

Negotiating International Business - South Africa

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 March 2008.

Businesspeople and officials in South Africa, especially outside of Johannesburg and Cape Town, usually have only limited exposure to other cultures. When negotiating business here, realize that people may expect things to be done 'their way.' However, some among younger generations may have greater international experience and can be quite open-minded.

South Africa deserves its nickname as 'The Rainbow Culture' as it is indeed one of the most multicultural nations on earth. Its culture is quite heterogeneous. The majority of the population is blacks (almost 80 percent), representing many different tribes such as the Zulu and Xhosa. In addition, 13 percent are Afrikaners (whites of Dutch origin) and 8 percent are of British descent. We will refer to the latter as *British South Africans* in the context of this section. Other important minorities include several Asian groups. There are also vast differences in business styles between urban and rural areas in South Africa. This great diversity makes preparing for specific business interactions difficult. Some business practices may deviate from the general guidelines provided in this section. Always expect the unexpected when doing business in this country.

Relationships and Respect

Building lasting and trusting relationships is important to most people in this country. However, they are usually not a necessary precondition for initial business interactions. Your counterparts' expectation may be to get to know you better as you do business together. Afrikaners and black South Africans may take relationship building even more seriously and often expect to establish strong bonds prior to closing any deals. Although people in the country may emphasize near-term results over long-range objectives, they are generally more interested in building long-term relationships than in making quick deals. Since South Africans may initially be very cautious when dealing with foreigners, gaining their trust and establishing good will is going to take time. It is very important for you to emphasize frequently the long-term benefits and your commitment to the business relationship you are seeking to build.

Business relationships in this country exist both at the individual and at the company level. Most South Africans want to do business only with those they like and trust. However, if your company replaces you with someone else over the course of a negotiation, it may be easy for your replacement to take things over from where you left them. Likewise, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner.

Conventions and rules regarding race and color can be very strict. It is usually best to follow the lead of your host concerning these matters. Though Whites, particularly Afrikaners, sometimes retain a paternal or caretaker attitude toward blacks, you will rarely hear openly racist comments. When dealing with black businesspeople, try to show understanding and sensitivity toward the fact that this group long represented an oppressed majority. In addition, remember that South African blacks felt betrayed by most of the western world at some point.

In South Africa's business culture, the respect a person enjoys may depend strongly on his or her education. People of British decent highly respect status and rank, while others may be more impressed with personal knowledge and accomplishments. Admired personal traits include sincerity and dependability.

Communication

While English is widely spoken, it is only one of eleven official languages of the country. Most white South Africans are bilingual, speaking English and Afrikaans, which is closely related to Dutch. Blacks speak their own native tongue and may have a working knowledge of Afrikaans and English.

Businesspeople in this country usually speak in a controlled fashion, only occasionally raising their voices to make a point. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Being loud may be regarded as bad manners. Interrupting others is often considered rude. Periods of silence do not necessarily convey a negative message. Afrikaners and British South Africans rarely show their emotions openly, but Blacks may be less restrained. People generally converse while standing around two to three feet apart, possibly closer among Blacks.

While most South Africans avoid confrontation, levels of directness may vary greatly. Afrikaners are often much more direct and may be very blunt. They do not find it difficult to say 'no' if they dislike a request or proposal. Afrikaners value straightforwardness and honesty much more highly than tact or diplomacy. They dislike vague statements and openly share opinions, concerns, and feelings with others. British South Africans are often somewhat vague and can be hard to read. While you may occasionally get a direct 'no,' evasive responses like 'I'll get back to you' could indicate a lack of interest in what you have to offer. Black South Africans, on the other hand, can be more indirect than the other groups. Instead of 'no,' they may give seemingly ambiguous answers such as 'I am not sure,' 'we will think about it,' or 'this will require further investigation.' Each of these could mean 'no,' as does a 'yes' that sounds hesitant or weak. Alternatively, a respondent may deliberately ignore your question. With Blacks, extended silence likely communicates a negative message.

Gestures are usually subtle, especially among British South Africans. Physical contact is rare among Whites but can be frequent among Blacks. However, never touch someone's head, not even that of a child. Do not use your fingers to point at others. Instead, point with your head. Eye contact should be frequent as this conveys sincerity. However, make it less frequent with a superior and do not stare at people.

Initial Contacts and Meetings

Having a local contact can be an advantage but is usually not a necessary precondition to doing business.

Negotiations in the country can be conducted by individuals or teams of negotiators. It is advisable that teams be well aligned, with roles clearly assigned to each member. With Blacks, changing a team member may require the relationship building process to start over and should therefore be avoided. It will be noted very favorably if a senior executive attends the initial meeting for your company. There will not be an expectation that the executive attends future meetings.

Scheduling meetings in advance is required. However, you can sometimes do this on short notice if the parties had previous business interactions. Since South Africans want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Agreeing on an agenda upfront can also be useful. That agenda will usually be followed. While meetings may not start on time, South Africans generally expect foreign visitors to be punctual. Avoid being more than 5 to 10 minutes late. Black South Africans may be less concerned with time. Displaying anger if you have to wait reflects poorly on you.

Names are usually given in the order of first name, family name. Use *Mr./Mrs./Miss* plus the family name. If a person has an academic title, use it instead, followed by the family name. Before calling

South Africans by their first names, wait until they offer it. Introductions are accompanied by firm handshakes. Men should wait for women to initiate handshakes.

The exchange of business cards is not an essential step, but it is best to bring a sufficient supply. They may sometimes be exchanged at the end rather than the beginning of the meeting. Having your card printed in English is usually sufficient. 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. Offer your card to everyone present. If someone does not give you his or her card, this may signal that the person does not want to do business with you. When presenting your card, smile and keep eye contact, then take a few moments to look at the card you received. Next, place it on the table in front of you.

Meetings usually start with some polite small talk, which may be extensive with Afrikaners or Blacks. A sense of humor is appreciated, but know that South African humor is often dry and earthy. People rarely discuss their private life around meetings and you should not inquire about their family or marital status. The overall meeting atmosphere is usually quite formal, especially early in the business relationship.

While one purpose of the initial meeting is to establish personal rapport and decide whether the other can be trusted, its primary focus will be on business topics. A first meeting will rarely lead to a straight decision.

The appearance of your presentation materials is not very important as long as you include good and easy-to-understand visuals. Keep your presentation short and to the point. South African businesspeople are not easily impressed with fancy slide presentations. Having your English-language handout materials translated into another local language is not required.

Negotiation

Attitudes and Styles – Negotiation approaches in South Africa may depend on your counterparts' cultural background. With Afrikaners, the primary approach to negotiating is often to employ distributive and contingency bargaining. They can be quite competitive and may be unwilling to agree with compromises unless it is their only option to keep the negotiation from getting stuck. In contrast, Black and British South Africans may view negotiating as a joint problem-solving process. The latter are often willing to compromise as necessary to reach agreement, while Blacks may be inclined to leverage relationships as a way to resolve disagreements. They may also focus more on the longer-term benefits of the business deal than the other groups.

With all of the groups, the buyer is in a superior position but both sides in a business deal own the responsibility to reach agreement. South Africans believe in the concept of win-win and will expect you to reciprocate their respect and trust. It is strongly advisable to avoid any open confrontation and to remain respectful and cooperative.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through give-and-take compromising and appeals to your counterparts' fairness if you are negotiating with British South Africans. With the other groups, it can be best to leverage personal relationships and emphasize common interests and long-term benefits. Patience and creativity will pay strong dividends.

Sharing of Information – South African negotiators may spend considerable time gathering information and discussing details before the bargaining stage of a negotiation can begin. Most of them believe in information sharing as a way to build trust. This does not mean that they will readily reveal everything you might want to know during your negotiation. However, negotiations can become very difficult if one side appears to be hiding information from the other.

Pace of Negotiation – How long your negotiation in South Africa may take can be hard to predict. Traditional companies may be very slow, spending considerable time gathering information, bargaining, and making decisions. Attempts to accelerate the process may be counterproductive, so be patient, and allow plenty of time. On the other hand, South Africans can be decisive and quick on their feet, so you may be able to finish the negotiation in a short time span once you have managed to win their trust.

Bargaining – Cultural influences play a big role in the bargaining stage of a negotiation in South Africa. British South Africans view bargaining as a necessary element of the process to find a compromise between the parties, but often dislike haggling. They can be tough negotiators but will strive to play a ‘fair game.’ Prices may only move by about 20 percent or so between initial offer and final agreement. While Afrikaners are not overly fond of bargaining and dislike haggling, they can be quite good at both. With them, prices may move by 20 to 30 percent. Of all cultural groups in the country, Blacks may be most fond of both bargaining and haggling. When negotiating with someone from this group, be prepared that prices may move by 40 percent or more.

With all groups, it is best to avoid ‘hard selling’ as most South Africans strongly dislike that style. At times, white South Africans may appear passive, ‘taking everything in.’ However, they will take control of the negotiation at an opportune moment. Leave yourself room enough for concessions and prepare alternative options. Ask the other side to reciprocate if you make concessions. Offers to provide continuing service to a South African client, in spite of long distances, can also be valuable bargaining concessions. Businesspeople in the country often find it difficult to overcome the isolation imposed on them by geography.

South Africans usually prefer to negotiate in a straightforward style. They use deceptive techniques only infrequently, such as telling lies, 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 refrain from lying at or grossly misleading your counterparts, as doing so might damage business relationships. Carefully orchestrated, ‘good cop, bad cop’ may be an effective tactic to use in your own negotiation approach. Businesspeople may claim limited authority, stating that they have to ask for their manager’s approval. This could be a tactic or the truth.

Negotiators in the country use pressure techniques only as long as they can be applied in a non-confrontational fashion. They may open with their best offer, show some intransigence, make final offers, or attempt to nibble. Silence could simply be a part of the conversation, although it may also signal rejection of a proposal. Be very careful when attempting to apply time pressure. This may offend your counterparts, as they strongly dislike being rushed. While the negotiation will not necessarily be over, they may become very reserved and cautious. Expiring offers and ultimatums are only a last resort when negotiating with South Africans. If they fail to draw an immediate positive reaction, the deal will be over.

Avoid all aggressive tactics in South Africa. Though Afrikaners may occasionally appear aggressive, this usually only reflects their direct and blunt style rather than any tactical behavior. Responding in kind is rarely productive. People will not shy away from open confrontation if challenged, but this is likely to deteriorate rather than strengthen your bargaining position. Signs of anger, threats, or warnings usually indicate that the negotiation is not going well. They are rarely used as a tactic. Opening with an extreme offer may be viewed as ungentlemanly or even childish. It should be avoided unless you are negotiating with Blacks, who may be more receptive to this approach. With all others, it is best to open with an offer that is already in the ballpark of what you really expect.

Emotional negotiation techniques, such as attitudinal bargaining, sending dual messages, attempting to make you feel guilty, or grimacing, may be employed by Blacks but are rare with others. It is

best to remain calm. Blacks, and also Afrikaners, may appeal to the personal relationship, in which case it is important to show willingness to work with them on finding an acceptable solution.

South African businesspeople may employ defensive tactics such as changing the subject, blocking, asking probing or very direct questions, making promises, or keeping an inflexible position.

Corruption and bribery are somewhat common in South Africa'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 South African may view as only a nice gift.

Decision Making – South African companies are often very hierarchical, and people expect to work within clearly established lines of authority. The decision maker is usually a senior executive who will consider the best interest of the group or organization. If decisions are made at lower levels, they often require top management approval, which can be time-consuming. Black managers often consult with others and carefully consider their inputs. This process can take a long time and requires patience. It is very important to learn about the company structure and win the support of people at all organizational levels who are involved in the negotiation, rather than focusing on upper management only.

With any of the cultural groups, it would be a mistake to expect decisions to be made instantly. Attempts to rush or put pressure on the process are not likely to succeed and may be counterproductive. Once a decision has been made, it may be very difficult to change.

When making decisions, white South African businesspeople may apply universal principles rather than considering the specific situation. They often dislike 'making exceptions,' even when several arguments speak in favor of doing so. Personal feelings and experiences are considered mostly irrelevant in business negotiations, so people focus on empirical evidence, logical arguments, and objective facts. On the other hand, Blacks are often more interested in the specific situation at hand and may consider their feelings much more strongly than facts.

South African businesspeople are usually willing to take some risk, but often with great caution. If you expect them to support a high-risk decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. However, handshakes and verbal agreements may be considered binding, especially among Blacks. Verify agreement repeatedly since there is always a risk of misunderstandings, but remain flexible and do not insist that everything be put in writing. Similarly, keep your commitments, whether made orally or in writing. A foreign company that people consider a 'deal breaker' will find it very difficult to continue doing business in the country.

Written contracts may be created in a wide range of styles, from high-level to very detailed. It can be advantageous to make sure that the contract clearly spells out commitments and performance standards, drawing your counterparts' attention to these passages if necessary. Signing the contract is often only a formality. South Africans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

It is strongly recommended to consult a local legal expert before setting up a business or signing a contract. South Africans generally prefer to resolve disputes out of court, but they will not shy away

from taking legal action if deemed necessary. However, do not bring your attorney to the negotiation table as it may be viewed as a sign of mistrust.

Contracts are usually dependable, though your counterparts may not meet some of the terms to the letter. Your counterparts may have a somewhat casual approach to deadlines, especially if the contract is not very strict on that point. Business partners usually expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms.

Women in Business

South Africa is still a male-dominated and chauvinistic society. Although they have equal rights in theory, women may be considered inferior and still have a hard time attaining positions of similar income and authority as men.

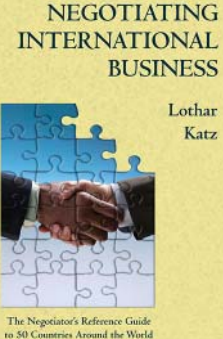
As a visiting businesswoman, it may help a little if you emphasize your company's importance and your role in it. However, you will still have to work hard to gain personal respect. Compliments about appearance and remarks with sexual connotation may represent little more than attempts to test your confidence. It is important to be gracious and act professionally in business and social situations. Displaying confidence and an appropriate deal of assertiveness is very important, since South Africans admire people who are tough, confident, and capable without being overly aggressive.

Other Important Things to Know

Business lunches and dinners, as well as other evening entertainment, are frequent and help in building relationships and growing your network. Business may or may not be discussed during these events. Wait to see whether your counterparts bring it up.

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 is perfectly acceptable.

Gift giving in business settings is rare. It is best not to bring a gift to an initial meeting in order to avoid raising suspicions about your motives.

	<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 style="text-align: center;">www.NegIntBiz.com</p>
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