



International Journal of Management Research and Economics

Publisher's Home Page: <https://www.svedbergopen.com/>



Research Paper

Open Access

International Business Relationship Management and Negotiations

T.A.D.S. Tennakoon^{1*}

¹Faculty of Management, Uva Wellassa University of Sri Lanka, Sri Lanka. E-mail: tennakoondinushi96@gmail.com

Article Info

Volume 2, Issue 2, July 2022

Received : 17 February 2021

Accepted : 15 June 2022

Published : 05 July 2022

doi: [10.51483/IJMRE.2.2.2022.60-64](https://doi.org/10.51483/IJMRE.2.2.2022.60-64)

Abstract

Globalization and internationalization have become a great importance recently. It's influence organization to expand their operation across the geographical boundaries. More and more companies start to look abroad to expand their businesses as the world becomes more and more interconnected. To manage business operations across international boundaries has become one of the largest challenges for international business today. International business negotiators need to be aware of cultural influences differences on discussions recognize that there are differences in different negotiators thinking and discussion and negotiation styles as well as they should also recognize that they are negotiators with different cultures have different meanings for the same thing, the same sentence and the same thing affairs. On the other hand, cultural differences can easily lead to misunderstandings on both sides, and they become barriers to discussion. This paper focus on previous studies reviews on regarding how the organization manage relationships, negotiation with interest parties of the organization and implicate strategies considering different cultural aspects of the target markets. Further researchers have been reviewed regarding the organization cultural adaptation and negotiation tools relating to the South American countries, Asian context specially focused regarding to the China and Arab context.

Keywords: *Globalization, Business operations, International boundaries, Relationships, Cultural influence*

© 2022 T.A.D.S. Tennakoon. This is an open access article under the CC BY license (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made.

1. Introduction

1.1 Background of the Study

The transformations of the world's economy, whose start dates back to the middle of the twentieth century, have forced enterprises to expand their activities and management by adding the international dimension. This development has been followed by a greater openness of national economies and trade liberalization, which has led to the emergence of foreign and international companies on a number of internal markets.

Due to the affection of globalization and internationalization many companies start to look abroad to expand their businesses as the world becomes more and more interconnected. Whole of world interdependent among the countries and others. Therefore, organization have to build and manage business relationships among the international business parties who are engaging with the business. To manage business operations across international boundaries has

* Corresponding author: T.A.D.S. Tennakoon, Faculty of Management, Uva Wellassa University of Sri Lanka, Sri Lanka. E-mail: tennakoondinushi96@gmail.com

become one of the largest challenges for international business today. The global economy is established with business environment which include companies and business organization around the world. Therefore, business environments where companies need to look away from the traditional thinking of the home and have to start looking at business from a market, and instead an international global perspective. The way a company moves from its home market to new geographical markets is excellent. The method a company ventures from their home market to new geographical markets is of great importance for how well the company succeeds with their business (Root, 1994).

Today majority of enterprises operates in the international environment and cultural factor is the environment that has great importance. Maintenance of the main influence and good relationship to the success of organization, among colleagues or employees in different cultural background employed in enterprise (Milenkovic, 2017). Culture influences many aspects of international movement of organizations, such as communication, discussions, international relations, international communication Management (Msp and Dania, 2021).

Today's world of international business requires that their workforce should acquire and improve occupational and intercultural competences and need to improve communication among interest parties of organization considering different cultural aspects and try to build negotiation among the important parties of enterprises (Matsumoto and Jones, 2014).

The paper is comprised of outlines the concept of international business, affection of cultural aspect towards the international business and empirical findings relation to the international business management and negotiations according to the different contest. Finally, had discussed regarding the discussion and recommendation regarding the reviews of the different scholars' aspects.

1.2. Objectives of the Studies

This study basically focuses on different business relationship making tools and different strategies followed by international business in three different cultural content of South America, Asian context with China and Arab. The study contributes to International Business relationship management and negotiations literature in several ways. We believe that, research has been focused on specific topics involved in its configuration such as international business marketing tools and strategies in different cultural context in the world. A review examining all of them.

2. Methodology

This study focuses primarily on the International Business relationship management and negotiations. More than 15 research papers and related other research and journal articles were studied for this analysis and we mainly collected data and focus on related research papers. We obtained the results of each research, reworked the paper and its results are compared how differ is International Business relationship management and negotiations from different cultures and different context.

3. Results and Discussion

According to Rugman and Collinson (2000), before entering to the abroad market a company must do three things. The first one is to obtain economic competitiveness, the second one is to be able to influence trade regulations and the last one is to develop global orientation so they can operate as a multinational enterprise. Before Andritz entered the South American market, they become a market leader in their field, which they managed for several years ago. Today, Andritz only have one competitor when it comes to selling this kind of equipment. Andritz did not need to think about influencing the trade regulations in Brazil and Chile because these countries already were an open and attractive area for business and welcomed foreign companies and investors. Andritz has the global orientation it needs to be able to operate internationally and has today businesses in many different countries worldwide. Brooks (2008) take this even further by saying that culture even includes artefacts, values and underlying assumptions. These groups include for example people feelings and thoughts, which can also be categorized under manners and behavior.

According to Andritz, when preparing for negotiation the company must think in the other side of culture, such as on the elements of another culture. The managers of Andritz consider this to be one of the reasons why culture is a main issue that affects international business. From the elements of culture, language is the most important issue that can affect international business. The most important thing that affects the international movement from the elements of culture is language (Deari *et al.*, 2008). According to Obiekwe and Nwaeke (2019), language is one of the main issues when it International Marketing Strategy comes to negotiating with foreign business parties. He mentions that knowing the foreign language can lead to more successful negotiations. The Andritz personal, who agree that language affects

the negotiation process and the design of the contract, supports this statement. Not speaking the foreign language can lead to need of a translator and a more time demanding co-operation. On the other hand, to talk the foreign language can be a decisive competitive advantage. Language can also affect the process of building a relationship with the foreign company. Andritz also mentions that language problems can even make it easier for the other party to lie more.

Manners and values are issues that are very different depending on which country we are in. Every country has its own beliefs and ways of doing things. This is not a new statement, but it is one that companies many times can easily forget about when going abroad. The challenges thereby can be even more difficult to handle. This is where knowledge about culture gets important. If people are aware of these facts, and are prepared for them, the culture shock becomes less noticeable. Issues as education, technology, aesthetics and social institutions are not so important according to Andritz and they believe that these do not affect the business in a noticeable way (Obiekwe and Nwaeke, 2019).

The Asian way of negotiating is characterized by cultural and religious complexity and adaptation to tradition. The stage of the negotiation process requires the consent of the entire group called as collective. This is a reserved culture, relationship-oriented, multifaceted and formal. In negotiations with Asians, “saving face” is extremely important, which means showing respect and not undermining the authority of the negotiator. Relationships between parties, good interpersonal relationships are very important. Asians are reserved to show their feelings and emotions, they do not like much keeping eye contact. It is important to be polite, formal and follow protocol (Centre, 2017).

In China, the most important thing to bear in mind is harmony in this country everything has its place and one must not introduce any distortions or conflicts. The country has a proper system of protocol relations establishing to every age, gender, social status and specific situation. When greeting they have their own specific rules, which are as follows. A slight bow and a slow nod of the head. The oldest or the most important person in the group is greeted first. Handshakes are also common, but one has to wait for their Chinese counterpart to initiate it first. Titles are important for them, the more well-known the company or person with titles, the better partner for business talks. While greeting, the ritual of handing out business cards is essential (Adamczyk, 2017).

Guanxi is a major part of Chinese culture, known since the time of Confucius. The philosopher whose ideas form the basis of modern Chinese business and cultural practices. Guanxi in the business context represents the “durable social connections and networks a firm uses to exchange favors for organizational purposes” (Lee *et al.*, 2018).

Organizations can implicate strategies for multi-pronged approach for marketers who wish to devise a loyalty management strategy for their Chinese customers. They may begin by incorporating Guanxi as a part of their marketing strategy in general and in their customer loyalty and sales management practices in particular (Conference and Management, 2011). At the same time, enterprises should try to simultaneously develop a strong brand affect strategy to reduce the chances of their key Guanxi actors taking customers away with them when they resign. As well as marketers able to overcome customer skepticism or calculative trust by taking strong measures to ensure good governance and quality of service that will counteract any negative mediating effect that calculative trust may have on Guanxi and loyalty behavior. Finally, managers are able to use good lead generation and referral processes to build a strong Guanxi network, to help them generate fresh business by leverage positive word-of-mouth intentions from the customers in their Guanxi network. Hence, when organization try to implement negotiations and marketing strategies in Chinses market have to consider about the Guanxi to achieve organizational goals using Guanxi as a marketing tool (Lee *et al.*, 2018).

Today the Middle East is comprised of the countries whose population is in majority made up of Arabs. The group of Arab countries is made up of 22 countries. Their culture is expressive, formal, relationship-oriented and polychronic.

Greeting among the Arab people are very effusive. It starts with Salam alejkum (peace be upon you), then comes the handshake, followed by Kif halak (How are you?). An Arab client may take your hand in his hands, thus implying: “It’s good to see you”. Moreover, it should be noted that this refers only to men, for Arab women are lower in the hierarchy and do not participate in negotiations. Any discussion on politics is to be avoided. One mustn’t talk about women’s social role in Saudi Arabia. One should avoid making any critical remarks, even those which seem entirely insignificant (Hofstede, 1980).

Working on time is appreciated by colleagues, and the Arabs themselves do not observe timeliness and punctuality, and do not pay much attention to it. If you reach out for something or you give something to an Arab, remember to do it with your right hand. The use of the left hand is prohibited as the left hand is considered dirty. When sitting, the feet should be kept on the floor. Showing one’s soles is considered offensive. The Arabs speak a lot, they tend to repeat, shout and make many gestures. They keep a very small distance between themselves and their intermediaries. They maintain a very intense eye contact. As well as their culture have been tied with Islamic rules and with comparing with

other context, they have strict cultural rules and habits (Adamczyk, 2017).

In order to reduce to minimum, the number of mistakes committed while contacting with people from other cultures, it is useful to remember a few important guidelines. One should be sensitive and empathic towards the representatives of other cultures in terms of business communication. One needs to recognize, understand and respect another culture along with its differences. One should remain neutral culturally—the otherness does not imply anything better or worse. One should not assume that things which work in one culture will do so in another. It is worth using knowledge and market insight or the culture of local entrepreneurs (Obiekwe and Nwaeke, 2019).

To minimize the number of mistakes made when interacting with people from other cultures, it is helpful to keep in mind some important guidelines. When it comes to business communication, one must be sensitive to representatives of other cultures. One must recognize, understand, and respect another culture at the same time changes. One must be culturally neutral—the other means nothing good or bad. One should not assume that things that work in one culture happen in another. Knowledge and market acumen are worth using or culture of local entrepreneurs.

Hence, when organization implement the strategies to build the negotiations among the interest parties have to be obligated with the culture and their cultural components and to have proper understanding regarding their cultural aspects (Milenkovic, 2017).

4. Conclusion and Recommendation

This paper has been discussed regarding to the International Business relationship management and negotiations with considering the South America, Asian Context including China and Arabic cultural context with considering their cultural aspects.

International Business Negotiations and Culture International Business Negotiations are a communication process; Culture is a substance for the communication process. Different countries have different cultures and then there are cultural differences. Different languages, concepts of values, habits and customs, way of thinking, communication and style of discussion are the most obvious categories of cultural differences (Peterman and Kennedy, 2003).

Today, majority of business companies try to enter internationally therefore this organization must have understanding regarding to the beliefs and values that underlie their own country's business and management practices, avoid cultural mistakes and understand the organizational and national culture of others. People with different cultural backgrounds often do not share the same basic assumptions and this has an influence on international business negotiations on several levels. For example, the trust between parties, attitudes toward each other during negotiations and tactics and flexibility while negotiating can be affected. Hence to manage proper relationship among the international market and establish to the proper strategies and marketing tools to make proper negotiations among the different context organization have to adopt the different cultures which are they hope to enter.

When the company is preparing for negotiation, it must think in the other side of culture, such as on the elements of another country's culture. This is one of the reasons why culture is a main issue that affects international business. From the elements of culture, language is one of the most important issues that can affect international business.

International business negotiators need to be aware of cultural influences differences on discussions recognize that there are differences in different negotiators thinking and discussion and negotiation styles; They should also recognize that they are negotiators with different cultures have different meanings for the same thing, the same sentence and the same thing affairs. On the other hand, cultural differences can easily lead to misunderstandings on both sides, and they become barriers to discussion. Finally, cultural change negotiations can fail should have been successful.

References

- Adamczyk, M. (2017). *Znaczenie różnic kulturowych w biznesie międzynarodowym. The Central European Review of Economics and Management*, 1, 151. <https://doi.org/10.29015/cerem.335>
- Brooks, B. (2008). *The Natural Selection Of Organizational And Safety Culture Within A Small To Medium Sized Enterprise (SME). Journal of Safety Research*, 39, 73-85. <https://doi.org/10.1016/j.jsr.2007.09.008>
- Deari, H., Kimmel, V. and Lopez, P. (2008). *Effects of Cultural Differences In International Business And Price Negotiations. Växjö University - International Marketing Strategy*, 3(14), 1-81. <http://www.divaportal.org/smash/get/diva2:206119/fulltext01>
- Hofstede, G. (1980). *Culture's Consequences. In International Differences in Work Related Values. Sage Publications, CA.*

- Imali N. Fernando and Wei Long. (2011). *Is Guanxi A Successful Business Tool? A Literature Review On Guanxi As A Relationship Making Tool In Business.* 8th International Conference on Business Management (ICBM), University of Sri Jayawardenapura, Sri Lanka.
- Lee, L.W.Y., Tang, Y., Yip, L.S.C. and Sharma, P. (2018). *Managing Customer Relationships in The Emerging Markets – Guanxi As A Driver Of Chinese Customer Loyalty.* *Journal of Business Research*, 86(January), 356-365. <https://doi.org/10.1016/j.jbusres.2017.07.017>
- Liane W.Y. Lee, Yiming Tang, Leslie Yip and Piyush Sharma. (2017). *Managing Customer Relationships in the Emerging Markets - Guanxi as a Driver of Chinese Customer Loyalty.*
- Matsumoto, D. and Jones, C.A.L. (2014). *Ethical Issues in Cross-Cultural Psychology.* *The Handbook of Social Research Ethics*, 323-336. <https://doi.org/10.4135/9781483348971.n21>
- Milenkovic, J. (2017). *The Importance of Cultural Differences in Tourist Movements.* *Komunikacije, Mediji, Kultura*, 9(9), 367–390. <https://doi.org/10.5937/gfkm1709367m>
- Obiekwe, O. and Nwaeke, L. (2019). *Impact of Host Country Culture on Business Operations of Multinational Enterprises.* 5, 31–38.
- Peterman, N. and Kennedy, J. (2003). *Enterprise Education: Influencing Students' Perceptions of Entrepreneurship.* *Entrepreneurship Theory and Practice*, 28, 129-144. <https://doi.org/10.1046/j.1540-6520.2003.00035.x>
- Root, F. (1994). *Entry Strategies for International Markets.* In *Entry Strategies for International Markets.*