

Negotiating International Business - Vietnam

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.

More than 86 percent of the country's population are Khins (Viets) and more than 85 percent are Buddhists. Nevertheless, this country's pluralistic culture includes many other ethnic and religious groups.

Under Chinese rule from around 111 B.C. to 983 A.D., Vietnam developed a core set of cultural values that were strongly influenced by Confucianism and are still largely upheld today. Foreigners with business experience in China may find it easier to conduct business in this country, although they should be careful never to assume or as much as hint that 'Vietnam and China are the same.'

While most Vietnamese businesspeople and officials have only limited exposure to other cultures, some are savvy in doing international business. Nevertheless, realize that people may expect things to be done 'their way,' though, and let them set the pace initially until you have had a chance to determine how your interaction can be most effective. In addition, do not underestimate the influence of the government: the Communist Party does not follow a hands-off approach when it comes to foreign companies doing business locally.

Relationships and Respect

Vietnam's culture is strongly group-oriented. Individual preferences are considered far less relevant 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 critically important. While members of other cultures may expect this to happen gradually over the course of a business engagement, many Vietnamese expect to establish strong bonds prior to closing any deals and to continue developing them into true friendships as the business partnership continues. Consequently, proceed with serious business discussions only after your counterparts have become comfortable with you, and keep in touch on a regular basis during negotiations and beyond. Since the Vietnamese orientation towards time is also different from most western countries, it is very important to remain patient and emphasize frequently the long-term benefits as well as your commitment to the business relationship you are seeking to build.

As in other Asian societies, relationships can create powerful networks that are based on strong commitments and mutual obligations. These networks can open doors and solve problems that would otherwise be very difficult to master, making relationship building vitally important when doing business in this culture.

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

'*Saving face*' is crucial. Harmony must be maintained 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 his or her 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. Keep your cool and never show openly that you are upset. Also, consider that a

person's *face* is a company's *face* – any individual employee's embarrassment may be felt by the whole company and could put you in a bad position.

Many Vietnamese, even among those with extensive international experience, consider the demanding and fast-paced western business style as arrogant, even rude. They are particularly critical of Westerners who appear to show off and 'blow their own horn.' Remaining modest and doing everything you can to maintain cordial relations are essential to your success. When receiving praise, contrary to western practice, it is customary to insist that you are not worthy of it or to belittle your accomplishments. Thanking the other for the praise may be taken as arrogance since it signals that you accept the praise as valid. This should not stop you from complimenting others, though. While the Vietnamese 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 traditional Vietnamese business culture, the respect a person enjoys depends on age, rank, and, to a lesser degree, one's achievements. You will commonly find leaders in senior roles to be of advanced age. It is very important to treat elderly people with the greatest respect. Admired personal traits include patience, humility, and fine manners.

Communication

The official language of the country is Vietnamese. It is heavily influenced by the Chinese language but not similar enough to allow mutual communication. Many businesspeople speak English, though often not well. It can 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. 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.

Vietnamese businesspeople usually speak in quiet, gentle tones, and conversations may include periods of silence. At times, people talking among themselves can appear emotional, but this can be misleading. To the contrary, emotional restraint is held in high esteem. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Loud and boisterous behavior is perceived as a lack of self-control. The Vietnamese generally converse while standing around three feet apart. However, it is also not unusual to encounter situations where a counterpart may seem to ignore one's personal space altogether.

Because the concept of '*saving face*' is so important in this culture, communication is generally quite indirect. When responding to a direct question, people 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 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, as Vietnamese people could perceive you as rude and pushy if you are too direct. If you have to convey bad news to the Vietnamese side, a *face-saving* way is to use a third party instead of communicating it yourself.

Gestures are usually subtle in Vietnam. It is advisable to restrict your body language. Non-verbal communication is important, though, so carefully watch for others' small hints, just as they will be watching you. Avoid touching other people. Eye contact should be infrequent. While it is beneficial to make some eye contact when meeting a person for the first time, the Vietnamese consider frequent eye contact intrusive and rude. It is generally considered respectful to look down when speaking with senior and/or older people.

Initial Contacts and Meetings

Before initiating business negotiations in Vietnam, it can be 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.

It is better to conduct negotiations in Vietnam 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. Changing a team member could require the relationship building process to start over and should be avoided. Worst case, such a change can bring negotiations to a complete halt.

If possible, schedule meetings at least four weeks in advance. Since the Vietnamese 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 can also be useful. If you are trying to meet with company executives or high-ranking officials, be prepared for extensive back-and-forth communications until everything is finalized, and do not postpone or cancel meetings on short notice.

Punctuality expectations largely depend on the meeting participants' status and rank. The Vietnamese are careful not to waste a senior person's time. Being late to a meeting or social event without having a valid and plausible excuse can be a serious affront, so it is usually best to show up right on time. Meetings with lower-level managers are typically more flexible and may not even have a set start time. In that case, arrive at your convenience and be prepared that you may be kept waiting for a while.

Introductions are often not considered necessary here, so don't be too surprised if you meet a group of local contacts without being properly introduced

Vietnamese names are usually given in the order of family name, middle name, given name. When addressing people, use *Mr. /Ms.* plus the family name. If unsure how to pronounce a name, inquire upfront, or smile apologetically and ask the person. [Hint: the most common Vietnamese name, *Nguyen*, is pronounced like the English 'when.' It means 'farmer.']

Only close friends call each other by their first names, and you should never do so unless a person explicitly asked you to. Furthermore, the Vietnamese are very status-conscious. If a person has a title or doctorate degree, use it to address him or her. Always 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 and may last as long as ten seconds. The exchange of business cards is an important step when meeting someone for the first time, so bring more than you need. Since many people are unable to read English, it is better to use cards with one side in English and the other in Vietnamese. 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.

Present your business card with two hands, and ensure that the Vietnamese side is facing the recipient. Similarly, always accept others' cards using both hands. Smile and make eye contact while doing so, then examine the card carefully. 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. Do not write on a person's business card.

At the beginning of a meeting, there is normally extensive small talk. This allows participants to become personally acquainted. It is best to let the local 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 Vietnam.

The primary purpose of the first meeting is to get to know each other and start building relationships. In fact, the subject of business may not come up at all, so be careful not to come across as too task-oriented and pushy. 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. In Vietnamese 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, people will not openly admit it in front of others if they do not understand what you are presenting.

You will likely find the atmosphere of the first meeting to be pleasant and amicable. Do not take this to mean that your negotiation will be easy. People may turn tough and much more intense as soon as the real negotiation starts. In this culture of respecting each others' *face*, the context of a situation often determines which behaviors are appropriate.

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. Having your handout materials translated to Vietnamese is not a must but helps in getting your messages across.

Negotiation

Attitudes and Styles – In Vietnam, 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. Although the primary negotiation style is competitive the Vietnamese nevertheless value long-term relationships. Vietnamese negotiators may at times appear highly competitive or outright adversarial, fiercely bargaining for seemingly small gains. However, 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. Do not confuse the sometimes-aggressive style with bad intentions. Keeping relationships intact throughout your negotiation is vital. It is best to remain calm, friendly, patient, and persistent, never taking anything personally. It will also 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, leverage your local relationships to influence your negotiation counterpart's decisions, or use a mediator, ideally the party who initially introduced you.

Sharing of Information – Vietnamese negotiators are willing to spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. Information is rarely shared freely, since the Vietnamese believe that privileged information creates bargaining advantages.

Keep in mind that humility is a virtue in Vietnamese business culture. 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. This could prove very embarrassing.

Pace of Negotiation – Expect negotiations to be slow and protracted. 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 Vietnamese 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. 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’, which is usually counterproductive. Again, patience and persistence are vitally important.

Bargaining – Most Vietnamese businesspeople are shrewd negotiators who should not be underestimated. Bargaining and haggling are aspects of everyday life, and people may use a wide array of negotiation techniques competently.

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 sufficient room for concessions at many different levels and prepare several alternative options. This gives the Vietnamese 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 will 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 Vietnamese side reciprocate in areas that had already been agreed upon.

Deceptive techniques are sometimes employed. 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. Lies will be difficult to detect. It is advisable to verify all 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. Since negotiation teams must be well aligned and always have to preserve *face*, people rarely use ‘good cop, bad cop.’ It can sometimes be beneficial to use these tactics in your own negotiation approach. Carefully orchestrated, they 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. The Vietnamese are not likely to use the ‘limited authority’ technique because groups rather than individuals normally make decisions. Be cautious when using the techniques of making false demands or false concessions. Since you must avoid causing loss of *face*, any overt attempts to bluff your counterparts could also backfire.

Negotiators may use pressure techniques that include keeping silent, making final or expiring offers, applying time pressure, or nibbling. Silence can sometimes be effective as a way to convey displeasure. Skilled Vietnamese negotiators may remain silent for a long time without showing any signs of impatience. Don't let this fool you into thinking that they are not interested. 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. 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*.

Vietnamese negotiators rarely employ aggressive or adversarial techniques since they affect *face*. The risk of using any of them yourself is hardly worth the potential gain. Exceptions are extreme openings, which people use frequently, as well as threats and warnings. As long as extreme opening offers are 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, attempting to make you feel guilty, grimacing, or appealing to personal relationships. Be cautious when doing this yourself. You might cause the other side to lose *face*, which could damage your negotiating position.

At times, defensive negotiation tactics may be used. An exception is directness, which is rare in Vietnam. People may be shocked if you are overly direct yourself, which can be counterproductive.

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

Corruption and bribery are quite common in Vietnam'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 Vietnamese could simply view a nice gift. Introducing and explaining your company's policies early on might help, but be careful not to moralize or appear to imply that local customs are unethical.

Decision Making – Organizations are usually very hierarchical here. However, decision making is normally a consensus-oriented group process in Vietnam. 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 and internal politics that outsiders have very limited insight into. This process can take a long time and requires patience. Influencing the decision making requires understanding the Vietnamese side's intentions and building strong relationships with as many influential 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 may have the final say, so do everything you can to win their consent and support.

When making decisions, Vietnamese businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do. Exceptions exist where party rules or government objectives force them to be more dogmatic. The Vietnamese are often 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. While these serve as tools to improve the communication and strengthen commitments, they should not be taken for final agreements. Any part of an agreement may still change significantly before both parties sign the final contract.

It is important to realize that the Vietnamese have a view of written agreements and contracts that is different from the one most Westerners have. Most businesspeople rely more on the strength of relationships rather than on written agreements when doing business.

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

Consult a local legal expert throughout the negotiation or at least before signing a contract. However, do not bring an attorney to the negotiation table, since this may be taken as a sign that you do not trust your counterparts.

Contracts alone are not dependable. The Vietnamese side may continue to press for a better deal even after a contract has been signed. If you refuse to be flexible, allowing the relationship to deteriorate, contract terms may not be kept at all. 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

In spite of the Communist ideal of equality, gender roles are still clearly distinct in Vietnam. Women officially have the same rights as men but rarely manage to reach positions of similar income and authority.

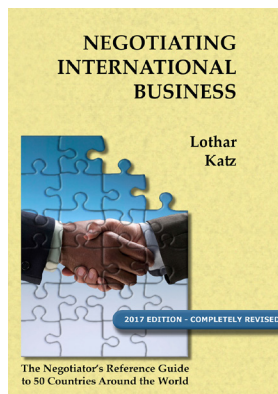
As a visiting businesswoman, you will generally encounter few problems when visiting Vietnam, provided that you exercise caution and act professionally in business and social situations. Displaying confidence and some degree of assertiveness can be effective, but it is very important not to appear overly 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.

Other Important Things to Know

Business meals and entertainment are very important as they help advance the vital process of building strong relationships. Refusing to participate in such activities is a signal that you are not seriously interested in doing business with your counterparts. Although business is commonly not discussed during these events, especially over dinner, there can be exceptions.

Gift giving is common in social and business settings in Vietnam. Gifts are typically small and of modest value. 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. Do not open gifts in the presence of the giver unless your host did so first.

Good discussion topics are food, music, sports, and travel. Topics that are best avoided in discussions include relationships between the north and the south of the country, and anything relating to the Vietnam war.



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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