
Business Relationships

By Lothar Katz

Remember how Mom always told us to be careful with strangers? When it comes to doing business, it appears people around the world are heeding her advice – albeit to a varying degree.

Obviously, we're talking about business relationships here. Humans universally prefer to deal with people they know and trust. It seems intuitively obvious that the strength of the relationship between parties conducting business does influence their willingness to compromise, collaborate, and seek win-win solutions, all of which makes the cooperation more productive. Business interactions are generally more predictable, effective, and dependable with trusted partners than with strangers. Nevertheless, members of different cultures seem to be drawing vastly different conclusions from these findings. Analyzing the overall role relationships play in their business practices, we can identify four different groups of cultures:

- ***Business relationships are moderately important.*** Members of cultures belonging to this group, which includes Americans, Australians, Austrians, Canadians, Germans, and others, rarely view strong relationships a necessary precondition for business interactions. Being task-oriented, they tend to focus on business objectives. Their primary motivators are often near-term financial or strategic benefits rather than long-term relationship aspects. Though they may expect to get to know the other party better while doing business together, they do not need to trust someone in order to make a deal with him or her. Many in this group are reluctant to invest significant time and effort into relationship building during the early stages of business engagements. In addition, business ties exist mostly at the corporate level: if a new company representative is introduced into an existing relationship, that person is usually soon accepted as a valid business partner.
- ***Business relationships are important.*** These cultures tend to value trust between business partners more highly than those in the previous category do. While they may also engage in deal making without first getting to know their counterparts, members of this group will strive to learn much more about them over the course of the exchange. Once initial interactions have been successful and trust has been established, a sense of loyalty may develop, facilitating future business engagements. Relationships still mostly exist at the corporate level with this group, but individual employees usually also aim to strengthen personal ties with their business counterparts. These characteristics apply to many European cultures, among them Finland, France, Hungary, Northern Italy, Poland, Switzerland, the United Kingdom, and others.
- ***Business relationships are very important.*** People in this group of cultures, which includes Indians, Hong Kong Chinese, Koreans, Mexicans, Pakistanis, Russians, Saudi Arabs, Southern Italians, and Spaniards, as well as most Latin Americans, value lasting and trusting business relationships. They prefer to do business with those they know and like. Accordingly, they are prepared to spend significant time building and strengthening relationships. Usually not interested in near-term deals, they mostly focus on longer-term engagements and repeat business. Because potential business partners may first have to prove themselves trustworthy, initial engagements could be small, especially with foreigners. When members of this group engage in business interactions without first

spending time to get to know their counterparts, this likely indicates that they are seeking quick gains and are not interested in longer-term business with the other party. The concept of corporate relationships does not mean much to this group. Since business is viewed as personal, individuals expect to spend considerable time and effort to develop close ties with their immediate counterparts even when their companies have a long history of doing business together.

- ***Business relationships are critically important.*** Members of cultures belonging to this group, among them Asian countries such as China, Indonesia, Japan, Malaysia, the Philippines, as well as countries such as Brazil, Egypt, or Greece, prefer to build deep and lasting relationships with prospective partners before entering into serious business engagements. They may expect to continue developing such relationships into true friendships as the business partnership continues. Both sympathy and trust are essential requirements for them to make deals with others. With this group, it is vital to be prepared to spend considerable time and effort building strong relationships throughout the business exchange. With the exception of the Japanese, who seem equally focused on tasks and relationships, members of this group may appear less task-oriented than others may. They do not pay much attention to contracts, since most of them believe that the strength of business relationships matters much more than 'a piece of paper' does. Keeping in touch with them on a regular basis will ensure that commitments are kept and opens doors for additional business. Since they mostly focus on long-term engagements and repeat business, decision makers may agree with initial deals that appear unfavorable for them, expecting their new partners to make up for this down the road. People in this group pay little attention to corporate-level connections, since few of them believe that business relationships can be successful without strong personal ties. While the more pragmatic members of them may also engage in business interactions with relative strangers if the prospects are sufficiently attractive, they will most likely focus on short-term benefits and might not shy away from taking unfair advantage of the other party if given a chance.

These characterizations provide several clues as to what to expect and where to focus your energy when conducting business with people from foreign countries. However, be careful not to take these characterizations at face value. They apply only to business areas that are not critically dependent on personal relationships. In some industries, such as banking, financial services, or legal counseling, the nature of business interactions requires strong trust between the parties involved irrespective of their cultural background. Such a requirement may promote different practices in these industries. In any case, spending time and effort to build closer relationships in international interactions is always conducive to business and therefore strongly recommended regardless of cultural background and type of business.

Lothar Katz is the founder of Leadership Crossroads. He has a wealth of experience in achieving productive cooperation across cultures and driving business success on a global scale.

A seasoned former executive of Texas Instruments, a Fortune 500 company, he regularly interacted with employees, customers, outsourcing partners, and third parties in more than 25 countries around the world. These included many parts of Asia, e.g., China, India, and Japan. Originally from Germany, he has lived and worked both in the United States and in Europe.
