

Negotiating International Business - Malaysia

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.

Malaysia's population represents a pluralistic mix of several cultures. While ethnic Malays are in the majority, representing 58 percent of the population, Chinese (24 percent) and Indians (8 percent), whose perspectives and customs are significantly different, largely dominate the business culture. Businesspeople and officials in Malaysia usually have only limited exposure to other cultures except for neighboring countries. When negotiating business here, realize that people may expect things to be done 'their way,' and let them set the pace initially until you have had a chance to determine how your interactions are most effective.

Relationships and Respect

Malaysia's culture is strongly group-oriented. Asserting individual preferences may be seen as less important than having a sense of belonging to a group, conforming to its norms, and maintaining harmony among its members. Building lasting and trusting personal relationships is therefore critically important to most Malaysians, who often expect to establish strong bonds prior to closing any deals. Regardless of ethnicity, people in this country usually do business only with those they know and like. Establishing productive business cooperation requires a long-term perspective and commitment. Consequently, proceed with serious business discussions only after your counterparts have become comfortable with you.

Relationships are based on familiarity, respect, and personal trust. Business relationships in this country exist between people, not necessarily between companies. Even when you have won your local business partners' friendship and trust, they will not necessarily trust others from your company. That makes it very important to keep company interfaces unchanged. Changing a key contact may require the relationship building process to start over.

In Malaysian culture, 'saving face' is very essential. Causing embarrassment to another person may cause a *loss of face* for all parties involved and can be disastrous for business negotiations. Reputation and social standing strongly depend on a person's ability to control emotions and remain friendly at all times. If you have to bring up an unpleasant topic with a Malaysian, never do so in public and always convey your message in ways that maintain the other's self-respect. The importance of diplomatic restraint and tact cannot be overestimated. Keep your cool and never show openly that you are upset. Remaining modest and doing everything you can to maintain cordial relations is crucial to your success.

While Malaysians view politeness and humility as essential ingredients for a successful relationship, these factors do not affect their determination to reach business goals. They are patient and persistent in pursuing their objectives. It is in your best interest to do the same.

In Malaysian business culture, the respect a person enjoys depends primarily on his or her status, rank, and age. You will commonly find leaders in senior roles to be of advanced age. It is important to treat elderly people with the greatest respect, which includes refraining from smoking and not wearing sunglasses in their presence.

Communication

Bahasa Melayu is the official language of Malaysia. Although most government officials speak at least some English, their command of the language may be limited and they may prefer to use their own one. An interpreter may be provided, though. Note that the English spoken in Malaysia often has unique pronunciations, syntax, and grammar, which can lead to misunderstandings. When communicating in English, speak in short, simple sentences and avoid using slang and jargon. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation. Correspondence with government officials must be in Bahasa Melayu.

Malaysian businesspeople usually speak in quiet, gentle tones, and conversations may include extended periods of silence. Before answering a question, business protocol requires making a respectful pause, taking the time to collect one's thoughts. Such a period of extended silence, which may last as long as 10 seconds or more, signals neither agreement nor rejection. In any case, loud and boisterous behavior is perceived as a lack of self-control, and emotions are not shown openly. Malaysians generally converse while standing around two to three feet apart.

Because the concept of saving *face* is so important in this culture, communication is generally very indirect. When answering a direct question, people may answer 'yes' without meaning it. When responding to a direct question, Malaysians may answer 'yes' only to signal that they heard what you said, not that they agree with it. Open disagreement and confrontation must be avoided, so you rarely hear a direct 'no.' Instead, they may give seemingly ambiguous answers such as 'I am not sure,' 'we will think about it,' 'this will require further investigation,' or 'yes, but....' Each of these could mean 'no,' as does a 'yes' that sounds hesitant or weak. Alternatively, a respondent may deliberately ignore your question. It is beneficial to use a similarly indirect approach when dealing with Malaysians, as they may perceive you as rude and pushy if you are too direct. Only a person with whom you have no relationship yet may occasionally give you a straight 'no.' This is a bad sign since it could mean that your counterpart is not interested in engaging in business with you. Sometimes, a negative response may be delivered through a third party, which is a more face-saving way.

Malaysian Chinese consider it polite to offer both the positive and negative possibilities when asking a question that requires a decision. For example, they may ask 'Do you want to go back to your hotel or not?'

Gestures and body language are usually subtle. Non-verbal communication is important, though, and you should carefully watch for others' small hints, just as they will be watching you. Avoid any physical contact with Malaysians except for handshakes. Most importantly, never touch someone's head, not even that of a child. Hindus and Muslims consider the left hand unclean, so use it only if inevitable. When pointing at people or objects, use your open hand or point with your right thumb rather than using your index finger. When referring to themselves, Chinese Malaysians put their right index finger on their nose rather than pointing at their chest as Westerners do. Sucking in air through the teeth indicates that there is a serious problem. Eye contact should be infrequent. While it is beneficial to make some eye contact when meeting a person for the first time, Malaysians consider frequent eye contact intrusive and rude. It is generally considered respectful to look down when speaking with senior or elder people.

Smiles do not always indicate amusement or approval. Frequently, smiling masks embarrassment, shyness, disapproval, and other feelings of distress. Accordingly, Westerners may sometimes observe Malaysians smiling or laughing at what they might consider inappropriate moments.

Initial Contacts and Meetings

Before initiating business negotiations in Malaysia, it is advantageous to identify and engage a local intermediary. This person will help bridge the cultural and communications gap, allowing you to conduct business with greater effectiveness.

Negotiations in the country can be conducted by individuals or teams of negotiators. The latter is preferable when dealing with Chinese Malaysians. It allows functional specialists on both sides to build the all-important relationships between themselves faster and more effectively, your team will bring broader functional expertise to the table, and you will be able to assign different roles to each team member, maximizing the team's impact. Each of these factors speeds up the negotiation process. It is vital that teams be well aligned, with roles clearly assigned to each member. Changing a team member may require the relationship building process to start over and should therefore be avoided. Worst case, such a change can bring negotiations to a complete halt.

If possible, schedule meetings at least three to four weeks in advance. Since Malaysians want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Schedules are usually loose and flexible, and meetings may start considerably late. However, Malaysians generally expect foreign visitors to be punctual. Avoid being more than 15 to 20 minutes late. If meeting a Chinese or anyone of higher rank, it is best to be right on time as a sign of respect. Displaying anger if you have to wait, which happens often, reflects very poorly on you.

In accordance with business protocol, people should enter the meeting room in hierarchical order. Malaysians may assume that the first foreigner to enter the room is the head of your delegation.

Because of the ethnic mix of the Malaysian population, many variations in naming patterns exist. It is often best to ask people politely how to address them correctly. In that case, make sure to tell them the same for your own name. Introduce and greet older people and those of high rank first. If introducing two people, it is important to state the name of the most important person first. Introductions are accompanied by handshakes using the right hand. Some people may not want to shake hands, so it is best to wait for your counterparts to initiate handshakes, which should be light and may last as long as ten seconds. Men should wait for women to initiate handshakes. Some Malaysian women may not want to make physical contact with men, in which case it is best to just nod and smile.

After the introductions, offer your business card to everyone present. You may not always get one in return. Business cards should be printed or –preferably– embossed in English. Since many businesspeople are Chinese, it is beneficial to have the other side of your card translated into Chinese. Show advanced degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. Present your card with both hands, with the print facing the recipient. Alternatively, use your right hand, with the left hand gently supporting your right. Accept others' cards using both hands if possible. Smile and make eye contact while doing so, then examine the card carefully. Not reading someone's card can be an insult. Next, place the card on the table in front of you or into your card case. Never stuff someone's card into your back pocket or otherwise treat it disrespectfully. Never write on a person's business card.

At the beginning of a meeting, there is normally some small talk. This allows participants to become personally acquainted. It is best to let the other side set the pace and follow along. People appreciate a sense of humor, but keep it light and friendly, and be careful not to overdo it. Business is a serious matter in Malaysia.

The primary purpose of the first meeting is to become acquainted and build relationships. It is unrealistic to expect initial meetings to lead to straight decisions.

Presentations should be short and concise. Presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Having your handout materials translated to Bahasa Melayu is not a must, but it helps in getting your messages across.

Negotiation

Attitudes and Styles - Leveraging relationships is an important element when negotiating in Malaysia. Nevertheless, Malaysians often employ distributive and contingency bargaining. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. Although the primary negotiation style is competitive, Malaysians nevertheless value long-term relationships and look for win-win solutions.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by leveraging personal relationships and emphasizing long-term benefits to both sides. Show your commitment to the relationship and refrain from using logical reasoning or becoming argumentative since this will only make matters worse. Patience and creativity will pay strong dividends. In extreme situations, use a mediator, ideally the party who initially introduced you.

Sharing of Information - Malaysians first spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. People usually do not share their information freely.

Pace of Negotiation – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. Be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, control your emotions, and accept that delays occur.

Malaysians generally employ a polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. In any case, do not show irritation or anger when encountering this behavior. Instead, keep track of the bargaining progress at all times, often emphasizing areas where agreement already exists.

Bargaining – Malaysians are used to hard bargaining but will usually haggle less extensively than other Asians. However, expect local businesspeople with international experience to use a wide array of negotiation techniques quite competently. The bargaining stage of a negotiation can be extensive. Prices may move by about 25 to 40 percent between initial offers and final agreement. Leave yourself sufficient room for concessions at different stages. Ask the other side to reciprocate if you made one. You can use the fact that aspects can be re-visited to your advantage, for instance by offering further concessions under the condition that the Malaysian side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequent and Malaysian negotiators may expect you to use them as well. This includes tactics such as telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or making false demands and concessions. It is advisable to verify information received from the Malaysian side through other channels if you have a chance. Similarly, they treat 'outside' information with caution. Do not take such tactics personally and realize that overt attempts to lie at or bluff your

counterparts could backfire and might damage business relationships. Malaysians rarely use 'good cop, bad cop;' however, it can sometimes be beneficial to use this tactic in your own negotiation approach. Carefully orchestrated, it may allow you to obtain valuable concessions without damaging the overall relationship. However, your team will need to exclude any 'bad cop' member from future negotiation rounds. Businesspeople are not likely to use the 'limited authority' technique because groups rather than individuals normally make decisions. Since you must avoid causing loss of face, be cautious when using the techniques of making false demands or false concessions.

Negotiators may occasionally use pressure techniques that include making final offers or nibbling. Final offers may be made more than once and are almost never final. Do not use tactics such as applying time pressure or making expiring offers, since Malaysians could view these as signs that you are not willing to build a long-term relationship. They may choose to terminate the negotiation. Periods of silence in conversations are normal and may not represent an attempt to use it as a negotiation technique. Avoid pressure tactics such as opening with your best offer, opening with a written offer, or showing intransigence, since they cannot be applied effectively without running the risk of causing loss of face.

Malaysian negotiators avoid most aggressive or adversarial techniques since they affect face. The risk of using any of them yourself is rarely worth the potential gain. Using extreme openings with them may be viewed as an unfriendly act and is best avoided.

As in most strongly relationship-oriented cultures, negotiators may sometimes use emotional techniques such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships. Be cautious when doing this yourself. You might cause the other side to lose face, which could damage your negotiating position.

At times, defensive tactics such as blocking or changing the subject, asking probing questions, or making promises may be used. The exception is directness, which is rare in Malaysia. People may be shocked if you are overly direct yourself, which can be counterproductive.

Note that opening with written offers and attempting to introduce written terms and conditions as a negotiation tactic is rarely successful. In most cases, businesspeople ignore or tactfully reject them and request that each aspect be negotiated individually.

Corruption and bribery are somewhat common in Malaysia'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 Malaysian may view as only a nice gift.

Decision Making – Companies tend to be very hierarchical. However, decision making is normally a consensus-oriented group process in Malaysia. This can be confusing for Westerners looking to identify the 'key decision maker' in an organization, while in reality such a role may not exist at all. Decisions are often made through a process involving many stakeholders who establish consensus through a series of deliberations. This process can take a long time and requires patience. Influencing the decision making requires building strong relationships with as many of the stakeholders as you possibly can. Senior leaders orchestrate the process and secure the support of the group. Nevertheless, their input carries a lot of weight and they sometimes have the final say, so do everything you can to win their approval.

When making decisions, Malaysian businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do. Malaysians can be quite fatalistic and are usually moderate risk takers.

Agreements and Contracts

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful since oral statements are not always dependable. While these serve as tools to improve the communication and strengthen commitments, they should not be taken for final agreements. Any part of an agreement may still change significantly before both parties sign the final contract.

It is important to realize that Malaysians have a different view of written agreements and contracts than most Westerners. Businesspeople may view contracts only as general guides for conducting business, expecting that both parties are willing to change terms if there is a change of conditions. Written contracts are usually kept high-level, capturing only the primary aspects, terms, and conditions of the agreement. Writing up and signing the contract is a formality. Malaysians believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Chinese Malaysians often consult astrologers and may prefer to delay signature of a contract until a 'lucky' day arrives.

It is recommended to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table as it may be viewed as a sign of mistrust.

Contracts are often not considered final agreements and may not be honored either. It is commonplace for negotiations to continue after a contract has already been signed. Both sides are expected to remain flexible. Your best chance to ensure that your partners follow through on their commitments is to stay in regular contact and nurture the relationship throughout your business engagement.

Women in Business

Gender equality is stronger in Malaysia than in many other Asian countries. Quite a few women can be found in leadership positions, and they generally hold positions that are more influential and enjoy more respect than elsewhere. Visiting businesswomen should have few problems in the country as long as they act professionally in business and social situations.

Other Important Things to Know

Unlike in other Asian cultures, dress codes are somewhat relaxed in Malaysia, and wearing a suit is not always required.

Malaysians are relatively punctual at most social settings. It is best to be right on time for dinners, and to arrive at parties within 15 to 30 minutes of the agreed time. Again, the length of the acceptable delay is determined by your relative status.

During small talk and other social conversations, you may be asked very personal questions. If you do not want to answer, smile or politely explain that such topics are not discussed openly in your culture.

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.

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