

# Negotiating International Business - South Korea

*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 June 2008.*

Though the country's culture is quite homogeneous, South Korean businesspeople are often experienced in interacting with other cultures. However, that does not mean that they are open-minded. When negotiating business here, some of your counterparts, especially among the older generation, may expect that you adhere to the traditional Korean way of doing things, as described in this section. On the other hand, younger people, especially those living in and around Seoul, may be more flexible and well-versed in Western ways of doing business.

## *Relationships and Respect*

South Korea's culture is generally 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. However, Koreans are more individualistic than their Asian neighbors. Building lasting and trusting personal relationships is very important. While members of other cultures may expect this to happen gradually over the course of a business engagement, many Koreans expect to establish strong bonds prior to closing any deals. Consequently, proceed with serious business discussions only after your counterparts have become comfortable with you. This may require significant time. Past experiences play a strong role. It is very important to emphasize frequently the long-term benefits and your commitment to the business relationship you are seeking to build. Keep in touch on a regular basis during negotiations and beyond.

Relationships are based on familiarity, respect, and personal trust. Modesty is also very important. Business relationships in this country exist between individuals or groups of people, not between companies. In spite of the group orientation of the culture and in contrast to Japan or China, it is possible to have personal discussions with your Korean business partners. However, 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 Korean culture, 'saving face' is very essential. Harmony must be maintained at all cost, and emotional restraint is held in high esteem. 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 person, 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. Causing embarrassment or loss of composure, even unintentionally, can seriously harm business negotiations. Moreover, refrain from criticizing your competition.

Remaining modest and doing everything you can to maintain cordial relations is crucial to your success. While Koreans 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 South Korea's business culture, the respect a person enjoys depends primarily on his or her age and status. You will commonly find leaders in senior roles to be of advanced age. It is very important to treat elderly people and superiors with the greatest respect and deference, which includes refraining from smoking and not wearing sunglasses in their presence. Admired personal traits include sincerity, persistence, and an ability to socialize.

### *Communication*

Korean is the official language and spoken by almost everyone in the country. Not many business-people speak English fluently. In many cases, it is necessary to have an interpreter. Ask beforehand whether an interpreter should be present at a meeting. However, keep in mind that even professional interpreters may not always speak and understand English at a fully proficient level. 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. Do not assume that your audience readily understands you. Since saving *face* is so important in this culture, people will not admit in front of others that they are having difficulties.

Korean businesspeople usually speak in quiet, gentle tones, and conversations may include periods of silence. However, silence and distraction may also indicate that people did not understand you. In addition, people may be uncomfortable when someone is speaking for himself or herself rather than for their company or organization. Emotional restraint is held in high esteem, and loud and boisterous behavior may be perceived as a lack of self-control. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Nevertheless, Koreans can get very animated and excited when entertaining visitors in more social settings. People generally converse while standing around three feet apart.

Because the concept of *face* is important in this culture, communication is generally somewhat indirect, though not nearly as much as in Japan. Koreans often acknowledge what they hear by saying 'yes' or nodding. This does not signal agreement. Open disagreement and confrontation should be avoided. Koreans usually do not respond to a question or request with a direct 'no,' although they sometimes may. More often, they may give seemingly ambiguous answers such as 'we will think about it' or 'this will require further investigation.' Look for subtle clues that convey the true message. If you have to convey bad news to the Korean side, the more face-saving way is to use a third party instead of communicating it yourself. It is beneficial to use a similarly indirect approach when dealing with Koreans, as they may perceive you as rude and pushy if you are too direct. However, while Koreans are generally very friendly, they can also become quite direct, much more so than the Japanese or Chinese. At times, especially in the heat of a discussion or negotiation, they may be very emotional and outspoken.

Gestures are usually subtle in South Korea. It is advisable to restrict your body language. Non-verbal communication is important, though, and you should carefully watch for others' small hints, just as they will be watching you. Avoid touching other people except for handshakes. However, Korean men may hold hands, which is a sign of friendship and has no sexual connotation. When pointing at people or objects, use your open hand rather than a finger. When referring to themselves, Koreans put an index finger on their nose rather than pointing at their chest as Westerners do. Squinting the eyes or tipping the head back signals a negative response. Do not blow your nose in public since people find this repelling. Unlike in other Far East countries, eye contact should be quite frequent, although not to the point of staring. This conveys sincerity and helps build trust.

## *Initial Contacts and Meetings*

Before initiating business negotiations in South Korea, 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. The person may be able to leverage existing relationships, which could significantly shorten the time it takes until your potential partner is ready to do business with you. Koreans tend to be suspicious of people they do not know or with whom they do not have a mutual contact.

Negotiations in South Korea can be conducted by individuals or teams of negotiators. One-on-one negotiations require several rounds during which your Korean counterpart consults with the group participating in the decision-making. However, team negotiating is preferable since your team will bring broader functional expertise to the table and since you will be able to assign different roles to each team member, maximizing the team's impact. It is crucial for your team to be well aligned, with roles clearly assigned to each member and detailed strategies agreed upon upfront. Changing a team member may require the relationship building process to start over and should therefore be avoided.

Given the strong emphasis on hierarchy in the country's business culture, a senior executive should lead the negotiations for your company and your negotiating team should include senior leaders who know your company well. Find out who will participate on the Korean side, and choose people who match the rank of the Korean members. Status matters a lot, and a mismatch could be embarrassing for everyone.

If possible, schedule meetings at least three to four weeks in advance. Since Koreans want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Send your proposals and agree on an agenda ahead of the meeting. The agenda is usually strictly followed. Although meetings may sometimes not start on time, Koreans generally expect foreign visitors to be punctual. It is best to be right on time. If a delay is inevitable, call ahead and apologize profoundly.

In accordance with business protocol, people should enter the meeting room in hierarchical order. The Koreans likely assume that the first foreigner to enter the room is the head of your delegation. The same will be true on their side, allowing you to identify the most senior person within a group. That person is usually seated at the middle of the 'Korean side' of the conference table. You may get other clues by observing who receives the highest amount of deference within a group of Koreans. That way, you may actually be able to identify the hierarchical structure across the whole group.

Names are usually given in the order of family name, first name. The latter consists of two names, the generational name and the given name, separated by a hyphen. Some Koreans only give their initials, in which case they usually state their family name last, for instance 'Y.K. Kim.' Use *Mr./Ms.* plus the family name. Furthermore, Koreans are very status-conscious. If a person has a professional or academic title, use it to address him or her. Never call Koreans by their first name unless they insist on it. Introduce and greet older people first. Introductions are accompanied by handshakes and/or slight bows. Some people may not want to shake hands, so it is best to wait for your counterparts to initiate handshakes, which should be light.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. If someone presents you with his or her card and you do not offer one in return, the person will assume that you either do not want to make their acquaintance, that your status in your company's hierarchy is very low, or, quite to the contrary, that your status is very high. Since many people are unable to read English, it is better to use cards with one side in English and

the other in Korean. Show doctorate degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. If any facts about your company are particularly noteworthy, for instance if it is the oldest or largest in your country or industry, mention this on your card since the Koreans view this very favorably.

Present your business card with two hands, and ensure that the Korean side is facing the recipient. Similarly, accept others' cards using both hands if possible. Smile and keep 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. Also, do not 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 local side set the pace and follow along. There may also be an exchange of small gifts. Business meetings in South Korea are often quite formal, so be careful not to appear too relaxed and casual.

The primary purpose of the first meeting is to get to know each other, start building relationships, and gather information about the other side's areas of interest, goals, and weak points for the upcoming negotiation. In general, meetings do not serve as events for decision-making. Instead, they are opportunities to indicate interest, intensify relationships, gather and exchange more information, or to communicate decisions. It would be unrealistic to expect a meeting to lead to a straight decision.

The most senior members of your group should lead the discussion. It is good to make a presentation, but keep it simple and avoid over-designing it. Make frequent pauses and give the Korean side time for translation and discussion. Verify through diplomatic questions whether your audience understands you. Since saving *face* is so important, people will not openly admit it in front of others if they do not understand what you are presenting. Even if the leader of the Korean team does not speak English, make a point of addressing him occasionally.

You should bring a sufficient number of copies of anything you present, such that each attendee gets one. The appearance of your presentation materials is not very important as long as you include good and easy-to-understand visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Koreans may expect to discuss many details, so come well prepared, and bring enough background information. Having your handout materials translated to Korean 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 South Korea. Nevertheless, South Koreans often employ distributive and contingency bargaining. While the buyer is often in a strongly favorable position, both sides are expected to 'take care of each other.' Ultimately, they are partners in a mutual dependency that is bound by their relationship. They may focus equally on near-term and long-term benefits. Although the primary negotiation style is competitive, South Koreans nevertheless value long-term relationships and look for win-win solutions.

Foreigners may perceive a dichotomy in the Korean negotiation style: on one hand, relationships matter a lot and must be maintained at all times, while on the other hand negotiations may become very emotional, aggressive, or outright adversarial. Koreans may see no conflict in this. They believe that while tough negotiating may require extreme measures, neither side should take anything personally. Adding to the challenge for foreign visitors, they are often expected to remain more controlled than the Korean side may be. Nevertheless, do not confuse the aggressive style with bad

intentions. It is best to remain calm, friendly, patient, and persistent. Never allow issues during the negotiation process to create personal conflicts with your counterparts.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through emphasizing personal relationships and re-establishing trust. It may be effective to have side discussions on a one-on-one basis with the most influential person on the Korean side. Pointing to the benefits of continuing the negotiation may also help. However, refrain from using logical reasoning or becoming argumentative since this will only make matters worse.

**Sharing of Information** – Korean negotiators are willing to spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. In this phase, they seek to find the other side's weaknesses. Information is rarely shared freely, since the Korean believe that privileged information creates bargaining advantages. Your counterparts consider openly sharing your information foolish. However, if they have a strong and trusting relationship with you, they are usually willing to share more confidential details.

One caveat when negotiating in South Korea is that your counterparts may sometimes just be 'testing the waters.' They may only be looking to learn more about your product or service, deciding down the road that they prefer to build rather than buy. Be prepared for this turn of events and protect your intellectual property throughout your negotiation, even if the other side requests early access.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. Furthermore, negotiators often attempt to wear you down in an effort to obtain concessions. Be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, show little emotion, and accept that delays occur.

Koreans 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. In multi-item negotiations, people may bargain and haggle over several aspects in parallel. It is not unusual for them to re-open a discussion over items that had already been agreed upon. In addition, they may take phone calls or interrupt meetings at critical points in a negotiation. While they may be doing some of this on purpose in order to confuse the other side, there are usually no bad intentions. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may nonetheless find this style highly confusing and irritating. 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.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. More often than not, though, this behavior indicates an attempt to create time pressure or 'wear you down' in order to obtain concessions. However, things can move fast if they see good business opportunities.

**Bargaining** – Korean businesspeople are often shrewd and skillful negotiators who should never be underestimated. Most of them enjoy bargaining and haggling, expect to do a lot of it during a negotiation, and may get suspicious or even offended if you refuse to play along. People in the country may use a wide array of negotiation techniques very competently. The bargaining stage of a negotiation can be very extensive. Prices often move more than 40 percent between initial offers

and final agreement. Leave yourself sufficient room for concessions at many different levels and prepare several alternative options. This gives the Korean negotiators room to refuse aspects of your proposal while preserving face. Ask the other side to reciprocate if you make concessions. It is not advisable to make significant early concessions since your counterparts expect further compromises as the bargaining continues. 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 Korean side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequent and Korean 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. 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. Lies may 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. Koreans may use 'good cop, bad cop,' which is rare in other Asian cultures. It can sometimes be beneficial to use the tactic in your own negotiation approach, especially when assigning the 'bad cop' role to a legal counsel. This may allow you to separate debates over legalistic issues from the relationship. Carefully orchestrated, most deceptive techniques may allow you to obtain valuable concessions without damaging the overall relationship. Koreans will likely not use the 'limited authority' technique because groups rather than individuals normally make decisions.

Negotiators may use pressure techniques that include making final or expiring offers, applying time pressure, or nibbling. Final offers may be made more than once and are almost never final. Do not announce any of your offers as 'final'— your counterparts will likely not believe that you are serious and may turn the tactic against you. Time pressure can be difficult to counter. If Korean negotiators learn that you are working against a deadline, they may exploit this knowledge to increase the pressure on you to make concessions. Near the end of a negotiation, they may suddenly request last-minute concessions and 'compromises.' In extreme cases, they may try to renegotiate the whole deal on the final day of your visit. It is important never to take such techniques personally and to avoid open conflict. Know what concessions you are willing to make. On the other hand, time pressure techniques rarely work against them since Koreans are patient and persistent enough to overcome such challenges. However, you might be able to use these techniques should the negotiation take place on your home turf rather than in South Korea. Nibbling may prove useful in the final phases of negotiations. None of this will take your counterparts by surprise, though. Avoid other common pressure tactics such as opening with your best offer or intransigence, since locals may interpret them as signs that you are disinterested in negotiating.

Korean negotiators regularly use extreme openings, hoping they can force you to reveal what you consider the real value of the items being negotiated. They do not view them as unfriendly acts as other Asians may. Counter the approach by firmly pointing out that you expect a realistic offer. Making extreme opening offers yourself may prove beneficial as it could surprise your counterparts and trigger a reaction. Be cautious not to appear overly aggressive, though. Threats and warnings may be used on both sides but should be subtle. In another tactical move, Koreans may get very emotional and show strong anger. Remaining constructive and professional usually helps refocus the negotiation. Threatened and actual walkouts should be avoided since they are too confrontational and may cause loss of face. Lastly, refrain from showing outright aggressive behavior even if you may feel that you are only reciprocating. It could prove very detrimental to your negotiation.

Other emotional techniques, such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships, are often used. If using any of them yourself, keep them subtle enough to avoid *face* issues.

Koreans often use defensive tactics. They may change subjects frequently, revisit previously agreed points, or introduce all kind of distractions. They may also ask very direct questions, attempting to take you by surprise. Prepare well for any of these.

Corruption and bribery are somewhat common in South Korea'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 Korean may view as only a nice gift.

**Decision Making** – The country's business culture is extremely hierarchical and superiors enjoy enormous deference. However, while you may encounter western-style entrepreneurs as the sole decision makers within their companies, decision making is often a consensus-oriented group process in South Korea. 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 or exchanges of memos. 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. The role of the senior leaders is to orchestrate the process, not to make decisions themselves. Nevertheless, their input carries a lot of weight and they usually have the final say, so do everything you can to win their support. At times, authority may be delegated to subordinates, making it important not to offend or ignore the lower ranks. One-on-one meetings may sometimes be set up. However, the person you meet is the contact to the group, not the one to make the decision.

When making decisions, Korean businesspeople 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, but they will consider all aspects. Some people may also be analytical and demand many data. More than most other Asians, South Koreans are able to take significant risks once they carefully assessed a proposal or situation.

### *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. Koreans often prefer to establish general agreement, working out the necessary details later. The way they communicate agreement is by clearly stating all terms and conditions they agree with. An agreement exists only if both parties have done this, so do not simply respond with 'yes' instead of following this approach.

It is important to realize that Koreans have a very different view of written agreements and contracts from the one most Westerners have. In the traditional Korean view, agreements are just snapshots in time and contracts are similar in role to historic documents: they reflect no more than the agreement that existed at the time they were written up and signed.

Written contracts tend to be lengthy and often spell out detailed terms and conditions for the core agreements as well as for many eventualities. Nevertheless, writing up and signing the contract is a formality. Koreans believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Never sign a contract in red ink.

Your legal rights are usually enforceable. Although attorneys are not common and not well regarded, it may be beneficial to consult a local legal expert before signing a contract. However, be careful

when bringing your attorney to the negotiation table. Some South Koreans may read it as a sign of mistrust if you do.

Signed contracts may not always be honored. Because of their view of the role that contracts play, Koreans regularly continue to press for a better deal even after a contract has been signed. They may call 'clarification meetings' to re-discuss details. If you refuse to be flexible, allowing the relationship to deteriorate, contract terms may not be kept at all. While taking legal action is a viable option, you would be destroying any perspective of conducting future business with this partner and everyone within his or her network. 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*

While South Korea is still a strongly male-dominated society, gender roles have started to change some. There are many women, typically younger ones, in professional positions, although few have significant authority and influence. At the same time, most women are still struggling to attain positions of similar income and authority as men.

Most Koreans expect to deal with men in decision-making roles. Consequently, foreign women may at times find themselves in awkward or uncomfortable situations. However, Western women are usually treated differently from Asian women. As a visiting businesswoman, emphasize your company's importance and your role in it. A personal introduction or at least a letter of support from a senior executive within your company may also help. Displaying confidence and assertiveness should be done very cautiously, and it is immensely important for women to avoid appearing overly bold and aggressive.

### *Other Important Things to Know*

Formal attire is important when doing business here. Male business visitors should wear dark suits with neckties on most occasions.

Business meals and entertainment, in particular dinners, Karaoke singing 'contests,' and evening events that may include heavy alcohol consumption are very important as they help advance the vital process of building strong relationships. Refusing to participate in these activities may be taken as a clear signal that you are not seriously interested in doing business with your counterparts. Although business may not be discussed during these events, there could be exceptions. Your Korean counterparts may use them as opportunities to convey important messages or resolve disputes. Sometimes they may also try to obtain information from you that could strengthen their negotiating position. While you want to remain watchful, deflecting such inquiries if needed, never show signs of mistrust in your counterparts' intentions.

Punctuality is a bit more relaxed in social settings than in other East Asian countries. While it is best to be right on time for dinners, it is acceptable to arrive at parties within 20 minutes of the agreed time.

A topic to avoid in discussions is Korea's relationship with Japan. The relationship between these two countries is still overshadowed by strong animosities on both sides, especially among the older generation.

Gift giving is common in social and business settings in South Korea, including initial meetings. If you received one, it is best to reciprocate with an item of similar value that is typical of your home

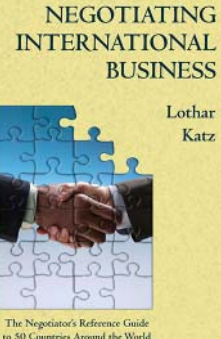


country. Giving a gift after signing a contract is also viewed very favorably. Give and accept gifts using both hands. Do not open gifts in the presence of the giver unless your host did so first. There are numerous potential pitfalls in what to give and how to wrap it, so prepare upfront or ask someone from the country to avoid causing embarrassment.

Cigarette smoking is very common in South Korea. Do not comment on it, and allow for cigarette breaks during meetings and negotiation sessions.

If your trip to Asia includes other countries, you should be careful not to make your counterparts feel that your visit to South Korea is one of many. The impression of making an effort only for them carry great weight. Specifically, avoid mentioning visits to Japan.

Lastly, know that the work ethic is exceptionally strong in South Korea. Workdays may be very long, often 12 to 15 hours, and many people work on Saturdays. On average, South Koreans work about 2,400 hours per year, compared to around 2,000 in the United States.

 <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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