

Negotiating International Business - Saudi Arabia

This section is an excerpt from the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz. It has been updated with inputs from readers and others, most recently in April 2010.

Though the country's culture is quite homogeneous, Saudi businesspeople, especially those among younger generations, are usually experienced in interacting and doing business with visitors from other cultures. Until the discovery of oil, the Kingdom of Saudi Arabia produced very little, and the primary business activity was trading. This merchant culture helped them become shrewd and highly skilled bargainers. However, that does not necessarily mean that they are open-minded. When negotiating business here, realize that people may expect things to be done 'their way.'

Always keep in mind that this is an Islamic country. Showing any disrespect for the religion could have disastrous consequences.

Relationships and Respect

Saudi Arabia's culture expects its members to have a strong sense of loyalty to their group. At the same time, it leaves room for individual preferences. Building lasting and trusting personal relationships is very important to most Saudis, who often expect to establish strong bonds prior to closing any deals. People in this country prefer to do business with those they know and like. Establishing productive business cooperation requires a long-term perspective and commitment. Social interactions are just as important as business contacts, if not more. Consequently, proceed with serious business discussions only after your counterparts have become very comfortable with you. This is usually a slow process.

Business relationships in this country exist between people, not necessarily between companies. Even when you have won your local business partners' friendship and trust, they will not necessarily trust others from your company. That makes it very important to keep company interfaces unchanged. Changing a key contact may require the relationship building process to start over. Worst case, such a change may bring negotiations to a complete halt.

Establishing relationships with others in Saudi Arabia can create powerful networks, especially if they reach into the extensive royal family. Whom you know may determine whether people want to get to know you. Maintaining cordial relations is crucial. Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner, especially since Saudis may initially not trust Westerners.

'Saving face' is very essential. Causing embarrassment to another person may cause a *loss of face* for all parties involved and can be disastrous for business negotiations. The importance of diplomatic restraint and tact cannot be overestimated. Keep your cool and never show openly that you are upset. It may be better to accept a compromise, even an unfavorable one, if the alternative means that your counterpart loses face.

In Saudi Arabia's business culture, the respect a person enjoys depends primarily on his status, rank, and age. It is vital to treat elderly people with great respect. Showing status is important since people will take you more seriously. Carefully select your hotel and transportation. Use the services of others, such as a porter, to avoid being viewed as a low-ranking intermediary. Admired personal traits include poise, sociability, and patience.

Communication

The official language of Saudi Arabia is Arabic. Many businesspeople, especially young ones and those in top positions, speak English well enough, so you rarely need an interpreter. When communicating in English, speak in short, simple sentences and avoid using jargon and slang. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation.

Saudis usually speak in quiet, gentle tones. A raised voice usually indicates anger, which is a very bad signal. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Being loud may be regarded as bad manners. People in the country generally converse in close proximity, standing only two feet or less apart. Never back away, even if this is much closer than your personal comfort zone allows. Doing so could be read as a sign that you are uncomfortable around them.

Communication is generally rather indirect. Saudis often use circuitous language, which can make it difficult for Westerners to figure out the exact message. They love flowery phrases, exaggerations, and other rhetoric, and generally consider eloquent people more respectable and trustworthy. Open disagreement and confrontation are rare and best avoided. You will usually not hear a direct 'no.' When a Saudi says 'yes,' he may actually mean 'possibly.' Ambiguous answers such as 'we must look into this' or 'we will think about it' usually mean 'no.' Silence is another way to communicate a negative message. It is beneficial to use a similarly indirect approach when dealing with Saudis, as they may perceive you as rude and pushy if you are too direct.

Gestures and body language are usually more restricted than in other Arab countries. Men tend to make frequent physical contact, though. They may greet each other by hugging and kissing as a sign of friendship. However, never touch someone's head, not even that of a child. Since Muslims consider the left hand unclean, use it only if inevitable. The soles of your shoes are also considered unclean and you must avoid showing them to others, even when seated on a cushion. Pointing at people or objects is impolite. Instead, wave your open hand toward the object. The thumbs-up gesture is an offensive gesture throughout the Arab world. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust. Saudis enjoy showing positive emotions as long as it is done in a controlled fashion. However, they may smile less often than some of their neighbors.

Initial Contacts and Meetings

Choosing a local intermediary who can leverage existing relationships to make the initial contact is crucially important. Having a *sponsor* is also a legal requirement for visiting the country. A person who can introduce you to the right contacts and help you build relationships is essential when doing business in this country. This person will help bridge the gap between cultures, allowing you to conduct business with greater effectiveness. Let him set the pace of your initial engagements.

Negotiations can be conducted by individuals or teams of negotiators. It is vital that teams be well aligned, with roles clearly assigned to each member. Saudis may be very good at exploiting disagreements between members of the other team to their advantage. Changing a team member may require the relationship building process to start over and should therefore be avoided. Worst case, such a change can bring negotiations to a complete halt.

If possible, schedule meetings at least three to four weeks in advance. The length of a meeting is usually unpredictable, so do not try to schedule more than one per day. Since Saudis want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Be prepared for your counterparts to cancel or postpone meetings with little or no

notice. Schedules are often loose and flexible, and meetings may start considerably late. However, Saudis generally expect foreign visitors to be punctual. Avoid being more than 15 to 20 minutes late, and call ahead if you will be. Displaying anger if you have to wait, which happens often, reflects very poorly on you. The most senior meeting participants often arrive last.

Saudi names can have several parts and may be difficult to identify. It may be best to inquire from someone upfront or politely ask the person how to address him or her correctly. In that case, make sure you do the same for your own name. Titles, such as *Doctor* or *Professor*, are highly valued. Always use them when addressing a person who carries one. Do not call Saudis by their first name unless they offered it. Arabs may see mispronouncing their names as a sign of disrespect. Greet the most senior person first, and then greet everyone else in the room individually. Introductions and greetings are accompanied by extensive compliments as well as handshakes using the right hand. Saudi women generally do not shake hands with men. Saudi businessmen may be reluctant to shake the hand of a foreign woman.

After the introductions, offer your business card to everyone present. Cards should be in English on one side and in Arabic on the reverse, and must be in pristine condition. Show doctorate degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. Present your card with your right hand, with the Arabic side facing the recipient. Similarly, accept others' cards using only the right hand. Smile and keep eye contact while doing so, then examine the card carefully. Next, place it on the table in front of you. Never stuff someone's card into your back pocket or otherwise treat it disrespectfully.

The first meeting may consist entirely of small talk, which may include prolonged inquiries about your health, family, and so on. This may include very personal questions. It may actually take several meetings before you even get to discuss business. Be patient and let the other side set the pace. Frequent meeting interruptions are normal and do not signal a lack of interest.

Presentations should be short and concise. Allow sufficient time for questions and clarifications. Either the decision maker is a silent observer, or that person may not attend at all. People asking many questions usually hold less important positions. Your presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Having your handout materials translated to Arabic is not a must, but it helps in getting your messages across and is thus preferable.

Negotiation

Attitudes and Styles - Leveraging relationships is an important element when negotiating in Saudi Arabia. Nevertheless, Saudis often employ distributive and contingency bargaining. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. Although the primary negotiation style is competitive, Saudis nevertheless value long-term relationships. They will ultimately look for win-win solutions and show willingness to compromise if needed. Saudi negotiators may at times appear highly competitive, fiercely bargaining for seemingly small gains. They respect hard bargainers as long as they avoid creating direct conflict. You earn your counterparts' respect by maintaining a positive, persistent attitude. It is critically important to remain calm, friendly, patient, and persistent, never taking anything personally.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through leveraging your personal relationship with the Saudi negotiation leader in a one-on-one setting. Show your commitment to the relationship and refrain from using logical reasoning or becoming argumentative since this will only make matters worse.

Sharing of Information - Information is rarely shared freely, since the Saudis believe that privileged information creates bargaining advantages. In contrast, expect any information you share to reach your incumbent competitor. Based on their existing relationship, your Saudi counterparts will likely believe that this party must be given the right to respond to the new competitive threat.

Pace of Negotiation – Expect negotiations to be slow and protracted, and be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, control your emotions, and accept that delays may occur. Attempts to rush the process are highly unlikely to produce better results and may be counterproductive. A Saudi proverb warns, ‘Haste is of the devil,’ and many Saudis may believe that whether something happens quickly, slowly, or not at all is beyond their control as it depends on Allah’s will. On the other hand, do not be surprised if the pace suddenly changes from very slow to very fast – once your counterparts have made a positive decision, they may expect fast progress.

When engaging in initial business negotiations in the country, it is often crucial to take a long-term perspective over many years. It is often advisable to accept an initial deal even when its return-on-investment does not look appealing. Much bigger profits tend to come once you manage to prove yourself a worthy partner.

Most Saudis prefer a very polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach or frequently jump from one topic to another rather than addressing them in sequential order. In multi-item negotiations, people may bargain and haggle over several aspects in parallel. It is common 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 all this on purpose in order to distract or 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 find this style confusing, irritating, and even annoying. Surprisingly, Saudis themselves may expect their foreign visitors to stick to the subject of conversation unless there is a logical opportunity or invitation to change topics. 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. Repeating your main points conveys seriousness and builds trust.

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. In most cases, though, this behavior indicates an attempt to create time pressure in order to obtain concessions.

Bargaining – Saudi businesspeople are usually shrewd negotiators who should never be underestimated. Most of them thoroughly enjoy bargaining and haggling. They expect to do a lot of it during a negotiation and may be seriously offended if you refuse to play along. In addition, they may expect flexibility on your side, so avoid coming with overly narrow expectations of how a deal might be reached.

The bargaining stage of a negotiation can be very extensive. Prices often move more than 50 percent between initial offers and final agreement. Leave yourself a lot of room for concessions at many different stages. Ask the other side to reciprocate if you made one, but never make them look like the loser in the exchange. 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 Saudi side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequently used. 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. Expect your Saudi counterparts to be masters at this game, playing it with many exaggerations and much enthusiasm. They may occasionally play stupid or otherwise attempt to mislead you in order to obtain bargaining advantages. 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 will 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. Even when you can see right through a lie, it would be a grave personal insult to state or even hint that your counterpart is not telling the truth. Saudis are usually too proud to claim or admit that they have only limited authority, even if it is true.

Negotiators in the country may use pressure techniques that include making final offers or nibbling. Final offers may come more than once and are rarely final. Do not use tactics such as applying time pressure, opening with your best offer, or making expiring offers, since Saudis could view these as signs that you are not willing to build a long-term relationship. They may choose to terminate the negotiation. Silence can be an effective way to signal rejection of a proposal.

Saudi negotiators avoid openly aggressive or adversarial techniques but may use more subtle versions. Making an extreme opening offer is a standard practice to start the bargaining process. Negotiators may also make indirect threats and warnings, or subtly display anger. Use these tactics with caution yourself since they may adversely affect the relationship if employed too aggressively. Do not walk out or threaten to do so as your counterpart may take this as a personal insult.

Emotional negotiation techniques, such as attitudinal bargaining, sending dual messages, attempting to make you feel guilty, grimacing, or appealing to personal relationships, are frequent and can be effective. Be cautious not to cause *loss of face* when employing any of them yourself. Also, know that Saudis can become quite emotional during fierce bargaining. It is best to remain calm. Defensive tactics such as blocking, distracting or changing the subject, asking probing or very direct questions, or making promises may also be frequent.

Corruption and bribery are quite common in Saudi Arabia'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 Saudi may view as only a nice gift. So much as hinting that you view this differently could be a grave insult to the person's honor. It may help if you introduce and explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

Decision Making – Company hierarchies can be very rigid, and people expect to work within clearly established lines of authority. Although the pace of business is accelerating, decision making can be a slow and deliberate process in Saudi Arabia. Decision makers are usually individuals who consider the best interest of the group or organization and may consult with others in the organization. Decisions therefore often require several layers of approval. Final decision-making authority may be delegated down, but that can change quickly if subordinates fall out of favor. Consequently, it will be important to win the support of senior executives.

When making decisions, Saudi businesspeople may not rely much on rules or laws. They 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. Saudis are often reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first. You are much more likely to succeed if the relationship with your counterparts is strong and you managed to win their trust.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. While these serve as tools to improve the communication and strengthen commitments, they should not be taken for final agreements. Any part of an agreement may still change significantly before both parties sign the final contract. Agreements are only final when the participants part. Until then, the Saudi side may unilaterally abrogate them, possibly even if they were already signed. Oral agreements are not binding under Saudi law.

Although businesspeople in the country understand the role of contracts well, they may view them only as general guides for conducting business, expecting that both parties are willing to change terms if there is a change of conditions. Written contracts are usually kept high-level, capturing only the primary aspects, terms, and conditions of the agreement. Writing up and signing the contract is a formality. Saudis believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Accordingly, do not propose an overly detailed contract since that may cause hurt feelings.

International contracts in the country usually include 'offset' requirements, which are spelled out by law. As compensation for the gains the foreign company expects to receive from the business deal, it is required to support efforts the local economy will benefit from, such as training local staff or transferring technological know-how. Saudi law also requires having a local representative on a continuous basis. It is strongly advisable to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table. Saudis may read it as a sign of mistrust if you do.

Since personal honor is highly valued in Saudi Arabia, contracts are usually dependable and your partners will strive to keep their commitments. However, business partners commonly expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms.

Women in Business

Saudi Arabia remains a male-dominated society. Although some women are working, they still have very traditional roles and rarely attain positions of similar income and authority as men. The relative scarcity of women in Saudi business may make local men uncomfortable in dealing with Western women, who should not expect to be met with the same respect as men. Women find themselves subjected to many restrictions in the country. Displaying confidence and assertiveness can be counterproductive. Appearing overly bold and aggressive may create major issues and must be avoided under all circumstances.

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. Even with these credentials, you may still not find sufficient attention, making it advisable to take a male colleague along for the trip and act 'behind the scenes.'

Female business travelers should exercise great caution and act professionally in business and social situations. They need to dress in accordance with local customs, which means that collarbones and knees need to be covered at all times and that clothes should not be form-fitting.

Male visitors should not speak to a Saudi woman unless the situation clearly requires it. In addition, avoid bringing up the subject of women with your male business partners. Do not even inquire about a wife's or daughter's health. Furthermore, while there may be intensive contact between men, it is vitally important not to stare at any woman you may meet.

Other Important Things to Know

Impeccable appearance is very important when doing business in any of the Gulf Arab states and many other Arab countries. Male business visitors should wear conservative suits on most occasions. Always cover your whole body. Make sure shoes and suit are in excellent condition.

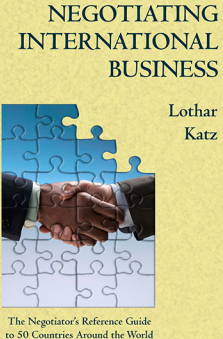
Saudi hospitality is world-famous. You are not expected to reciprocate at similar levels.

Tea will be served at many occasions. It would be a mistake not to accept it, even when you are not thirsty.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 15 to 30 minutes or more is expected. There may be little conversation during meals, allowing everyone to relish the food. Remember that alcohol is illegal in Saudi Arabia.

Topics to avoid in discussions are Saudi Arabia's internal conflicts with Islamic extremists as well as its political role in the Gulf and Iraq wars.

Lastly, never overly praise something your host owns. He may feel obliged to give it to you, which could create a very difficult situation.

 <p>NEGOTIATING INTERNATIONAL BUSINESS</p> <p>Lothar Katz</p> <p>The Negotiator's Reference Guide to 50 Countries Around the World</p>	<p><i>Negotiating International Business</i> (Booksurge Publishing, second edition 2007) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 472-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.</p> <p>Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at</p> <p>www.NegIntBiz.com</p>
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