

Negotiating International Business - Taiwan

This section is an excerpt from the 2017 edition of the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz.

Taiwan's mostly homogeneous culture is different from China's and Hong Kong's in several important areas. One needs to prepare separately for negotiations in Taiwan with its highly entrepreneurial and relatively fast-paced business culture. Businesspeople in the island republic are generally less long-term oriented than their brethren in the People's Republic.

Taiwanese businesspeople, especially those among younger generations, are usually very experienced in interacting with other cultures. On the other hand, assuming that Taiwan has become 'westernized' because of its many economic connections with the western world would be a mistake. People here are not always open-minded. When negotiating business, realize that some people may expect things to be done 'their way.'

Relationships and Respect

Taiwan's culture is strongly group-oriented. Asserting individual preferences can 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 very important. While members of other cultures may expect this to happen gradually over the course of a business engagement, many Taiwanese 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. Since the Taiwanese may initially be very cautious when dealing with Westerners, gaining their trust and establishing good will is going to take time. It is very important for you to emphasize frequently the long-term benefits and your commitment to the business relationship you are seeking to build.

Relationships are based on familiarity, respect, and personal trust. Unlike in most western countries, business relationships in Taiwan exist mostly between individuals or groups of people rather than between companies. Accordingly, if your company replaces you with another representative, relationships need to be built anew.

In Taiwanese culture, '*saving face*' is also critical. Harmony must be maintained at all cost, and emotional restraint is held in high esteem. Causing embarrassment to another person could cause *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 show respect for the other person. 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, especially when dealing with older people. When receiving praise, insist that you are not worthy of it or belittle your accomplishments, but thank the other for the compliment. This should not stop you from complimenting others. While the Taiwanese 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 Taiwanese business culture, the respect a person enjoys depends primarily on his or her age, title, rank, and achievements. You will commonly find leaders in senior roles to be of advanced age. It is important to treat elderly people with great respect. Admired personal traits include patience, humility, sincerity, and a willingness to work hard. However, young people's values may show greater influences of western culture.

Communication

The country's official language is Mandarin Chinese. However, people have gradually adopted native Taiwanese as the most common language. Many Taiwanese businesspeople speak English, although not always well. It may be useful to have an interpreter. In order to avoid offending the other side, ask beforehand whether an interpreter should be present at a meeting. Try to find one who speaks both Mandarin and native Taiwanese. When communicating in English, speak in short, simple sentences and avoid using jargon and slang. It will help people with a limited command of English if you speak slowly, summarize key points, and pause frequently to allow for interpretation.

Taiwanese businesspeople usually speak in quiet, gentle tones. At times, Taiwanese people talking among themselves can appear emotional, but this would be misleading. To the contrary, emotional restraint is held in high esteem. Loud and boisterous behavior is perceived as a lack of self-control. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. People generally converse while standing around three feet apart.

Because the concept of '*saving face*' is so important in this culture, communication is generally very indirect. When responding to a direct question, the Taiwanese may answer 'yes' only to signal that they heard what you said, not that they agree with it. Open disagreement should be avoided and any kind of direct confrontation is discouraged. People rarely respond to a question or request with a direct 'no.' Instead, you may receive seemingly ambiguous answers, such as 'I am not sure,' 'we may talk again,' 'we will think about it,' or 'this will require further investigation.' Each of these could mean 'no.' It is beneficial to use a similarly indirect approach when dealing with the Taiwanese, as they could perceive you as rude and pushy if you are being overly 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. If you have to convey bad news to the Taiwanese side, a *face-saving* way is to use a third party instead of communicating it yourself.

Do not take offense in the Taiwanese answering their mobile phones all the time, even in the middle of important discussions. In this polychronic culture, interrupting one conversation to have another one and then coming back to the first one is perfectly acceptable. It is not a sign of disrespect.

Gestures are usually subtle in Taiwan. 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. Do not touch other people. Avoid crossing your legs if possible since this may be viewed as a lack of self-control. Also, do not use your hands when speaking since it may distract the Taiwanese. When pointing at other people or objects, use your open hand rather than a finger. When referring to themselves, people put an index finger on their nose rather than pointing at their chest as Westerners do. Eye contact should be infrequent. While it is beneficial to make some eye contact when meeting a person for the first time, the Taiwanese consider frequent eye contact intrusive and rude. Lowering one's eyes is a sign of respect. Smiling can have several meanings, from being friendly to concealing a lack of understanding, even signaling disagreement.

Initial Contacts and Meetings

Having a local contact can be an advantage but is usually not a necessary precondition to doing business here. Many Taiwanese are experienced in doing international business.

It is often better to conduct negotiations in Taiwan with a team of negotiators than to rely on a single individual. This signals importance, facilitates stronger relationship building, and may speed up the overall process. In addition, Taiwanese teams usually include highly skilled negotiators who know how to outmaneuver even well prepared individual counterparts. Facing them as a team will significantly strengthen your position. It is vital that teams be well aligned, with roles clearly assigned to each member. Taiwanese negotiators can be very good at exploiting disagreements between members of the other team to their advantage. Changing a team member could require the relationship building process to start over and should be avoided.

Given the strong emphasis on hierarchy in Taiwan's business culture, it is essential that a senior executive lead the negotiations for your company and that your negotiating team includes senior leaders who know your company well. However, while it is beneficial for your company's top management to attend the final contract signing procedure, they are not necessarily expected to participate in initial meetings.

If possible, schedule meetings at least two to three weeks in advance. Since the Taiwanese want to know who they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Agreeing on an agenda upfront may be useful but is not required. People are careful not to waste others' time. Being late to a meeting or social event without having a valid and plausible excuse can be an affront. If a delay of more than 5 to 10 minutes happened, may sometimes be inevitable in Taipei with its often-chaotic traffic, apologize profoundly even if it was not your fault. The most senior person on your team should enter the meeting room first.

Taiwanese names are traditionally given in the order of family name, first name, where the latter may consist of two names, the generational name and the given name. These two are usually hyphenated but may be spoken and written as one. Many people use assumed western first names, in which case they give theirs in the order of first name followed by family name ('Alan Chen'). Use *Mr./Ms.* plus the family name. If a person has an academic title, such as *Doctor* or *Professor*, use it instead, followed by the family name. Introduce and greet older people first. Before calling Taiwanese people by their first names, wait until they offer it. Greetings include 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 may 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. Although many people are able to read English, it is preferable to use cards with one side in English and the other in Chinese. 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 Taiwanese businesspeople view it very favorably. Also, consider having your company logo (but not the whole card) printed in gold ink. In Chinese culture, gold is the color of prosperity.

Present your business card with two hands, and ensure that the Chinese side is facing the recipient. Similarly, 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.

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 Taiwanese 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 Taiwan. While you will generally find the atmosphere to be pleasant at the first meeting, things may get more intense as the negotiation progresses.

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. Your negotiating team should include senior leaders who know your company well. The most senior members of your group should lead the discussion. In Taiwanese business culture, it is inappropriate for subordinates to interrupt. It is good to make a presentation, but keep it simple and avoid over-designing it. Verify through diplomatic questions whether your audience understands you. Since saving *face* is so important in Taiwan, people will not openly admit it in front of others if they do not understand what you are presenting. If facing a question that is beyond your expertise, admit that you do not know the answer. Although this causes some loss of *face*, bluffing an answer can have more embarrassing consequences. Never openly criticize your competition. Doing so may turn your audience against you.

Most Taiwanese are comfortable with a high degree of initial vagueness. They may seem disinterested in clarifying many details until you have both come a long way with the business deal. Westerners may be uncomfortable with this perceived level of uncertainty. While it is acceptable and useful to try and clarify as much detail as possible even when your counterpart may not be eager to do so, do not read anything else into this style.

You should bring a sufficient number of copies 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. Having your handout materials translated to Chinese is not a must but helps in getting your messages across. However, using the traditional Chinese script that is used in the People's Republic of China is not sufficient. Bring a sufficient number of copies such that each attendee gets one.

You may have to make presentations to different levels of the organization in subsequent meetings; make sure that each is tailored to its audience. The local side may also ask you at the end of the first meeting to sign a Letter of Intent. The role of this document is to confirm the seriousness of your intentions, not to serve as a legal contract. Check it carefully, though, since the Taiwanese may abruptly terminate the negotiation if you do not strictly follow your commitments.

Negotiation

Do not refer to your negotiation with your Taiwanese counterparts by using this term. It might be viewed as too direct and offensive, so it is better to refer to the process using more neutral terms, for instance *exchange* or *discussion*.

Attitudes and Styles - In Taiwan, 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. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. The primary negotiation style is competitive. Taiwanese negotiators may at times appear highly competitive or outright adversarial, fiercely bargaining for seemingly small gains. They may not believe in the value of a win-win approach, instead focusing on getting the best possible outcome for themselves. However, do not confuse the sometimes-aggressive style with bad intentions. Even when negotiating in a fairly direct and aggressive fashion, they ultimately maintain a long-term perspective and remain willing to compromise for the sake of the relationship. Nurturing relationships throughout your negotiation is therefore vital. It is best to remain calm, friendly, patient, and persistent, never taking anything personally.

The Taiwanese believe that foreign company representatives are often 'shopping around,' playing suppliers against each other in their effort to find the best possible deal. It helps your position if you avoid giving that impression. It will be very important to maintain continuity in the objectives you pursue, the messages you deliver, and the people you include in the negotiation.

Should a dispute arise at any stage of a negotiation, you may be able to reach resolution through emphasizing the benefits to both sides, remaining flexible and showing willingness to compromise. 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, a mediator, ideally the party who initially introduced you, may help move the negotiation forward.

Sharing of Information – Taiwanese negotiators are willing to spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. Information may be shared more openly than in China as many Taiwanese businesspeople have become accustomed with US negotiation styles. Nevertheless, your counterparts consider openly sharing all your information foolish. However, if there is a strong and trusting relationship, they are usually willing to share more confidential details.

Keep in mind that humility is a virtue in Chinese and Taiwanese business cultures. If you make exaggerated claims in an effort to impress the other side or to obtain concessions, they will likely investigate your claims before responding.

Pace of Negotiation – Expect negotiations to be slow and protracted, with extensive attention paid to details. Relationship building, information gathering, bargaining, and decision making may 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.

The Taiwanese 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, businesspeople 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. While such behavior could represent attempts to create time pressure in order to obtain concessions, the slow decision process in the country is far more likely causing the lack of progress. People from fast-paced cultures often underestimate how much time this takes and make the mistake of trying to 'speed things up.' Again, patience and persistence are vitally important.

Bargaining – Many Taiwanese businesspeople are shrewd negotiators who should not be underestimated. Bargaining and haggling are aspects of everyday life in Taiwan, and its people are often skilled in using a wide array of negotiation techniques. They generally consider all aspects of a proposed business deal rather than focusing on single details, such as the price of an item. The bargaining stage of a negotiation can be 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 Taiwanese 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 Taiwanese side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequent. 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, making false demands and concessions, or claiming limited authority. 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. It is advisable to verify information received from the Taiwanese side through other channels if you have a chance. Similarly, they treat 'outside' information with caution. Since negotiation teams must be well aligned and always have to preserve face, the Taiwanese rarely use 'good cop, bad cop.' 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, it could be devastating if the other side recognized this as a tactic, and any 'bad cop' member of your team also needs to be excluded from future negotiation rounds.

Negotiators may use pressure techniques that include keeping silent, making final or expiring offers, applying time pressure, or nibbling. Final offers may be 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 Taiwanese negotiators learn that you are working against a deadline, they exploit this knowledge to increase the pressure on you to make concessions. Near the end of a negotiation, they may suddenly request large discounts, calling their request a 'compromise.' 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. On the other hand, time pressure techniques rarely work against them since the Taiwanese 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 Taiwan. Silence can sometimes be effective as a way to convey displeasure, and 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 showing intransigence, since they cannot be applied effectively without running the risk of causing loss of *face*.

Taiwanese negotiators avoid most aggressive or adversarial techniques since these affect *face*. The risk of using any of them yourself is rarely worth the potential gain. Exceptions are extreme openings, which the Taiwanese use frequently, or threats and warnings. As long as an extreme opening offer is not openly aggressive, this approach can be effective. Should your counterparts appear aggressive as the bargaining gets more heated, remind yourself that they may not perceive it that way. It might be wise to deflect the pressure, for example by explaining other arrangements you have accepted for similar deals in the past.

As in most strongly relationship-oriented cultures, negotiators may sometimes use emotional techniques such as attitudinal bargaining, grimacing, or appealing to personal relationships. Be cautious when doing this yourself. You might cause the other side to lose *face*, which could in turn damage your negotiating position. Another emotional tactic you may encounter is if your counterpart proposes to 'split the difference.' You may often find that it is not in your best interest to accept. Politely explain why you cannot agree and make a counterproposal.

Local negotiators may use most of the standard defensive negotiation tactics. The exception is directness, which is rare in Taiwan. People may be shocked if you are overly direct yourself, which can be counter-productive.

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 quite rare in Taiwan, 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 – While Taiwanese decision making is often a group process through which consensus is established, individuals, rather than teams, tend to make final decisions. This is especially true for entrepreneurs and younger people in progressive companies. You may therefore sometimes find it effective to meet with the key decision maker one-on-one in order to discuss and prepare a potential deal, in which case the ‘official’ negotiation serves primarily to finalize details and prepare the contract. In any case, it is important for the decision maker to consider the group interests and consult with others. Expect the process to take a long time and remain patient.

Most of Taiwan’s companies tend to be very hierarchical, and people expect to work within clearly established lines of authority. When making decisions, businesspeople in the country usually consider the specific situation rather than applying universal principles. Personal feelings and experiences may weigh more strongly than empirical evidence, but they also consider objective facts. The Taiwanese may be reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first. You are much more likely to succeed if the relationship with your counterparts is strong and you managed to win their trust.

Agreements and Contracts

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful since oral statements are not always dependable. Do not rely on interim agreements to be final, even if they come in the form of written protocols. Any part of an agreement may still change significantly before both parties sign the final contract.

It is important to realize that the Taiwanese have a very different view of agreements and contracts than most Westerners. Legal obligations notwithstanding, many businesspeople still rely on the strength of relationships rather than any written agreements when doing business. In the traditional Chinese view, agreements are just snapshots in time. They view contracts as papers that document the intent of a working relationship at the time they were written up and signed, not as final agreements that can stand the test of litigation.

Written contracts are usually kept high-level, capturing only the primary aspects, terms, and conditions of the agreement. Writing up and signing the contract, in English and Chinese, is a formality. The Taiwanese believe that the primary strength of an agreement lies in the partners’ commitment rather than in its written documentation. Before signing your contract, read it carefully. The other side may have made modifications without flagging them. While this could be perceived as bad-faith negotiation in other cultures, Taiwanese businesspeople may view the changes as clarifications.

Although it can be very slow and cumbersome to do so, your legal rights are usually enforceable. It is recommended that you consult a local legal expert before signing a contract. Also, ensure that your products are patented or registered in Taiwan to protect them against imitation. However, do not bring an attorney to the negotiation table, as this may be taken as a sign that you do not trust your counterparts.

Because of their view of the role that contracts play, the Taiwanese often continue to press for a better deal even after a contract has been signed. They may call ‘clarification meetings’ to re-discuss details. If pushed, the Taiwanese side will fulfill their legal obligations, but it is strongly advisable never to use legal pressure to enforce contracts with them. While you may get what the contract spells out, such a step not only destroys the business relationship, but it may also make it difficult for your company to engage with others in Taiwan because the word will get out. 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.

Do not expect your Taiwanese business partners to follow commitments to the letter. While deadlines are viewed as important, many businesspeople may claim that they have met their commitments even if they were a week or more late. Remain flexible and try to accommodate this in your own plans.

Women in Business

Gender roles in Taiwan are clearly distinct. While western-style equality is having some influence, women still rarely manage to reach positions of similar authority and salary as men.

As a visiting businesswoman, you will generally encounter few problems when visiting Taiwan, if you exercise caution and act professionally in business and social situations. Displaying confidence and some degree of assertiveness can be effective, but it is important not to appear overly bold and aggressive. If you feel that your counterparts are questioning your competence, it can be helpful to 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 help a lot. If a negotiating team includes women, it is wise to let the Taiwanese side know about this up front so they can mentally prepare for it.

Other Important Things to Know

Business breakfasts, lunches, and dinners, as well as extensive banquets are all common and important. Taiwanese people enjoy meals and view them as great opportunities to advance the vital process of building strong relationships. Refusing to participate in these activities is a signal that you are not seriously interested in doing business with your counterparts. Offering to pay the bill is always considered favorably, but if your local counterparts insist on covering it, you should oblige and thank them profusely.

Although business usually does not be discussed during meals and evening entertainment, there can be exceptions. Your Taiwanese 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.

Especially with local companies that lack international expertise, business entertainment may sometimes include invitations Westerners may find inappropriate. In such cases, it will be very important to find a way to avoid the issue without openly rejecting the invitation, as doing so helps preserve *face* for all involved.

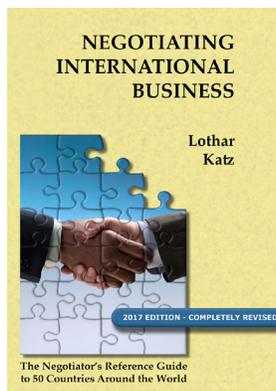
The Taiwanese value punctuality in most social settings. It is best to be right on time for dinners and banquets, and to arrive at parties within 10 to 15 minutes of the agreed time.

Common courtesy requires that you let others enter a meeting room or an elevator first.

Topics to avoid in discussions are Taiwan's relationship with China and the international diplomatic support for each country.

Gift giving is quite common in social and business settings in Taiwan. 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 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.

Lastly, know that the general work ethic is exceptionally strong in Taiwan. Workdays can be very long, often 12 to 15 hours. Saturdays are normal workdays at many companies.



Negotiating International Business (CreateSpace, 2017 edition) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 479-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.

Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at

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