

The Impact of Cultural Mistakes on International Real Estate Negotiations

BY MARK LEE LEVINE, PH.D., CRE, FRICS, CIPS

WHEN CONDUCTING BUSINESS, INDIVIDUALS often focus on how they think, not how the other party views the situation. This built-in bias is generally very detrimental and highly toxic for international real estate transactions, and can contribute to the possibility of making cultural blunders that have a negative impact on business relations.

Those who fail to be cognizant of cultural differences and concerns will frequently destroy what could have been a successful transaction. More important, the injured party—often the real estate consultant, investor or broker—typically is not aware of the blunder that spoiled relations and caused the loss of the transaction.

ILLUSTRATIONS OF TYPICAL CULTURAL BLUNDERS

Numerous elements form the foundation of etiquette in various cultures. They are crucial to conducting business successfully in countries with different traditions and communication norms than those in Western culture. Though many blunders can be humorous or simply embarrassing in some situations, others could be highly volatile—and could even destroy a business relationship. Following are some of the more common cultural sensitivities that anyone conducting business on an international level should know.

Family and Gender

Recognize the importance of the family structure and authority within the business structure. Addressing the wrong person in the family—asking the son rather than the father to make a decision, for example—may destroy the transaction. This scenario exists in many South American countries. In other areas such as South Korea and Japan, it may be extremely difficult to undertake busi-

ness transactions with women, because they are not readily accepted in certain business settings.

Financial Issues

A focus on only net financial benefits, such as a rate of return analysis, may be extremely short sighted. Though a return on investment is crucial in most business circumstances, other issues such as family relationships or prestige may be of more import at least in the short term. This is especially true in most Asian countries.

Legalities

In the United States it is generally not an insult or unusual for a long legal document to outline real estate acquisitions. However, in many Eastern European and Asian countries, it could be considered an insult to have



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an extremely detailed document, which could imply that the person presenting it doesn't trust the other. In the United States, Canada and England, for example, the contract is the document that ultimately defines the transaction. But elsewhere, it can be the starting point of the discussion.

Proper Names, Titles and Addresses

Familiarity and the use of first names may be popular in the U.S., but that is not the case in many other countries. In Asia and even many European countries, addressing people by their first name is an insult until or unless the relationship grows to a level where such familiarity is proper. Note, too, that many Asian countries list surnames first and given names last. Make a point to confirm surnames in advance whenever possible.

Similarly, failing to address someone by his or her proper title—such as a doctor, professor, prince or chief executive officer—can have a devastating effect.

Touch

Business people in the United States tend to be more inclined to touch a person or move into their personal space. Touching in many countries, especially in the Middle East, is not acceptable, whether through a handshake or otherwise. In many cultures or religions, one example is the Jewish orthodox community, it is improper for men and women to touch members of the opposite sex other than their spouses or close family members.

Introductions and Business Cards

Formal introduction—using surnames, not first names, of the parties being introduced—is usually a sign of proper respect and etiquette. Presentation of business cards often accompanies this practice. It's common in the United States for professionals to casually hand out cards with one hand. But in many Asian countries including Korea, Japan and Indonesia, it's customary to hand the business card to the recipient with two hands and, in many instances, also give a slight bow. Present the business card so that the recipient can read the name on the card, and make sure it includes a proper title such as chief executive officer, president, doctor, professor or manager.

When on the receiving end, accept the card, acknowledge the card, review the card and perhaps even compliment the card. In some countries, it's poor taste to put the card away during the business meeting; instead the card should

remain on the table in front of the recipient, until the meeting concludes. Above all, never place the card in a back pants pocket.

Professionals who practice in different countries should have cards that are printed in multiple languages. When working in Hungary, for example, a card with Hungarian on one side and English on the other can be very helpful.

Don't write on a business card while that individual is present. Doing so would likely be considered disrespectful.

Inappropriate Exposure

Certain parts of the body can be off limits. Touching the head of a young child in most Asian countries is not acceptable behavior. Likewise, women should be careful about exposing their arms, legs or even faces in many Muslim countries. Often, the degree of exposure deemed acceptable depends on the culture, age of the woman and religious doctrine.

Showing the bottom of a shoe when crossing the legs also is an affront in many Muslim countries as well as in Thailand. Know whether custom requires removing shoes and socks when entering religious areas and homes. Some countries even have specific traditions for washing hands and feet upon entering the home.

Wearing shorts or other types of casual clothing is not acceptable in many cultures. The most sensitive situations apply to women in orthodox settings in the Middle East, where proper attire for women does not include shorts or short skirts.

Colors

Colors are important in many settings and can convey positive or negative messages. For example, black often symbolizes mourning in many western countries. But in Asia, red or white typically are worn to funerals. So wearing what might be considered light, cheerful hues in the West could have a much different impact in China, for example.

Numbers

Certain numbers are considered lucky or unlucky in various countries and in various settings. Labeling a house or office with an unlucky number may prevent the lease or sale of a property. For example, in the United States it is quite common for many buildings and hotels to avoid a numbered 13th floor; elevator buttons jump from 12 to 14.

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The number 4 signifies death in some Asian countries. Therefore avoiding this number in addresses and documentation can improve chances of success.

Gifts

Types of gifts, timing in giving gifts and the setting for gift-giving are all very important in various cultures. Don't make mistakes such as giving alcohol in Muslim countries, where drinking is prohibited, or giving pork products in Muslim or conservative Jewish communities.

On the other hand, gifts could be considered bribes in some countries. The United States Foreign Corrupt Practices Act and similar laws in other countries often make giving money or other expensive gifts illegal. A thorough understanding of laws and practices is necessary before giving gifts, especially when they are valuable or involve money.

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Gestures

Gestures such as pointing, especially with the index finger, are taboo in many Asian countries, though directing with the full hand usually is acceptable. And a kiss on the cheek in Central and South American countries, France and Mexico often is proper and perhaps even necessary to avoid insult. But in countries such as Korea and Japan, a slight bow would often be proper etiquette. Placing the hands together and bowing slightly would be an acceptable gesture of welcome in countries such as India and Thailand.

Shaking hands is an acceptable practice in many jurisdictions, especially in the United States and other Western cultures. Yet it is unacceptable in many countries where contact between nonrelated men and women is restricted. Using the left hand for any public purpose usually is unacceptable in many Middle Eastern countries. And tipping or removing a hat, meanwhile, may be a respectable action in

many countries, but inappropriate in Jewish and Muslim cultures, for example, which require head coverings.

Eating and Etiquette

The choice of foods and manner of eating foods is another important consideration. For example, it is quite acceptable in Indonesia to eat with knives and forks or chopsticks, but eating meals with the fingers also is common. In Asian countries, proper etiquette calls for diners to lift the rice bowl toward the face when eating, whereas Western cultures may consider moving plates rather than utensils uncouth.

Placing chopsticks to the side of the bowl is proper; do not leave chopsticks sticking up or out of the food. Eating with one end of the chopsticks and using the other end for picking up food from a central dish is often considered proper in Japan and other countries where chopsticks are the main eating tools. On the other hand, in Singapore and many other countries, taking food from a central plate without turning the chopsticks is quite common and acceptable.

The order and method of the consuming foods also is important. Some cultures forbid mixing certain foods, such as milk and meat in a traditional orthodox Jewish setting. Other cultures limit or prohibit alcohol. In addition, formal or ceremonial meals must not be rushed; they often take several hours.

Be sure to know what topics of discussion are inappropriate. In Central and South America as well as Asia, talking about some business topics during meals is rude. Instead, some cultures discuss business only after the meal is finished; others limit such discussion to formal business meetings.

Timing for Business Discussions

The timing of business discussions should consider numerous issues. For example, in most Muslim settings, Friday is not a day for conducting business. Many other cultures do not discuss business on Saturdays or Sundays. Thus, setting the meeting date is crucial.

Proper Dress at Meetings

General dress codes in many societies dictate proper attire for general business meetings, meals or other situations. Yet in many Asian and Middle Eastern countries where the

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temperature is quite hot for a majority of the year, omitting a coat and tie is common.

Topics of Discussion

Be cognizant of proper topics to discuss. For example, the recent conflict between Pakistan and India would be a topic to avoid in those two countries. Be aware of sensitive political and social issues; do not bring them up in formal, and even informal, business settings.

It would normally be impolite in the United States to ask someone his or her age. But asking someone's age in most Asian countries is usually acceptable and often important to determine the individual's status and degree of respect he or she expects.

The status of the family is an acceptable topic in many societies. However, asking about personal information may not be acceptable until one reaches a greater state of comfort in business dealings. This situation is especially true in a several African nations, where inquiring about a colleague's wife would often be considered forward. In most Asian countries, discussing the family isn't considered small talk, as it is in United States; it is part of getting to know the person, before undertaking business transactions.

Timeliness

In many jurisdictions, timeliness is not of great concern; in other settings, it is an insult to be late. In Germany, for example, one normally schedules a meeting for a specific time. Arriving late would be an insult. But in some situations in Central and South America, Thailand, Indonesia and elsewhere, some degree of tardiness is typical. Because of adverse traffic conditions—such as those in Jakarta, Indonesia; Bangkok, Thailand; Cairo, Egypt; Dubai, United Arab Emirates; Mexico City; and many other cities—some delay is almost expected.

Accepting or Rejecting an Offer

During a meeting, the process of requesting an immediate answer to determine whether a position is acceptable—if the price is acceptable when discussing a property sale, for example—is common in the United States. Yet this practice would be poor etiquette in many Asian countries. It not only could compromise the purchaser's standing among peers, but it also fails to recognize that a group or

high-level executive must often make the decision. Attempting to “force” a decision frequently is an affront and is unacceptable behavior.

Saying No

In many western societies tactfully saying “no thank you” to a business proposition is usually acceptable. In other societies—such as most Asian societies, especially Japan and Korea—saying “no” outright, is unacceptable. Instead, other approaches to avoid the absolute “no,” such as using

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body language or postponing the decision, show sensitivity to the society's typical practices.

Negotiations

The method of negotiating is substantially different in many countries. For example, people in the United States often attempt to present a win-win situation that shows how all parties benefit from the transaction. But this practice may be considered a sign of weakness elsewhere. Similarly, giving in on a point and expecting a reciprocal good faith position by the other side is an acceptable practice in many cultures, but don't expect this tactic to work in settings such as Russia, Eastern Europe and many Asian countries.

Calm, non-threatening, friendly negotiations are the common approach in Asia. Patience is necessary because the time needed to structure an undertaking in places such as in Japan and Korea—as well as many South American countries—is relatively long when compared to transactions undertaken in the U.S. and Western Europe. Another key difference is that directly involving professionals other than the principals in business meetings often is inappropriate. Lawyers, accountants and other specialists often provide support, but shouldn't be mentioned in the early stages of negotiation. They can consult with the parties outside of business meetings, then

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prepare documents only after the parties have reached a final agreement.

LEARN FROM MISTAKES TO ENSURE FUTURE SUCCESS

If one is not aware of the cultural nuances and differences, it is entirely possible that the transaction will not bear fruit and will not conclude positively. Even more unfortunate, the parties may lack an understanding about what caused the relationship to deteriorate.

Many U.S. brokers and principals are not aware of cultural elements that can effectively terminate a transaction with a buyer or seller from outside the United States. Failing to acknowledge cultural requirements or unknowingly insulting a potential colleague can spell doom for a business transaction. Losing the transaction is a disappointment; but even more important, the broker, principal or investor may not realize that it was his or her actions that ruined the deal.

Individuals who are unaware or unconcerned about other parties' cultural concerns will likely not complete many international business transactions. Learning what caused the affront, however, and adopting culturally sensitive communication methods could lead the way to future success.

When examining the overall issues, the knowledge and personal interaction of those involved in the transaction often are just as important as the financial aspects. Both are necessary for a successful transaction to take place. As a respected colleague said: "People don't care how much you know—until they know how much you care." Showing an understanding of the lifestyle, culture and social norms of people across the global market is part of that caring. ■