Global Decision Making

By Lothar Katz

Global negotiations aren't always fun. When negotiating a contract renewal with a Fortune 20 giant, I spent more than three months exchanging emails, preliminary agreements, and draft Statements of Work with corporate contacts in three different U.S. States, as well as one in Puerto Rico, one in Panama, and one in France. While the subject of the agreement had not changed, some modified terms and conditions required alignment. What had seemed easy proved to be hard. After countless exchanges, a number of points still remained controversial and the bargaining got stuck. We were running in circles.

Finally, my key contact at the company suggested setting up a call with another U.S.-American, apparently her boss, whose name had never even come up before.

The boss and I talked. Our call took a total of 12 minutes and resolved all open points. The contract was signed a few days later.

As it turned out, the key contact's boss was the real decision maker in this interaction, so he and I were able to quickly reach agreement. For some reason or other, the others involved in the negotiation just had not wanted me to know about this up to that point.

A common experience? Probably not. But it refreshed an important lesson: when negotiating with U.S. companies, do what it takes to identify the decision maker and deal with that person. Otherwise, you may be spinning your wheels. This may not be true for every U.S. firm, but it certainly is for most of them. In this individualistic business culture, decision making is normally not a team sport, so if dealing with people who don't 'have the say,' they become little more than messengers complicating the exchange.

Is this a universal finding? (Ok, let's be honest here: would I write about it if it was?) Sure not. Business cultures have a strong influence on how people and companies around the world make decisions, as a result of which styles are very different.

(Over-)simplistic cultural models describe two camps: individualistic cultures, which imply lone decisions, and collectivist ones, where decisions are apparently the result of some kind of pow-wow involving everyone. Both assumptions would be naive. The reality of business decision making around the globe is complex and demands careful consideration. Two factors matter most: how individualistic a national (and corporate) culture is, and to what extent decision making is delegated down from the top.

Individual Decision Making

Business decisions in most individualistic cultures are normally made by individuals. In Australia and the U.S., to some degree also in Canada, Northern Europe, and Israel, authority is also frequently delegated to low levels in the hierarchy. The decider might consider inputs from others, but doing so is usually not a requirement for decision making here. Unlike in my above personal story, identifying the person is normally easy.

In most other individualistic cultures, which pretty much leaves most European ones, authority is not as readily delegated. The lead negotiator usually has at least some decision power but often needs higher management approval before sealing a deal. Others may be involved in the negotiation if particular knowledge or competencies are required. This is most pronounced in the U.K., where decisions often appear to be made committee-style, even though there is usually still one person who ultimately makes the decision. In France, managers often informally consult with peers, too, before closing the deal.

While the influence of others should never be underestimated, the common denominator for this group of countries is that reaching agreement ultimately requires winning the support of a single key person.

Group Decision Making

Negotiations in countries whose cultures reflect greater group orientation, which includes almost all of Asia, Latin America, and Africa, as well as parts of Southern and Eastern Europe, for example Greece and Turkey, tend to be more complex than the above. Interestingly, most companies in these countries have strict corporate hierarchies. It would nevertheless be a mistake to consider the people at the top of these organizations to be sole decision makers.

Even seemingly autocratic executives, who are almost the norm in countries such as India, Indonesia, Mexico, or South Korea, solicit and consider inputs from those affected by a decision before making it. In other cultures, for example in China and Japan, decision making is often a process of formal and informal deliberations designed to reach a group decision that has everyone's support. This does not at all mean that every voice carries equal weight—but it will likely be considered. The role of the executive is to orchestrate the process and to make sure the decision is made and communicated.

Business negotiations with members of any of these cultures are regularly conducted in teams, although one-on-one negotiating can be found, too. In either case, there will be others not participating in the interactions who nevertheless influence the eventual decision. Successful negotiation strategies for dealing with these cultures therefore require winning the support of all influential members of the group, as well as that of the person at the top.

As you can see, the biggest difference between individual and group decision making is that with the latter approach, focusing your efforts on only one person is not a promising strategy, no matter how powerful the person. That may be another lesson worth memorizing.

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