they can interact verbally or nonverbally. Especially, nowadays international business is developing. Due to the fact that the negotiating parties are often from different countries, with different cultural values and beliefs which they usually bring with them to the negotiating table cross cultural communication becomes a crucial field of research. Negotiator's communications, how people think and behave during negotiations can differ across cultures.

In this article there have been analyzed the negotiation attitudes and styles of South Korea studied by different foreign scholars and given some recommendations in conducting negotiations with Korean business people.

**Key words:** negotiation, cultural values, beliefs, international business, bargain, sharing information, decision-making, negotiating parties, multi-item negotiation, culture, counterpart, business woman.

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## КАК ВЕСТИ МЕЖДУНАРОДНЫЕ БИЗНЕС ПЕРЕГОВОРЫ С ПРОБЛЕМАМИ МЕЖКУЛЬТУРНОГО РАЗЛИЧИЯ (ЮЖНО-КОРЕЙСКИЙ СТИЛЬ)

### Аннотация

Изучение переговоров является одной из основных задач, стоящих перед современной наукой. Проблема межкультурные отношения является одним из наиболее изучаемых предметов в зарубежных странах. В советский период проблема не была эффективно изучена в советских республиках. Однако, наша страна перешла на рыночную экономику и в период глобализации переговоры являются важной во взаимодействии человека. Человек переговаривается, когда входит во взаимодействие в разных формах. Они взаимодействуют вербально или не вербально. В особенности в наши дни международный бизнес развивается. Исходя из факта, что переговорщики из разных стран с разными верами и культурными ценностями сидят за одним столом переговоров, изучение межкультурных отношений в переговорах становится важной сферой изучения. Общение между переговорщиками, как люди думают и то, как переговорщики ведут себя во время переговоров, может отличаться в разных культурах.

В этой статье рассмотрены Южной Корейский стиль и поведение во время переговоров, исследованные зарубежными учёными и приведены некоторые рекомендации для проведения переговоров с Корейскими бизнесменами.

**Ключевые слова:** переговоры, культурные ценности, религиозные взгляды, международный бизнес, взаимообмен информации, принятие решения, стороны переговора, многосторонние переговоры, культура, противная сторона, женщина предприниматель.

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## ХАЛҚАРО БИЗНЕС МУЗОКАРАЛАРИДА МАДАНИЯТЛАРАРО МУЛОҚОТ МУАММОСИ (ЖАНУБИЙ КОРЕЯ УСУЛИ)

### Аннотация

Музокараларни тадқиқ этиш бугунги кундаги фан олдида турган муҳим вазифалардан бири бўлиб келмоқда. Музокаралардаги маданиятлараро мулоқотни ўрганиш хорижий мамлакатларда энг кўп ўрганиладиган мавзулардан биридир. Собиқ Шўро даврида музокаралар масаласи самарали ўрганилмаган. Бизнинг мамлакатимиз ҳам эркин бозор муносабатларига ўтди ва ҳозирги глобаллашув даврида, инсонлар орасидаги ўзаро мулоқотда музокара алоҳида аҳамиятга эга. Инсон турли шаклларда мулоқотга киришганда музокара олиб боради, хоҳ у вербал ёки но вербал бўлсин. Айниқса, ҳозирги даврда халқаро бизнес ривожланмоқда. Музокара столи атрофида турли миллат вакиллари ўз диний қарашлари ва маданий қадриятлари билан йиғилишини инобатга оладиган бўлсак, музокараларда маданиятлараро мулоқотни тадқиқ этишнинг муҳим соҳаси эканлигига ишонамиз. Музокарачиларнинг мулоқоти, инсонлар нимани уйлашлари, музокараларда ўзларини тутишлари турли маданиятларда бир-биридан фарқ қилади.

Бу мақолада хорижий олимлар томонидан Жанубий Корей ишбилармонларини музокаралар олиб бориш усуллари ва одоби ўрганилан ва Корейс тадбиркорлар билан музокара олиб бориш бўйича тақлифлар берилган.

**Калит сўзлар:** музокара, маданий кадриятлар, диний карашлар, халқаро бизнес, ахборотни бўлишиш, қарор қабул қилиш, музокара олиб боровчи тарафлар, кўп масалали музокаралар, маданият, қарама-қарши тараф, тадбиркор аёл.

Negotiation is at the heart of human interaction. Whatever forms it takes, verbally or nonverbally, consciously or unconsciously, people negotiate whenever they interact. Especially, businesses all over the world today are extending their frontiers beyond domestic markets. In this global business environment, cross cultural negotiation becomes a common field of research. This is primarily due to the fact that the negotiating parties are often from different countries, with different cultural values and beliefs which they usually bring with them to the negotiating table. What is communicated, how it is communicated, how people think and behave during negotiations can differ across cultures.

As an example we would like to analyze the negotiation attitudes and styles of South Korea and give some recommendations in conducting negotiations with Korean business people. Leveraging relationships is an important element when negotiating in South Korea. Nevertheless, South Koreans often employ distributive and contingency bargaining. While the buyer is often in a strongly favorable position, both sides are expected to "take care of each other". Ultimately, they are partners in a mutual dependency that is bound by their relationship. They may focus equally on near-term and long-term benefits. Although the primary negotiation style is competitive, South Koreans nevertheless value long-term relationships and look for win-win solutions. Foreigners may perceive a dichotomy in the Korean negotiation style: on one hand, relationships matter a lot and must be maintained at all times, while on the other hand negotiations may become very emotional, aggressive, or outright adversarial. Koreans may see no conflict in this. They believe that while tough negotiating may require extreme measures, neither side should take anything personally. Adding to the challenge for foreign visitors, they are often expected to remain more controlled than the Korean side may be. Nevertheless, we should not confuse the aggressive style with bad intentions. [Lothar Katz Negotiating International Business, Booksurge Publishing, Copyright 2006, 2007, 2008] It is best to remain calm, friendly, patient, and persistent. Never allow issues during the negotiation process to create personal conflicts with your counterparts. Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through emphasizing personal relationships and re-establishing trust. It may be effective to have side discussions on a one-on-one basis with the most influential person on the Korean side. Pointing to the benefits of continuing the negotiation may also help. However, refrain from using logical reasoning or becoming argumentative since this will only make matters worse.

1. Sharing of Information – Korean negotiators are willing to spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. In this phase, they seek to find the other side's weaknesses. Information is rarely shared freely, since the Korean believe that privileged information creates bargaining advantages. Your counterparts consider openly sharing

your information foolish. However, if they have a strong and trusting relationship with you, they are usually willing to share more confidential details. One can eat when negotiating in South Korea is that your counterparts may sometimes just be 'testing the waters.' They may only be looking to learn more about your product or service, deciding down the road that they prefer to build rather than buy. Be prepared for this turn of events and protect your intellectual property throughout your negotiation, even if the other side requests early access.

2. Pace of Negotiation – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. Furthermore, negotiators often attempt to wear you down in an effort to obtain concessions. Be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, show little emotion, and accept that delays occur. Koreans generally employ a polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. In multi-item negotiations, people may bargain and haggle over several aspects in parallel. It is not unusual for them to re-open a discussion over items that had already been agreed upon. In addition, they may take phone calls or interrupt meetings at critical points in a negotiation. While they may be doing some of this on purpose in order to confuse the other side, there are usually no bad intentions. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may nonetheless find this style highly confusing and irritating. In any case, do not show irritation or anger when encountering this behavior. Instead, keep track of the bargaining progress at all times, often emphasizing areas where agreement already exists. If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. More often than not, though, this behavior indicates an attempt to create time pressure or 'wear you down' in order to obtain concessions. However, things can move fast if they see good business opportunities.

3. Bargaining – Korean businesspeople are often shrewd and skillful negotiators who should never be underestimated. Most of them enjoy bargaining and haggling, expect to do a lot of it during a negotiation, and may get suspicious or even offended if you refuse to play along. People in the country may use a wide array of negotiation techniques very competently. The bargaining stage of a negotiation can be very extensive. Prices often move more than 40 percent between initial offers [Ibid] and final agreement. Leave yourself sufficient room for concessions at many different levels and prepare several alternative options. This gives the Korean negotiators room to refuse aspects of your proposal while preserving face. Ask the other side to reciprocate if you make concessions. It is not advisable to

make significant early concessions since your counterparts expect further compromises as the bargaining continues. You can use the fact that aspects can be re-visited to your advantage, for instance by offering further concessions under the condition that the Korean side reciprocate in areas that had already been agreed upon. Deceptive techniques are frequent and Korean negotiators may expect you to use them as well. This includes tactics such as telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or making false demands and concessions. Do not take such tactics personally and realize that overt attempts to lie at or bluff your counterparts could backfire and might damage business relationships. Lies may be difficult to detect. It is advisable to verify information received from the local side through other channels. Similarly, they treat "outside" information with caution. Koreans may use "good cop, bad cop," [Fisher, R., Ury, W., *Getting to Yes: Negotiating Agreement Without Giving In* xvii (2nd Edition) (New York, USA: Houghton Mifflin Company, 1991).] which is rare in other Asian cultures. It can sometimes be beneficial to use the tactic in your own negotiation approach, especially when assigning the "bad cop" role to a legal counsel. This may allow you to separate debates over legalistic issues from the relationship. Carefully orchestrated, most deceptive techniques may allow you to obtain valuable concessions without damaging the overall relationship. Koreans will likely not use the "limited authority" technique because groups rather than individuals normally make decisions. Negotiators may use pressure techniques that include making final or expiring offers, applying time pressure, or nibbling. Final offers may be made more than once and are almost never final. Do not announce any of your offers as "final"—your counterparts will likely not believe that you are serious and may turn the tactic against you. Time pressure can be difficult to counter. If Korean negotiators learn that you are working against a deadline, they may exploit this knowledge to increase the pressure on you to make concessions. Near the end of a negotiation, they may suddenly request last minute concessions and "compromises." In extreme cases, they may try to renegotiate the whole deal on the final day of your visit. It is important never to take such techniques personally and to avoid open conflict. Know what concessions you are willing to make. On the other hand, time pressure techniques rarely work against them since Koreans are patient and persistent enough to overcome such challenges. However, you might be able to use these techniques should the negotiation take place on your home turf rather than in South Korea. Nibbling may prove useful in the final phases of negotiations. None of this will take your counterparts by surprise, though. Avoid other common pressure tactics such as opening with your best offer or intransigence, since locals may interpret them as signs that you are disinterested in negotiating. Korean negotiators regularly use extreme openings, hoping they can force you to reveal what you consider the real value of the items being negotiated. They do not view them as unfriendly acts as other Asians may. Counter the approach by firmly pointing out that you expect a realistic offer.

Making extreme opening offers yourself may prove beneficial as it could surprise your counterparts and trigger a reaction. Be cautious not to appear overly aggressive, though. Threats and warnings may be used on both sides but should be subtle. In another tactical move, Koreans may get very emotional and show strong anger. Remaining constructive and professional usually helps refocus the negotiation. Threatened and actual walkouts should be avoided since they are too confrontational and may cause loss of face. Lastly, refrain from showing outright aggressive behavior even if you may feel that you are only reciprocating. It could prove very detrimental to your negotiation. Other emotional techniques, such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships, are often used. If using any of them yourself, keep them subtle enough to avoid face issues. [Ibid ] Koreans often use defensive tactics. They may change subjects frequently, revisit previously agreed points, or introduce all kind of distractions. They may also ask very direct questions, attempting to take you by surprise. Prepare well for any of these. Corruption and bribery are somewhat common in South Korea's public and private sectors. However, people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Also, keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Korean may view as only a nice gift. 4. Decision Making – The country's business culture is extremely hierarchical and superiors enjoy enormous deference. However, while you may encounter western-style entrepreneurs as the sole decision makers within their companies, decision making is often a consensus-oriented group process in South Korea. This can be confusing for Westerners looking to identify the 'key decision maker' in an organization, while in reality such a role may not exist at all. Decisions are often made through a process involving many stakeholders who establish consensus through a series of deliberations or exchanges of memos. This process can take a long time and requires patience. Influencing the decision making requires building strong relationships with as many of the stakeholders as you possibly can. The role of the senior leaders is to orchestrate the process, not to make decisions themselves. Nevertheless, their input carries a lot of weight and they usually have the final say, so do everything you can to win their support. At times, authority may be delegated to subordinates, making it important not to offend or ignore the lower ranks. One-on-one meetings may sometimes be set up. However, the person you meet is the contact to the group, not the one to make the decision. When making decisions, Korean businesspeople usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do, but they will consider all aspects. Some people may also be analytical and demand many data. More than most other Asians, South Koreans are able to take significant risks once they carefully assessed a proposal or situation. 5. Women in Business –While South Korea is still a strongly male-dominated society, gender roles have started to change some. There are many women, typically younger

ones, in professional positions, although few have significant authority and influence. At the same time, most women are still struggling to attain positions of similar income and authority as men. Most Koreans expect to deal with men in decision-making roles. Consequently, foreign women may at times find themselves in awkward or uncomfortable situations. However, Western women are usually treated differently from Asian women. As a visiting businesswoman, emphasize your company's importance and your role in it. A personal introduction or at least a letter of support from a senior executive within your company may also help. Displaying confidence and assertiveness should be done very cautiously, and it is immensely important for women to avoid appearing overly bold and aggressive.

6. Other Important Things to Know is – formal attire is important when doing business here. Male business visitors should wear dark suits with neckties on most occasions. Business meals and entertainment, in particular dinners, Karaoke singing "contests," and evening events that may include heavy alcohol consumption are very important as they help advance the vital process of building strong relationships. Refusing to participate in these activities may be taken as a clear signal that you are not seriously interested in doing business with your counterparts. Although business may not be discussed during these events, there could be exceptions. Your Korean counterparts may use them as opportunities to convey important messages or resolve disputes. Sometimes they may also try to obtain information from you that could strengthen their negotiating position. While you want to remain watchful, deflecting such inquiries if needed, never show signs of mistrust in your counterparts' intentions. Punctuality is a bit more relaxed in social settings than in other East Asian countries. While it is best to be right on time for dinners, it is acceptable to arrive at parties within 20 minutes of the agreed time. A topic to avoid in discussions is Korea's relationship with Japan. The relationship between these two countries is still overshadowed by strong animosities on both sides, especially among the older generation. Gift giving is common in social and business settings in South Korea, including initial meetings. If you received one, it is best to reciprocate with an item of similar value that is typical of your home country. Giving a gift after signing a contract is also viewed very favorably. Give and accept gifts using both hands. Do not open gifts in the presence of the giver unless your host did so first. There are numerous potential pitfalls in what to give and how to wrap it, so prepare upfront or ask someone from the country to avoid causing embarrassment. Cigarette smoking is very common in South Korea. Do not comment on it, and allow for cigarette breaks during meetings and negotiation sessions. If your trip to Asia includes other countries, you should be careful not to make your counterparts feel that your visit to South Korea is one of many. The impression of making an effort only for them carries great weight. Specifically, avoid mentioning visits to Japan. Lastly, know that the work ethic is exceptionally strong in South Korea. Workdays may be very long, often 12 to 15 hours, and many people work on Saturdays. On average, South Koreans work about 2,400 hours per year, compared to around 2,000 in the United States.

Negotiating across cultures poses a great challenge to any negotiator. Here are some suggestions on how to deal with the problems of cross cultural negotiation such as

1. Preparation. The importance of preparation in negotiation cannot be overemphasized. This will include rehearsals and a study of the cultural background of the other side. This is very critical because it will show that one has respect for the other side's culture, thereby building credibility and trust right from the onset. This will also help in deciding the right tactics to use so as not to irritate or annoy the members of the other culture. Understanding the nuances and taboos and avoiding them will smoothen out the negotiation process. It is also necessary to leave a long time frame for the negotiation. This is because cross cultural negotiation often lasts between two to six times as long to reach an agreement as it would take domestically. [Hendon, D., Hendon, R., Herbig, P., Cross Cultural Business Negotiations 232]
2. Avoiding Stereotypes. For successful cross cultural negotiation, one must get beyond one's own cultural stereotypes and misconceptions. [Garcha, A., Diplomatic Culture or Cultural Diplomacy: The Role for Culture in International Negotiation at [http://www.culturaldiplomacy.org/content/pdf/icd\\_diplomatic\\_culture\\_of\\_cultural\\_diplomacy.pdf](http://www.culturaldiplomacy.org/content/pdf/icd_diplomatic_culture_of_cultural_diplomacy.pdf)] Though cultural stereotypes are common, they often have no basis in reality. Making assumptions will only build distrust and create barriers which negatively affect the goals of both parties. Rather than generalizing, it is better to make an effort to treat everyone as individuals. Try to discover the other side's beliefs and values free from those of the culture being represented.
3. Having an Agent/Interpreter. It may be helpful in some situations to enlist the services of an agent who is more knowledgeable in the other side's cultural norms and values. This approach however has advantages and disadvantages and must be weighed carefully. There may also be the need to hire an interpreter where there is language barrier. The interpreter helps to facilitate mutual understanding and comprehension. [Varner, I., Beamer, L., Intercultural Communication in the Global Workplace 271 (3rd Edition) (New York, USA: McGraw Hill Co Inc, 2000).]
4. Discovering new ways to bridge cultural gaps. In doing this, the parties may use a combination of both cultures or focus on the norms of a common professional culture. A survey carried out by Salacuse suggests that professional culture may be as strong as national culture in influencing a person's negotiation style. [Salacuse, J., Ten Ways that Culture Affects Negotiation Style: Some Survey Results, 14 N. J. 3, 221 (1998).] The impact of this study, if true, will be that when faced with a cultural difference at the table, negotiators from different cultures but similar professional backgrounds may rely on the norms of their professional culture in trying to bridge the cultural gap between them. Finally, when going for a cross cultural negotiation, a good negotiator needs to be relaxed. He must show openness towards meeting the other party. Ability to apologize if he says or does something that is out of place, and continuing to show a strong desire to proceed with the negotiation are positive characteristics for the process. Being warm and communicative with a desire to initiate conversation will ensure good communication. This will

therefore guarantee success as great communication is crucial for effective cross cultural negotiation.[Ibid]

Conclusion. There is really no "best way" to approach a dispute. How you begin a dispute resolution negotiation should be a strategic choice based on careful analysis of the parties, their goals and the situation. In cross cultural negotiation, one should always try to apply the method of principled negotiation. [Corne, P., *The Complex Art of Negotiation Between Different Cultures*, 47 ARB. J. 4, 50 (1992). This requires separating people from the problem and focusing on their interests. Where there is an impasse, create options for mutual gain. This

will help both parties achieve their goals easily. Preparation, understanding and success are strongly linked. Preparation by researching the cultural background of the other party is very important in cross cultural negotiation. A negotiator who has effectively prepared will understand the negotiation style of those on the other side of the table, accept and respect their cultural beliefs and norms. He is conscious of personal mannerisms and how they are viewed by the other party. These efforts will be greatly appreciated by the counterpart negotiator. It will result in greater respect, greater success and a long lasting business relationship.

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