

# Negotiating International Business - Israel

*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 May 2008.*

Most Israeli businesspeople, especially those among younger generations, are experienced in interacting with other cultures.

Eighty percent of this heterogeneous culture's population is Jewish. The remaining twenty percent are mostly Arabic Muslims and Christians. Among the Jews, the primary groups are Ashkenazim (Europe- or American-born), Sephardim (mostly born in the Arabic Middle East or around the Mediterranean), and Sabras (Hebrew: *Tzabars*, indicating those born in Israel). Given the diverse nature of the population, business practices may reflect a diverse mix of North American, European, Russian, or other cultural influences. About 20 percent of the population is practicing, religious, or orthodox Jews. The information given in this section represents general guidelines but may not always apply in full.

Most Israelis are very proud of their country and expect others to show some appreciation for its challenging political environment. It can be disastrous for your business if you openly critique the country's current policies. Instead, familiarize yourself with some of the country's history or at least show some interest in learning more about it.

## *Relationships and Respect*

Israel's culture expects its members to have a sense of belonging to and conforming with their group. At the same time, it leaves a lot of room for individual preferences. Building lasting and trusting personal relationships is important to most people in this country, although the degree to which that applies may vary widely depending on where they grew up. Israeli Arabs usually expect to establish strong bonds prior to closing any deals and often prefer to do business only with those they know and like. This may be a slow process. Other Israelis, especially Sabras, may be willing to move faster and engage in business much sooner, since they usually may care much less about rapport and the social aspects of conducting business. Generally, it is always helpful to give your Israeli counterparts time to become at least somewhat comfortable with you. In addition, mention other contacts in the country if you have any.

Business relationships in this country exist between companies as well as between individuals. If your company replaces you with someone else over the course of a negotiation, it may be easy for your replacement to take things over from where you left them. Likewise, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner. This does not mean that the Israelis do not care about who they are dealing with. Israeli Arabs focus much more on personal relationship aspects than others in the country.

In Israel's business culture, the respect a person enjoys depends primarily on his or her achievements and education. Status and age are less important than in most other countries in this democratic and egalitarian country. Initial impressions may last a long time, especially when dealing with Jewish Israelis, so it is vital to focus on creating the right ones early on.

## *Communication*

While Hebrew is the official language and many people speak Arabic, English is widely used as well. Having come from anywhere around the world, some Israelis may not speak English well. Nevertheless, most businesspeople have a good understanding of it, and interpreters are rarely needed. In spite of that, side discussions in Hebrew are frequent and should be given sufficient room. Their purpose is usually to make internal discussions more effective, not to shut you out from the discussion.

Israelis normally speak in loud, enthusiastic tones. Interrupting others or speaking in parallel is acceptable. They may appear aggressive even when they do not mean to. Silence has little use in conversations, where long pauses are very rare. People in the country generally converse in close proximity, standing only two feet or less apart. Never back away, even if this is much closer than your personal comfort zone allows. Doing so could be read as a sign that you are uncomfortable around them.

Communicating with Jewish Israelis tends to be extremely direct. They have no problem saying 'no,' and generally prefer frank and unmistakable messages to diplomatic and ambiguous ones. Words like 'want,' 'need,' 'must' may be used more often than 'wish,' 'would like,' or 'should.' Even adversarial-sounding statements such as 'you're wrong' or 'you don't understand' are probably only meant as factual statements. Try not to take any of them personally. Israelis often delight in argument and may appear very opinionated. Although this may seem confrontational, they usually value receiving equally candid messages, even when they disagree. Discussions among Jewish Israelis may appear heated or even combative to the outsider. Do not read too much into this – they could actually be close friends.

Israeli Arabs may be less direct, even if they insist that they are telling the truth or giving you the facts. When they say 'yes,' it may actually mean 'possibly.' Ambiguous answers such as 'we must look into this' or 'we will think about it' may mean 'no.' Overall, the range of communication preferences can be very wide and the actual style may strongly depend on who it is you are dealing with.

Gestures and body language can be extensive, and Israelis tend to make frequent physical contact. Israeli Arabs consider the left hand unclean, so use it only if inevitable. Pointing at people or objects is impolite. Instead, wave your open hand toward the object. The thumbs-up gesture and pointing your thumb sideways can be taken as offensive gestures in Israel. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust.

## *Initial Contacts and Meetings*

Choosing a third party intermediary may be helpful, especially with Israeli Arabs. This could be a consultant or lawyer who effectively bridges the gap between cultures, allowing you to conduct business with greater effectiveness. The rank of visitors does not matter as long as they are knowledgeable and have sufficient decision authority. Negotiations in Israel can be conducted by individuals or teams of negotiators. Changing team members is usually not a problem, though it may slow the negotiation progress. If you are negotiating with Israeli Arabs, it is best to keep the team unchanged since otherwise relationship building will have to start over. There is no need for a senior executive to attend the initial meeting for your company.

Scheduling meetings in advance is required. However, you can sometimes do this on short notice, especially if the parties have had previous business interactions. Israelis tend to find ways to make things happen as long as they are interested in what the other party has to offer. Depending on your

counterparts' cultural background, punctuality expectations can range from right on time to very flexible. It is best to avoid being more than 10 to 15 minutes late; call ahead if you will be. Displaying anger if you have to wait only reflects poorly on you.

Reflecting the fact that people move to Israel from all around the world, every variation of naming patterns can be found. Unless you recognize the elements of a name, it is best to ask people politely how to address them correctly. In that case, make sure you do the same for your own name. Otherwise, the safest option is to address them as *Mr./Ms.* or with their academic title, followed by the family name. Israelis tend to use first names quickly. Nevertheless, you may want to wait until your counterparts offer it unless they introduced themselves using their first name only. Introductions are usually accompanied by firm handshakes.

After the introductions, offer your business card to everyone present. The process of exchanging cards is usually quite relaxed. Cards should be in English; there is no need to have them translated to Hebrew. Present your card with your right hand. Similarly, accept others' cards using only the right hand. Smile and keep eye contact while doing so, then examine the card.

Meetings usually start with small talk. With Israeli Arabs, it may be extensive and include prolonged inquiries about your health, family, and so on. While Jewish Israelis may not want to discuss family matters, they might enjoy talking about other personal and professional subjects. It is important to be patient and let your local counterparts set the pace. Meeting interruptions are normal and do not signal a lack of interest or respect.

While one purpose of the first meeting is to get to know each other, most of it will focus on business topics. Israelis prefer discussions that are straightforward and emphasize the 'bottom line.' Nevertheless, digressions are likely if a side topic is of interest to the group. Some humor, which can be ironic and cynical, may be appreciated, but business is mostly a serious matter in Israel.

Presentations should be short and concise. Your materials should be attractive, with good and clear visuals. Having your English-language handout materials translated to Hebrew is not required, though it will be appreciated.

## *Negotiation*

**Attitudes and Styles** - In Israel, the primary approach to negotiating is to 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. Israeli Arabs expect everyone to make a long-term commitment to their business engagement and will mostly focus on its long-term benefits. Jewish Israelis, on the other hand, may pay more attention to the near-term benefits of the deal. Although the primary negotiation style is somewhat competitive, Israelis nevertheless value long-term relationships and look for win-win solutions. Attempts to win competitive advantages should not be taken negatively. You earn your counterparts' respect by maintaining a positive, persistent attitude.

Israelis may start negotiations with Westerners from an initial standpoint of respect and appreciation. That will not keep them from becoming tough and competitive as the negotiation process unfolds.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through using logical arguments and showing willingness to compromise. Patience and creativity will pay strong dividends.

**Sharing of Information** - Information is rarely shared freely, since the locals believe that privileged information creates bargaining advantages.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Even though decision making itself may be fast, the time spent to exchange information and bargain can be much longer than you may expect. Be patient, control your emotions, and accept that delays may occur.

**Bargaining** – Israeli businesspeople are often shrewd negotiators who should not be underestimated. They are used to, and may even enjoy, hard bargaining but usually haggle less than their Arab neighbors may. The bargaining stage of a negotiation can be extensive. Prices may move by 40 percent or more between initial offers and final agreement. Leave yourself a lot of room for concessions at different stages. However, since overly compromising is viewed as a sign of weakness, concessions never come easily. It is not advisable to make significant early concessions, since your counterparts expect further compromises as the bargaining continues.

Deceptive techniques are frequently used and Israeli 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. Expect your Israeli counterparts to be good at this game. They may occasionally play stupid or otherwise attempt to mislead you in order to obtain bargaining advantages. Lies will be difficult to detect. It is advisable to verify information received from the local side through other channels. Similarly, they treat 'outside' information with caution. 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. Israelis may use 'good cop, bad cop' as a way to obtain concessions. It can be beneficial to use this tactic in your own negotiation approach. 'Limited authority' is a rare tactic which is best avoided.

Negotiators in the country may use pressure techniques that include intransigence, making final or expiring offers, applying time pressure, or nibbling. When using similar tactics yourself, clearly explain your offer and avoid being overly aggressive. Final offers may come more than once and are rarely final. In general, attempts to rush the bargaining process are rarely successful and may be viewed very negatively. Israelis Arabs may be offended if you make a final offer too soon. They usually expect to go through extensive rounds of bargaining with several 'final' offers before reaching agreement. Silence can be an effective way to signal rejection of a proposal.

Israeli negotiators may sometimes appear aggressive or adversarial. Negotiations in the country tend to include confrontational elements. Extreme openings are frequent as a way to start the bargaining process. Negotiators may also make threats and warnings, openly display anger, or even use walkouts. It is ok to respond in kind, although you should be careful not to outdo your counterparts.

Emotional negotiation techniques, such as attitudinal bargaining, sending dual messages, attempting to make you feel guilty, grimacing, or appealing to personal relationships, are frequent and can be effective. Israelis can become very emotional during fierce bargaining. It is best to remain calm. At times, defensive tactics such as blocking or changing the subject, asking probing or very direct questions, or making promises may be used.

Corruption and bribery are rare in Israel, though not completely unheard of. Both legally and ethically, it is advisable to stay away from giving gifts of significant value or making offers that could be read as bribery.

**Decision Making** – Hierarchies do not play a very strong role in Israeli companies. Decision makers are usually individuals who consider the best interest of the group or organization. Their authority is often delegated to lower management levels. Independent decision making is encouraged, since personal initiative and achievement are strong values. Nevertheless, many Israelis will consult with

others to reach greater consensus and support. Consequently, some may make quick decisions, while with others it can take a long time to arrive at a final decision.

When making decisions, businesspeople usually consider the specific situation rather than follow universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do, but they will consider all aspects. While some Israelis enjoy risk-taking, others may be fatalistic and risk-averse. You may first need to find ways for them to become comfortable with high risks.

### *Agreements and Contracts*

Capturing and exchanging written understandings after meetings and at key negotiation stages is both common and useful. Oral statements may not always be dependable. However, do not mistake them for final agreements. Any part of an agreement may still change significantly before both parties sign the contract, even when you believe a decision was made.

Written contracts tend to be lengthy. They often spell out detailed terms and conditions for the core agreements as well as for many eventualities. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your Israeli partners' commitment. It is strongly advisable to consult a local legal expert before signing a contract.

Contracts are usually dependable, and the agreed terms are viewed as binding. Requests to change contract details after signature may meet with strong resistance.

### *Women in Business*

Although the country is still male-dominated, this society promotes equality between the genders, and Israeli women can be found in positions of authority. Visiting businesswomen should have few problems in the country as long as they act professionally in business and social situations.

Strictly observant Orthodox Jews may not want to touch any woman. If a woman wants to pass something to such a man, she should place it on a table. Female visitors are expected to follow this practice when presenting their business cards to Orthodox men, who can be identified by their skullcaps, or hats and black clothing.

### *Other Important Things to Know*

Compared with other countries, personal appearance and attire are somewhat less important when doing business here. In many industries and business sectors, appearing rather casual can be a better choice than being 'over-dressed.'

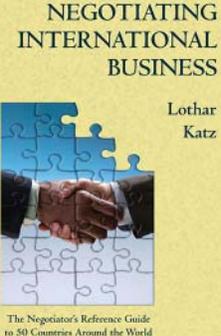
Lunches and dinners are great opportunities to get to know your counterparts better and discuss business.

Punctuality rules in social settings may again depend on your Israeli counterparts' cultural heritage. It is best to arrive at dinners close to the agreed time. Being late to a party by 15 minutes is almost always acceptable; with many Israelis, arriving more than an hour later may still be ok.

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.

Topics to avoid in discussions are the tensions over Palestine and with the country's other Arabic neighbors.

Lastly, keep in mind that the Israeli workweek starts on Sunday and ends on Thursday. Never try to pressure a practicing, religious, or orthodox Jew into working during Sabbath (Friday evening through Saturday night). Similarly, the Friday is a holy day for Muslims.

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