



# Culture and business networks: International business negotiations with Arab managers

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## ABSTRACT

The Arab world is an important economic region due to its natural resources, geographic location and political influence. However, limited attention has been paid to researching and understanding the way business is conducted in this region. We address this gap by exploring the key socio-economic, cultural and political factors that influence the negotiation process between Arab and non-Arab managers. Semi-structured interviews were conducted with 30 Arab managers in Lebanon with experience in international business. The findings of the study show that: Arab negotiators place emphasis on building relationships and use referent power (*wasta*); the political uncertainty influences the bargaining power of the Arab negotiators and political volatility in the country influences the Arab managers' use of time during negotiations.

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## 1. Introduction

The influence of national culture on business negotiations has been the subject of extensive research (Agndal, 2007; Salacuse, 2003). However, the focus of these studies has mainly been on exploring the negotiating styles of certain countries such as Japan, the United States and China (Brett & Okumura, 1998; Ghauri & Fang, 2001; Graham, 1993; Shi, 2001; Shi & Wright, 2003). The Arab speaking countries in the Middle East are considered important players in the international trade, investment and political affairs due to its geographical location and the natural resources found in the region (Weir, 2003). Despite its significance, there has been limited research undertaken on how business is conducted in the region (Ali, 2009; Ali & Al-Shakhis, 1990). Much of the extant literature on the Arab world is out-dated and does not cover the changing socio-economic and political conditions in the region over the last few decades. Weir (2000) acknowledges this shortcoming:

*“irrespective of the success of the Gulf economies and the impact of the Arab world on the global economy in recent years, it has evaded the attention of most serious business academics, even those who have lauded the economic vitality and potential of the city-state economies, and little is known about this part of the world’s way of managing”.*

The Middle East is an important region in the global economic and political affairs. However, the lack of knowledge about the cultural norms and business practices has affected the ability of many non-Arab firms to tap into the economic potential of the region (Rees & Althakhri, 2008). Zahra (2011) highlights the importance of the region and states that many Arab

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countries such as Saudi Arabia, the United Arab Emirates (UAE) and Kuwait are now major investors in US and European multinational companies, property and other businesses. A report by the Boston Consulting Group (BCG) in 2009 lists companies from Kuwait and the United Arab Emirates in its 100 New Global Challengers list. These companies are selected on the basis that they have “either attained global leadership positions or have demonstrated credible ambitions and abilities to achieve sizeable global footprint” (Aguilar et al., 2009, p. 4). The region also continues to be an attractive location for inward foreign direct investment (FDI). According to the World Investment Report (UNCTAD, 2011), Saudi Arabia was ranked 12th in the top 20 host economies for FDI inflows. These economic activities in the Arab countries make it important for academia and industry to research and understand how decisions are made in the region. In particular, current insights into the business practices in the region are required as recent political uncertainty in the region due to civil uprising is challenging the traditional beliefs about power and control in many of the hierarchical Arab societies, thereby providing scholars the opportunity to examine theories and frameworks in quasi-experimental settings (Zahra, 2011).

This study addresses this gap and makes a significant contribution to the literature on business in the Arab world and international business negotiations. In particular, the findings of this study provide current insights into the influences of politics, culture and other contextual factors on the negotiating process, and the style and strategies used by Arab managers during negotiations. In view of the changing political and social environment in the Arab region, this study makes a timely contribution and attempts to answer the following question:

*What are the key socio-economic, cultural, and political factors that influence the negotiation process involving Arab and non-Arab business managers?*

The remainder of the article is divided as follows: the next section reviews extant literature on international business negotiations, and the Arab world. We then discuss our informing framework and research propositions, and describe the methodology used in this study. The findings of the study are then presented and discussed, and the limitations of this study, implications for managers, and suggestions for future research are provided in the concluding section.

## 2. International business negotiations

The success of negotiations in international settings relies on the ability of managers to effectively communicate their message in different cultural settings (Schoop, Kohne, & Ostertag, 2010). Saeed (2008) states that differences in organisational and national cultures means that managers have to adapt to the business setting that vary across countries and companies. To do so, managers must be aware of the contextual factors influencing the negotiation process, and should have the ability to alter their style and strategies to suit the needs (Saeed, 2008). Negotiation research in general has not been viewed in a static fashion, rather in different theoretical viewpoints and paradigms within literature. Researchers have used the social exchange theory viewing negotiation essentially as a social exchange process, a human interaction of ideas of both parties that influence each other in a problem-solving manner to reach a win–win agreement (for example see Ghauri, 1983), leading into sub-branches such as the theory of conflict resolution which encompasses social conflict (Schellenberg, 1996). On the opposite spectrum, there is a game theory perspective, whereby the whole process of negotiation is essentially viewed as a game, that is, there is a winner and a loser in the ‘game’ of negotiation. It is bounded by assumptions of rationality, taking logical solutions to dilemmas at every stage, viewing the relationship between parties as competitive in nature, and ultimately having a zero-sum gain (Duvalett, Garapin, Llerena, & Robin, 2004). Theory in the negotiations field has historically been developed across two viewpoints: the macro-level strategic view that focuses on the organisational aspects, and the micro-level behavioural view, which is more interested in the behaviour of the individuals. Brett and Gelfand (2005) proposed a negotiation theory to analyse the cultural factors influencing the negotiation process. According to Brett and Gelfand (2005), there are five factors to consider in the negotiation process:

- *Judgement and concession making*: do the negotiators aim to persuade using rationality or emotionality,
- *Motivation*: is the motivation to achieve economic capital or social capital,
- *Attributions*: what are the traits of the negotiators: dispositional attribution vs. situational attribution,
- *Communication*: do the negotiators use direct information or indirect information sharing,
- *Confrontation*: are the negotiators using direct voice and talk or avoidance and indirectness.

According to the theory, the traditional view to negotiations, which is associated with the Western world, would be to deal rationally, focus on economic capital, have dispositional attribution, and use direct information and direct voice. The alternative view to negotiations may be applicable to the non-Western countries and regions. According to the alternative view, the negotiators would use emotionality in concession making, focus on building relationships and social capital, demonstrate situational attribution, and use indirect information sharing and indirectness in communication (Brett & Gelfand, 2005). We discuss the theoretical application and implications of our study in the discussion section, and the relevance of the alternative view of negotiation in the Arab world.

The majority of the articles published on international business negotiations have studied the influences of culture on the process and outcomes of negotiations (see for example Agndal, 2007; Rammal, 2005; Reynolds, Simintiras, & Vlachou, 2003). Although there is no general agreement on the definition of culture (Weiss, 2004), literature suggests that it consists of three

main characteristics: (1) culture is not innate but learned, (2) the various facets of culture are interrelated and (3) culture is shared and, in effect, defines the boundaries of different groups (Hall, 1981; Triandis, 1994). What can be deduced from this discussion is that at its core culture is a set of shared and endured meanings, values and beliefs that are interrelated and characterise the behaviour of national, ethnic or other groups. Culture is therefore acquired through acculturation by the individual from the society (Hofstede, 1994, 2001; Hofstede, Hofstede, & Minkov, 2010). A number of studies have attempted to classify cultures according to how they score on various dimensions (Hofstede, 1980, 2001; Hofstede et al., 2010; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Schwartz, 1994). Hofstede's study is considered seminal in the field and classified cultures along four dimensions of power distance, individualism vs. collectivism, uncertainty avoidance and masculinity (Hofstede, 1980). Two further dimensions of long-term vs. short-term orientation, and indulgence vs. restraint were later added to the four other dimensions (Hofstede, 2001; Hofstede et al., 2010).

The collectivism and individualism construct has been discussed in negotiation contexts and has also been used when considering values and social systems, morality, religion, cognitive differentiation, economic development and even the structure of constitutions (see for example Fang, 1997). A number of empirical studies on negotiations used laboratory simulations to help comparison of negotiating behaviour of people from different nationalities (Graham, 1983; Lewis & Fry, 1977). These simulations were first proposed by Kelly (1996), and generally use American undergraduate students in role-play exercises (Agndal, 2007). There is some discussion whether negotiation behaviour of students accurately reflects the behaviour of "real" negotiators. In fact, the bargaining behaviour of students has been shown to differ significantly from that of professionals (Zarkada-Fraser & Fraser, 2001). In this vein this study analyses the perceptions, motivations and behaviours of Arab negotiators by interviewing experienced managers from industry, and not relying on university students role-playing in class simulations.

As mentioned earlier, among the studies that focus on separate countries from a deductive conceptual point of view, some nations have received more attention than others. These include Japan (Kramer, 1993; Lituchy, 1997), China (Fang, 1997; Samuelson, 1984; Tung, 1985), and the United States (Graham, Mintu-Wimsatt, & Rodgers, 1994). To date, there has been limited research that examines the negotiating behaviour of managers from the Middle East region, a research gap that this paper addresses.

### 3. The Arab culture

The terms "Middle East" and "Arab world" are often used interchangeably to represent the West Asia region (Feghali, 1997; Hutchings & Weir, 2006b). It is therefore important to define what is meant by the term "Arab" or "Arab world", and what behaviours and cultural patterns would be expected. The Arab region is sometimes erroneously referred to as the "Muslim world" and in some studies has included the Persian speaking Iran as part of the "Arab world" (Hutchings & Weir, 2006a). While most Arabs are Muslim, not all Muslims are Arabs (Feghali, 1997; Jabra, 1971; Rice, 2003) and the region does not represent the majority of the Muslim population. For the purpose of this paper, the Arab League's membership criteria is used to define the Arab world as consisting of all Arab speaking nations within the Middle East and North Africa (MENA) region. The region is of significance for researchers, business managers, policymakers and other stakeholders not only for its economic interests but also because it is the heartland of Islamic faith (Weir, 2003).

In her review of studies on Arab culture and communication patterns Feghali (1997) found that the three values that are most commonly mentioned in literature are: (a) collectivism, (b) hospitality and (c) honour. In a study of communication patterns, Hall (1966) identified cultures as being either high-context or low-context. People from a low-context culture tend to be task focussed and communicate their message explicitly while individuals from high-context cultures tend to focus on building relationships, and their messages are communicated implicitly. Hall's (1966) study classified the cultures of Arab countries as high-context. Gudykunst and Ting-Toomey (1988) state that this communication characteristic translates to a speaker's concealment of desired wants, needs, or goals during interactions which reflects "*musayara*", an Arabic word that is used to describe the desire of the Arabs to be accommodating for the sake of harmony and avoidance of confrontation during negotiations (Nelson, Al Batal, & El Bakary, 2002). Due to this high-context behaviour, Arabs are expected to rely considerably on complex nonverbal communication (Rice, 2003).

Hofstede (1980) in his seminal work on national cultural differences presented cultural findings for the region as part of the "Arab countries" that included Lebanon, Libya, Kuwait, Iraq, Saudi Arabia and United Arab Republic.<sup>2</sup> In relation to Hofstede's dimensions (Hofstede et al., 2010), the Arab world scores high on the power distance and collectivism dimensions, is moderately masculine and scores low in the long-term orientation and indulgence dimensions. These scores indicate that people in the Arab world respect and follow the orders of people in authority; focus on relationship-building, trust and collectivism; and follow traditional values that may be seen as conservative from the Western society perspective.

Lebanon is a member of the Arab League and its national and business cultures display characteristics that are similar to those of other Arab countries (see for example Feghali, 1997). Situated in the Eastern Mediterranean region, Lebanon's official language is Arabic and 95 percent of the population is Arab. Lebanon shares many of the local compositions and

<sup>2</sup> The United Arab Republic was a sovereign union between Egypt and Syria from 1958 to 1961 when Syria seceded from the Union. Egypt continued to use the name till 1971 (Podch, 1999).

history with countries such as Syria, the UAE, Qatar, Iraq and Egypt. Historically, Lebanon was part of 'Greater Syria', and still maintains substantial links in terms of trade, and exchange of human resource (Chaitani, 2007). For these reasons Lebanon's national culture is often described as part of the larger Arab culture, and can thus be used to validate the generalizability of the results of this study.

The Arab region has recently witnessed a period of substantial political change and instability, which at the time of writing this article is still on-going. Lebanon has experienced instability since the civil war of 1975–1990 and more recently during the Lebanon–Israel war of 2006. The current day politics and local uncertainties makes our population of Lebanese managers, to a workable degree, representative in terms of current similarities with other Arab nations in the neighbourhood and allows us to derive general implications for negotiations within the Middle Eastern cultural setting.

We next discuss our informing framework, and draw on the extant international business literature to develop the research propositions of this study.

#### 4. Informing framework and research propositions

For the purpose of this study, Ghauri's (2003) model for international business negotiations is used as the informing framework. While there are other models proposed for international business negotiations (see for example Phatak & Habib, 1996), Ghauri's model is comprehensive in its scope and coverage of issues that affect international business negotiations, and includes many of the cultural issues identified by Brett and Gelfand (2005), Hall (1966), Hofstede (1980, 2001) and Salacuse (1998). Thus, the use of the model allowed us to apply the various theoretical perspectives on how culture influences the negotiation process. Ghauri's (2003) model of international business negotiations builds on his previous framework (Ghauri, 1983) for conducting business negotiations in developing countries and is therefore applicable to this study. The selection of the model was also influenced in part by Ghauri's (2003) acknowledgement that culture and strategic factors are intrinsic to the international negotiation process. Thus, the model is different, and therefore possibly seminal, from the others in the sense that it considers culture and strategic factors as part of the negotiation process, and not necessarily as independent variable on its own. The works of Graham (1993) and Lituchy (1997) for instance (as well as many cross cultural negotiation studies stated in the earlier) deal with culture as an independent variable, separating it from the process, and trying to observe variations in the process by changing cultural patterns, samples, variables or factors.

Ghauri's (2003) model identifies strategic and cultural factors that can influence international business negotiations. According to Ghauri (2003), the negotiation process consists of the pre-negotiation phase, the face-to-face negotiation phase and the post-negotiation phase. These phases are influenced by:

- *the background factors*: which include the objectives of the negotiations, the environment/location of the negotiations, the involvement of third parties such as government agencies, and the individual negotiators,
- *the atmosphere*: which focuses on whether the negotiations are conducted in an environment of conflict/cooperation, the power/dependence relationship between the parties and expectations regarding the longevity of the deal,
- *strategic factors*: these include knowing the formal/informal style of presentation, the strategy used by the negotiators, the decision-making process followed by the negotiators, and whether an agent should be used by the parties; and
- *cultural factors*: these consist of factors such as the use of time by the parties, the preference of the negotiating party for individualism or collectivism, the high or low contextual pattern of communication, and the emphasis placed on personal relations between the negotiators.

The factors identified in the informing framework allow us to explore the socio-economic, cultural and political forces that influence the international business negotiations involving Arab negotiators. In conjunction with the issues identified in the review of the literature and theory on international business negotiations and the Arab culture, we propose that:

**P<sub>1</sub>.** *The collectivist nature of the Arab society means that Arab manager will place emphasis on building trust and relationship with the non-Arab party before commencing business negotiations.*

**P<sub>2</sub>.** *The higher the political risk is in the particular Arab country, the more likely it is that the Arab managers would give concessions to the other party during negotiations.*

**P<sub>3</sub>.** *Negotiations with Arab managers requires significant investment of time due to the polychronic time system followed by people in the Arab world.*

To answer our research question and to investigate our propositions about the negotiating style, we conducted interviews with Arab managers in Lebanon with experience in international business negotiations.

#### 5. Methodology

A total of 30 Lebanese business managers were interviewed over a six-month period (September 2008 to February 2009) in Beirut. We used the snowballing and purpose sampling methods to identify and select these elite interviewees. The criterion used for selecting the managers was their experience in conducting business negotiations with non-Arab managers.

The managers interviewed included Chief Executives Officers (CEOs) and senior managers of public and private companies representing the banking, construction, information technology, insurance, consulting, real estate and tourism industries, as well as governmental and non-governmental organisations (NGOs). The interviewees had on average 4.5 years of experience in international business negotiations and had negotiated with business managers from Brazil, Canada, Cyprus, Greece, Italy, Japan, South Africa, Turkey, United Kingdom and the United States. All interviewees also had experience in negotiating with managers from other Arab countries such as Bahrain, Egypt, Jordan, Saudi Arabia, Syria and the United Arab Emirates. The managers' experience in the field meant that they were not only able to provide information about negotiating with non-Arabs, but also were able to discuss their interactions with other Arab managers.

As discussed earlier, there have been a limited number of studies on the business culture in the Arab world in general, and the negotiating process in particular. Much of the literature on business in the Arab world is now out-dated and does not represent the current practices. In view of these limitations, we relied on interviewing individuals who are key informants and are considered 'experts' in their field. This approach is suggested when the nature of the research is exploratory (with emphasis on understanding and addressing the 'why' question) rather than a survey technique which is recommended for testing a known fact or phenomenon (Daniels & Cannice, 2004; Ghauri & Grønhaug, 2005; Kvale, 1983; Tremblay, 1957; Voss, Tsiriktsis, & Frohlich, 2002). The use of in-depth semi-structured interviews allowed the researchers to gain current insights into the style, behaviours and techniques employed by Arab business managers in international business negotiations (Eisenhardt, 1989; King, 2004; Parkhe, 1993; Sinkovics, Penz, & Ghauri, 2008; Welch & Piekkari, 2006; Yeung, 1995). The interviews were conducted in English and each interview generally lasted about 1 h. As English is widely spoken in the Lebanese business community, there was no need to conduct the interviews in Arabic. Three of the managers interviewed were contacted to clarify issues that arose during transcription. During June–July 2011 follow up interviews were conducted with eight of the managers to update responses in relation to the recent political uncertainty engulfing many of the Arab countries including Egypt, Syria and Libya.

The questions for the interviews were developed from previous literature in international business negotiation. In particular, the questions utilised the cultural and strategic factors identified by Brett and Gelfand (2005), Hall (1966) and Hofstede (2001), and applied in Ghauri's (2003) model of international business negotiations. Some of the specific questions that were asked during the interviews included:

"How did the parties initiate contact with each other?", "Were there any agents or third parties involved in the negotiation?", "Were any steps taken by the negotiators to familiarise themselves with each other?", "On average, how long did the negotiations last?" [In some instances the interviewees provided information on time spent on specific meetings], "What was the makeup of the teams involved in the negotiations?" [This included gender, age, position in company], "In which city or cities were negotiations conducted?", "How did the political situation in Arab world influence the negotiation process?"

Other questions dealt with the context of communication; the decision-making process; the emphasis on relationship building; the influences of the contextual factors such as the regulatory environment and the government bureaucracy; and the formalisation of the contract. After returning from each interview a set of fieldnotes were written that described the people, places, activities and conversations. These fieldnotes provided the context when the interviews were transcribed, and allowed the researchers to record ideas, strategies and reflections, and note patterns as they emerged rather than waiting until the data analysis stage (Bogdan & Biklen, 1998).

### 5.1. Data analysis

The interviews were transcribed, and the data was analysed using a step-wise approach of manual coding of the transcript, and then applying these codes in the NVivo qualitative data analysis software. Silverman (2000) states that data analysis should not wait until all the data is gathered, and even if only one interview has been conducted, the researcher should start transcribing, and analysing the data in the light of the research questions (see Miles & Huberman, 1994; Pettigrew, 1990; Strauss & Corbin, 1990; Yin, 2003). This was the approach taken by the researchers in this study. The interview data was analysed by identifying themes and developing associated categories that helped explain negotiating behaviours and the use of relationships and networks. The themes and pattern making developed inductively from analysis of interviews and relevant literature, and the data was categorised (Ahrens & Dent, 1998; Pettigrew, 1997). This helped to explain: the relationships between the concepts, and influences that impact the process and the apparent outcomes of the negotiation process involving Arab managers. Memos from data analysed were accumulated under categories with a view to saturating the category's dimensions, associated contexts and meanings. This was done to the point where categories stabilised and subsequent memos merely reinforced previously accumulated memos without providing significant new explanations of categories (Fox-Wolfgramm, 1997; Glaser & Strauss, 1967). The process of reducing data into meaningful groupings was carried out by a combination of the block and file approach and conceptual mapping (Grbich, 2007). Using the data-driven inductive approach of Boyatzis (1998), the coding process involved recognizing a relevant element and encoding it prior to the interpretation stage. The codes were then accumulated under categories/clusters, which provided associated contexts and meanings. Coding in NVivo is stored under nodes, which are points at which concepts branch out into a network of sub-concepts or dimensions. These nodes were then connected into trees to help make sense of the randomness of the data. The relationship nodes were then created to record connections and to create a hierarchical ordering of concepts in the tree-structured coding



system (Bazeley, 2007). This process helped identify the connections between the various concepts identified in the interview transcript.

The analysis of data for coding was done at the end of each interview. As more interviews were conducted, more codes were added and unrelated codes gradually removed (Miles & Huberman, 1994). The categories were then developed and refined through a process of comparison, where data coded under a particular category were compared for similarities with and differences from data previously coded under the same category. This allowed the consolidation of a category, and the identification of new categories or subcategories (Silverman, 1993; Strauss & Corbin, 1990).

In order to establish reliability and validity in the study, the researchers took a number of steps. First, the researchers spent a substantial amount of time in the research setting, which reduced the potential threat of observer bias. The longer the researcher spends time at the research setting, the more the opportunity to confront events and statements that may be contrary to the researcher's expectations (Healy & Perry, 2000). Second, it is observed that the researchers' behaviour in the fields can also help overcome the threats associated with reliability and validity in field studies. The researchers made all attempts to ensure that the participants and the research organisations felt comfortable with the researchers' presence. This strategy not only helped in overcoming observer-caused effects but also helped in getting access to more participants via snowballing. Most of the respondents were happy to discuss not only issues relating to their negotiation and that of their organisation, but also when prompted were willing to recommend other managers with experience in Arab and non-Arab business negotiations. Thus, by being aware of personal behaviour, the researchers were also able to access a wider pool of data sources.

These steps also ensured that the study met the triangulation requirement, which is used to improve the validity and reliability of research. In quantitative studies the test for validity is very specific whereas in qualitative research, triangulation methods are applied generally and the researcher can select from multiple methods of data collection and data analysis (Flick, 2002; Hammersley & Atkinson, 1995). The methods chosen for triangulation in this study were based on the criterion of the research: gaining insights from Arab managers with direct involvement in negotiations; and conducting interviews with a large base of experienced and key informed respondents (Golafshani, 2003).

## 6. Findings

The analysis of the interview data helped identify the behaviour of Arab managers and the factors that influence the negotiation process. We focus on the three themes that are related to our propositions: emphasis on trust and relationship; impact of political environment; and time sensitivity.

### 6.1. Trust and relationship

The words “trust” and “relations” were used frequently during the interviews indicating the Arab negotiators' emphasis on long-term relationships during negotiations. Interestingly, the concept of trust seemed to correlate with the size of company being negotiated with. Nearly all the managers interviewed stated that they would trust a large foreign multinational enterprise (MNE) as opposed to a new small to medium enterprise looking to enter the Arab region. This suggests that the larger the market power the foreign MNE held (Ghauri, 2003), the more they were trusted. As the quote by one of the interviewees shows, the Arab managers tend to trust companies that have well-established market presence and power, and would feel comfortable negotiating with such companies:

*“Recently we signed a major deal with a multinational based in France. Our other options included a new medium-sized enterprise based the United Kingdom; however they were discussing exit-strategies from the first day of our negotiations. The French party has a good reputation and [were] not interested in short-term work. We trust [them] and are happy with the relationship we have formed with the French.”*

The interviews also revealed that in order to foster trust during the negotiations, the Arab managers spent a considerable amount of time during the pre-negotiation stage communicating information between the parties to create a somewhat informal ‘atmosphere’ before beginning the actual negotiations. A number of the interviewees explained that in an attempt to create trust between the parties at some personal level and to foster long-term relationships, the Arab managers even invited foreign negotiators to their private residences for an informal dinner before the negotiations commenced. The managers believe that by creating a personal relationship, the parties would be able to negotiate in a cordial and trusting environment. As one interviewee explained:

*“First impressions are very important. . . [I create the relationship] by personally going to the airport to welcome foreign partners. I invite them to my residence for an informal dinner. Thereafter I invite them to my local village for a tour. These processes. . . create a very comfortable feel in the days following [and] definitely aided the negotiation when it took place in a positive manner.”*

The interviewees also acknowledged the use of referent and legitimate power (French & Raven, 1959), which is also related to trust, relationship formation and commitment with Arab negotiators. This type of power results from the willingness of one individual to be associated with another, and to maintain such an association in anticipation of future productive dealings (French & Raven, 1959). Much of the business that is conducted is closely woven with personal

relationships and contacts. The interviewees indicated that Arab negotiators almost always implied future business with the foreign parties they were negotiating with, or made explicit their 'connections' and local knowledge within the Arab countries that may be of use to foreign companies. The term that is specific to the region and used extensively in the interviews was 'wasta', which translates loosely to nepotism or 'a connected person' (Cunningham & Sarayah, 1993). Although this concept may be difficult for some to grasp, using networks and connections for favourable outcomes is an accepted business practice in the Arab world. The interviewees explained that dealings with government departments in Arab countries can be "very frustrating" for foreigners due to the highly bureaucratic management structure. Thus, during international business negotiations Arab managers tend to point out the personal connection within the various governmental agencies that could expedite the approval process and is seen as a strategy to secure a deal. With the long history of political turmoil in countries such as Lebanon, these networks are seen to be useful in ensuring that the business operations remain uninterrupted. As one manager explained, the connections he had in the Ministry of Economy and Trade helped him expedite the registration process for his foreign business partner, which would usually take several weeks:

*"I recently submitted standard registration paperwork to 'Le Ministere Economique Libanais' (The Ministry of Economy and Trade) on behalf of a foreign partner we work with in Beirut. I had assured the partner during the negotiations that it would be done within a week. After a few phone calls [to my contact in the Ministry], the paperwork was delivered within the week and the foreign counterpart was impressed by this."*

During the interviews it became clear that most of the Arab managers attempted to demonstrate that they have referent power or *wasta* as a bargaining chip during negotiations. For the non-Arab business negotiator it is important to separate genuine and non-genuine use of referent power. The interviewees explained that the referent power can sometimes be overstated or indirectly used in order to secure a deal when in reality the Arab manager may not have the required connections. One manager described such a situation when dealing with a Chinese supplier. The two sides had reached a deadlock over the price of the supplies and the negotiations had stalled. At that point one of the negotiators from the Arab side began discussing trends and opportunities in the industry, and mentioned another local company was also seeking supplies for their business. By overstating the level of his friendship with the management of the other party, he was able to convince the Chinese side to lower their price in exchange for introducing them. The manager then spent the next few days working with the management of other Arab company and succeeded in convincing them that if they acted as allies, they could secure a better price from the Chinese supplier.

The interviewees explained that business community in the Middle East understands the challenges they face due to political uncertainty in the country and the region. Therefore, the different players in the industry work with and use each other in order to face the challenges. According to the managers, this high level of *wasta* often surprises Western managers who are not used to this unique use of referent power in negotiations, and can sometimes help the Arab manager get a better than expected outcome.

## 6.2. Impact of political environment

During the interviews nearly all managers acknowledged that they usually made assumptions about foreign negotiators, depending on which country they came from. Thus, there is an element of cultural stereotyping, where Arab managers expect negotiators representing the other parties to behave and negotiate in a manner that matches their assumptions about the foreign culture. The interviewees expressed their opinions about negotiators from different countries: the British were less risk taking than the Saudi Arabs, and the Americans acted more 'macho' during negotiations when compared to the French.

It was generally acknowledged by the interviewees that Arab managers tend to refrain from communicating their views on politics during negotiations, regardless of whether the issues were local, regional or global. Because of the political uncertainty, the region was considered to be in a state of constant 'flux' (a term that was repeatedly used in the interviews), which has a profound impact on all aspects of business in the region. Ghauri (2003) in his model classifies this under the 'environment' factor and states that influences such as the political and regulatory environments have a direct impact on the international business negotiation process. According to the interviewees, during times of political unrest, greater concessions are given by the Arab negotiators as compensation for the disadvantage faced by international firms due to the unfavourable country risk. While this behaviour would be expected from managers from countries with high levels of long-term political risk, in countries such as Lebanon, the history of civil wars can affect business deals even though the political event may only last for a short period. One manager explained:

*"During the 2006 war with Israel and... in 2008 when we had an internal civil war for around seven days... our foreign partners threatened to pull out of existing and future deals. As we were in a compromised position, we had to give into many demands that we may not [normally] have. Although these were tough decisions, long-term gains from their business meant more to us than short-term losses."*

The interviews also revealed that the political risk also influenced the location of the negotiations. Recalling their experience during the political turmoil, the managers revealed that in many instances the negotiations were held in the non-Arab party's country. While negotiating in the other party's country does not allow the Arab manager to exploit the home

country advantage, the interviewees explained that negotiating in a foreign country at least provided the opportunity to continue business activities. This issue of political uncertainty was acknowledged by all the managers who related it to the “upper hand” that the non-Arab party usually gained during the negotiations:

*“When international managers arrive in Lebanon, they are exposed to scenes of military check-points, army personnel and tanks at many street corners. This portrays a country in a fragile position, and gives the foreign managers a bargaining chip when it comes to making a deal.”*

The location of the negotiations has a number of implications for the process and outcomes. Arab negotiators are constrained by time and cost issues when conducting negotiations in the foreign party’s country, and limits the relationship-building opportunities, which are highly valued by the Arab managers. Thus one could infer that negotiations held outside of the home location would be a disadvantage for Arab negotiators. To overcome the location disadvantage, managers from countries such as Lebanon prefer to negotiate in a third country location within the Arab world where the tangible signs of these disadvantages can be overcome, providing a more neutral climate for relationship-building. The United Arab Emirates (UAE) was identified as one such country where negotiations were held in somewhat familiar surroundings. However, some interviewees also highlighted the positives of the situation and explained that by travelling to, and negotiating in a foreign land, the Arab managers were seen to be taking the initiative to build trust and demonstrating keenness and a determination to work with the other party:

*“By holding negotiation in the other party’s country, the foreign manager will feel more comfortable and trust can then be built.”*

Nonetheless the cost of such an exercise was high and made the managers compromise on their preferred communication and negotiating style.

### 6.3. Time sensitivity

The final finding of the study deals with the expectations and use of time by Arab managers in business negotiations. The interviewees stressed the importance of using time effectively during negotiations. As mentioned earlier in the findings, Arab negotiators tend to spend a considerable amount of time in the pre-negotiation stage to establish personal acquaintance with the negotiators from the other parties. This investment in relationship building is considered vital to the negotiation process, and can increase the amount of time required to complete the negotiations with Arab managers. Ghauri (2003) identifies the use of time and the emphasis on personal relationships as two key cultural factors that influence the negotiation process. The interviewees in this study emphasised the importance of investing in relationship building and claimed that the negotiations with international firms usually took more than a month before a decision was taken:

*“We invest a lot of time in getting to know our potential business partners. The time and money used in trying to form relationships with potential businesses before the negotiation is like any other business cost to us.”*

While on the surface this finding seems consistent with Hall’s (1966, 1981) finding on the use of time in Arab speaking countries, further analysis of the responses reveals the changing nature of time use by Arab managers during negotiations. The interviewees explained that the political uncertainty faced by many Middle Eastern nations has forced Arab managers to change their behaviour and although they preferred to invest time in getting to know their counterparts, they practiced discipline and no longer make this the central purpose of the negotiation process. The interviewees also described the importance of deadlines and a structured approach to negotiations, something which Hall (1966, 1981) did not associate with the Arab world. According to the interviewees, business negotiations with non-Arab managers began on time and were held as per the agreed schedule. The ability to work within deadlines was seen as essential for successful negotiations for managers from countries like Lebanon, although this was not necessarily the case in other Arab countries. Thus, unlike Hall’s (1966, 1981) classification of Arab countries as polychronic societies, where deadlines were not adhered to, Lebanese managers tend to display monochronic attitudes in relation to meeting deadlines. As one of the interviewees described:

*“You have to reach a point that when you set an appointment at a certain time and for a certain amount of time; you have to make sure to fulfil all parts of the negotiation within that period.”*

The interviewees also acknowledged that the use of time by Lebanese managers in international business negotiations was different from other Arab countries. When prompted to describe the Arab managers’ sensitivity to time in negotiations, the interviewees compared Lebanon to other countries and described the sensitivity to time to be lower than the managers from the United States but higher than the Saudis. According to them, negotiators from the United States and United Kingdom demonstrated high sensitivity towards time and it was difficult for Arab managers interviewed for this study to create a personal relationship with these negotiators. Thus, while the formal negotiations seemed to commence quickly, in reality the lack of a personal relationship and trust meant that the Lebanese managers required more information and details before an agreement could be reached. This resulted in more time being taken for the completion of the negotiations than would have been the case had some time initially been spent on the creation of a personal relationship between the negotiators.



On the other hand most of the managers interviewed identified Saudi Arabian negotiators as taking excessive time in building relationships before the particulars of the project could be displayed. While negotiations with Saudi Arabian negotiators were seen to be slow, the interviewees acknowledged the market power of the Saudis due to the financial strength of the companies. The managers therefore had to cope with the slow pace of the negotiations and remained patient when meetings were delayed or went beyond the set agenda. One Lebanese CEO explained that the way the Saudis conduct business was effective and stated that:

“The Saudis have a lot of money and oil, it did not happen by chance. There is some credit to their way, though we also have to work very hard to strike a good balance.”

Thus, our findings reveal that Arab negotiators from Saudi Arabia, Kuwait and the UAE still follow the polychronic time systems, whereas managers from politically volatile countries such as Lebanon and Syria display behaviour which is more commonly associated with monochronic cultures.

## 7. Discussion

The findings of this study help answer our research question about the socio-economic, cultural and political factors that influence the negotiation process involving Arab and non-Arab business managers. This study reveals that the use of *wasta* is an accepted practice in business negotiations in the Arab world. Previous studies have labelled *wasta* as ‘nepotism’ and a negative business practice (Al-Ali, 2008; Cunningham & Sarayah, 1993, 1994). However, these studies have analysed *wasta* from a social and general management perspective. Our study focuses on this unique Arab cultural phenomenon from a negotiation process perspective, and our findings reveal that *wasta* is related to business and social networks, and is seen as a bargaining tool for Arab managers during negotiations with foreign parties. Hutchings and Weir (2006b) explain that in the Arab world negotiations are conducted with several businesses simultaneously, and the organisation with the strongest *wasta* connections would be the one that usually secures the deal. *Wasta* is considered to be a significant influence on decision-making in Arab countries and especially in Lebanon, yet it is not openly discussed by Arabs themselves (Sawalha, 2002). The lack of understanding about the way *wasta* is used and could be applied in business dealings is largely due to the lack of research undertaken in this area (Whiteoak, Crawford, & Mapstone, 2006). The practice of *wasta* can be found at different levels: from recruitment in companies (Ezzedein & Swierez, 2001) to the creation of trust in business relationships. Hadjikhani and Thilenius (2005) found that higher trust was positively associated with commitment in business networks. Hence it may be possible to infer that to create a greater trust relationship between the parties would entail a greater commitment between the parties in a business network implying a genuine use of referent power. However, it should be recognised that in some instances Arab negotiators may overstate the extent of their *wasta* connections. Our results show that on occasions the referent power of the Arab companies was amplified and promises were made for short-term gains. Therefore, while Arab firms in general look for relationships, the length of the relationship and commitment may determine how open and transparent the managers would be during negotiations. One possible explanation for this is that such relationships provide a type of ‘social glue’ in times of political uncertainty and social upheaval, and can help companies to sustain their activities through these networks, even though the ethical aspects can be debated. This finding is consistent with Ghauri’s (2003) assertion that the objectives of the negotiation and the nature of the relationship determine how much emphasis is placed on relationship building.

For non-Arab negotiators *wasta* can be used to identify points where genuine commonalities can occur, and state these clearly in the negotiation as it creates the potential for tapping into future business opportunities through the referent power. As such, *wasta* in the Middle East can be seen to be similar to the concept of *guanxi* in the Chinese business culture (Hutchings & Weir, 2006a, 2006b). Just as *guanxi* is recognised as an important element for business in China (Fan, 2002), the findings of this study reveal that business managers should recognise that working relations in the Arab world are facilitated by the understanding of how to move within relevant power networks (Metcalf, 2006).

The emphasis placed by Arab managers on building trust and long-term relationships supports our first proposition (P<sub>1</sub>) about collectivism and relationship building in the Arab world.

The political situation, societal changes and associated perception about safety in the Arab world is a disadvantage that local managers have to deal with. In many instances managers prefer to undertake negotiations in the foreign party’s country as a deliberate strategy to limit the power the other party may gain by personally witnessing the instability in many Arab countries. While conducting meetings in the non-Arab firm’s country can be costly, our findings reveal that the Arab managers still view this as an opportunity to continue business activities. The political uncertainty in the Arab world means that many firms explore the possibility of using a third country as a temporary “home location” where the negotiations are held without the disadvantage of negotiating in the other party’s home country. This usually involves selecting another country in the Arab world with political stability (such as the UAE) and using it as an “adopted” home as a way to deal with the political risk issues.

The findings show that the Arab managers make concessions in expected outcomes and give away the location advantage of negotiating at home due to the high political risk in countries such as Lebanon, Libya and Syria. This supports our second proposition (P<sub>2</sub>) about the impact of political uncertainty and the concessions made by Arab managers.

Finally the use of time during negotiations is another important finding of this study. The study by Hall (1966, 1981) labels the Arab world as polychronic in nature (Limaye & Victor, 1991; Macduff, 2006). Our findings reveal that Arab negotiators prefer to create a strong working relationship with the other party before the commencement of the formal negotiations. This is seen as an investment in trust and respect for each other, where the parties would be able to communicate in an open, friendly and informal manner. This emphasis on relationship building is indicative of the polychronic nature of the Arab world (Alon & Brett, 2007; Hall, 1966, 1981). However, our findings also demonstrate that Arab managers from politically volatile countries like Lebanese are forced to change their negotiating behaviour and have set deadlines for the completion of negotiations, and tend to follow time limits and observe deadlines. This use of time is not traditionally associated with the Arab world and is usually reflective of Western cultures that tend to follow a monochronic time system. Therefore, the findings of this study imply that managers from Arab countries that are facing social and political instability are forced to use elements of both time systems. This implies that while managers from select Arab countries such as Lebanon would prefer to spend time on relationships; the failure to do so would not stop them from moving towards the formal commencement of the task-related activities in the hope of reaching a satisfactory conclusion. In this respect, our observation here adds to Hall's (1981) existing theory on monochronic/polychronic time systems in the contemporary Arab world of today.

Therefore our final proposition (P<sub>3</sub>) regarding the application of the polychronic time system across the entire Arab world is only supported in countries with political stability, such as Saudi Arabia, Kuwait, UAE and Qatar.

In terms of the alternative view of negotiations suggested by Brett and Gelfand (2005), our findings confirm some of the factors but not all. The Arab negotiators tend to focus on the social capital, demonstrate situational attribution, and avoided direct confrontation. However, the Arab managers contradicted the alternative view on negotiations in relation to the judgement and communication. In regards to judgement and concession making, the Arab managers we interviewed made their decisions rationally taking into consideration the various contextual factors influencing the negotiations. This was demonstrated by the fact that the managers carefully evaluated business opportunities and selected ventures after careful deliberation. The concession made during the negotiation process were carefully planned, and the managers ensured that they did not end up deviating away too much from their desired outcomes and goals. There was some level of emotional persuasion demonstrated by the managers when they attempted to portray a larger social network or *wasta* in order to influence the non-Arab party.

The Arab negotiators also tend to be direct in their communication in highlighting their business networks and the benefit these networks could provide to the non-Arab company. While some ambiguity can be expected in negotiations with Arab managers, this is linked to the strategic intent of the negotiators rather than the cultural belief. It is however important to note that these contradictions of the alternative view of negotiation seem to be influenced by the social upheaval and political uncertainty currently experienced in the Arab world. This uncertainty has forced Arab managers from politically volatile countries to make a number of changes in their business practice, including negotiating in locations outside their home country, which has limited their ability to conduct negotiations in a style and a pace that are accustomed to. The resulting adjustment in their behaviour seems to contradict the alternative view and it would require further investigation to ascertain whether this is merely a temporary adjustment by Arab managers.

## 8. Limitations and implications

The study is limited in terms of the sample selected. While efforts were made to ensure that the managers selected for the study were representative of the Arab world, the sample does not include any non-Arab managers. As the focus of the study was to explore the behaviour of Arab managers during international business negotiations, the use of the limited sample is justified. This study makes important contributions to the international business negotiation literature and theory. Our findings confirm some of the assumptions made about business in the Arab world and in particular the way international deals are negotiated. However the study reveals certain factors that influence the process that have previously remained unexplored. The use of *wasta* has not been studied in the negotiations literature, and the relationship between *wasta* and the collectivist nature of the Arab society provides insights into how business networks operate. Similarly, the influence of the political environment on the negotiation process is an important finding of this study. This issue is current and has engulfed many of the Arab countries that are facing an uncertain political future. Our findings show that the long history of political uncertainty has forced Arab managers to develop strategies to reduce the impact of these uncertainties by in alternate third country locations to conduct business deals. Finally, our last finding reveals that while the Arab world shares many of the historical, cultural and socio-economic traits, differences exist across individual countries in the region that make them unique. The use of the time systems by Lebanese managers highlights this difference.

From a broader theoretical point of view, literature in international business negotiations has generally been focussed within two major viewpoints: the macro-strategic view that focuses on the macro-organisational aspects, and the micro-behavioural view, which focuses on individuals as stated in the literature review section. Hence, by combining macro-level elements such as the political change factors within the region, and micro-level elements such as characteristics and behaviours (such as trust, referent power, *wasta* and relationship-building mechanisms and perceptions of time) of negotiators, this study overcomes the limitations of previous theoretical contributions that have focussed on only one aspect (macro or micro) of the negotiation process. Furthermore, by not focusing on laboratory simulations or a student sample, as has been popular in previous literature (Graham, 1985; Graham et al., 1994), the contributions of this study are more

accurate as the experiences and involvement of managers in international business negotiators have been taken into account. Given the sampling strategy of this paper, the theoretical contribution to the field has been enhanced, assuming that the perceptions of the sample in this work are more reflective of actual international business negotiation conditions.

There are two implications for managers and researchers interested in business in the Arab world. The first implication is that non-Arab managers should understand the influence of relationship between negotiators, trust between the parties, and the use of referent power during the negotiation process and its impact on the outcomes. Our findings demonstrate that *wasta* is an integral part of the way business is conducted within the Arab world. It has a tendency to be viewed negatively by non-Arab and some Arab managers and is sometimes mistaken for nepotism. However recognising, understanding, assimilating and perhaps leveraging this concept would benefit the non-Arab managers in creating networks with their Arab counterparts that would assist in building trust and familiarity, and would reduce the amount of time required to commence business in the Middle East region. The foundations for *wasta* can be laid as early as the pre-negotiating stage where research on common points of interests between negotiators is undertaken. Identifying mutual points of interests can help build a point of familiarity with the Arab managers that can enhance the relationship between the managers. However managers should also be cautious of the fact that there may be occasions where there is an 'over-stating' of *wasta* by Arab managers to gain a competitive advantage. Managers who fail to understand this strategy could end up classifying this approach as part of the collectivist nature of the society. It is therefore important that the culture and strategic intent of the Arab negotiator is understood, especially considering the uncertainties non-Arab managers face when operating in a politically volatile Middle Eastern region.

The second implication is in relation to the impact of political uncertainty on the changing nature of traditional norms and behaviour in the Arab world. Our findings reveal that the traditional view of Arab managers being polychronic and frequent delays expected when conducting business in the Middle East may not hold true in all countries. Civil wars and political uncertainties have resulted in a number of Arab countries being labelled as unsafe by non-Arab managers. This has forced negotiation meetings to be held outside of the Arab countries, forcing the Arab managers to change their behaviour when negotiating. The added cost of travel and accommodation for Arab managers means that the time they would spend on first building a relationship with the non-Arab managers is significantly reduced, and the strategic intent of the Arab negotiators changes from relationship-based to task-focussed behaviour. Awareness of this strategic intent can help non-Arab managers better prepare for negotiations and manage the time required for conducting negotiations in various geographical locations.

Our research also provides a base for future studies to be conducted on manager leadership and communication/negotiation behaviour in countries or regions that are similar to the Middle East. As Zahra (2011) argues, political instability is not confined to just the Middle East and the changing institutional, cultural and socio-economic conditions in the region will provide examples for other countries facing similar challenges. Thus, the findings of this study provide explanation for the behaviours and strategies used by Arab managers during negotiations, and have laid the foundation for future studies to test our propositions and to apply them in other countries and regions that have similarities with the Arab world.

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