

# Negotiating International Business - The Philippines

*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 April 2010.*

Businesspeople and officials in the Philippines, especially outside of Manila, usually have only limited exposure to other cultures except for neighboring countries. The Philippines are a pluralistic society that includes many ethnic groups. When negotiating business here, realize that people may expect things to be done 'their way.' However, some, especially among younger generations, may have greater international experience and can be very open-minded.

Most Filipinos are very proud of their country. It would be a serious mistake to belittle its importance or to hint that you see yourself or your company in a superior position.

## *Relationships and Respect*

The Filipino culture is group-oriented, though not as strongly as many other Asian cultures. Filipinos, especially younger ones, may strive to stand out from the crowd and be recognized individually. Nevertheless, conforming to group norms and maintaining harmony among its members are strong values in the country. Building lasting and trusting personal relationships is therefore very important to most Filipinos, who often expect to establish strong bonds prior to closing any deals. People in this country usually want to do business only with those they know and like. Getting to know you involves asking many questions about your family and personal background. Establishing productive business cooperation requires a long-term perspective and commitment. Proceed with serious business discussions only after your counterparts have become very comfortable with you.

Relationships are based on familiarity, respect, and personal trust, which can take a long time to establish. Business relationships in this country exist only between 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. Accordingly, if your company replaces you with another representative, relationships need to be built anew. The only exception to this rule is if the replacement is a blood relative.

Social contacts are of primary importance in the Philippines and can create powerful networks, which are based on very strong commitments and mutual obligations. Debts must be paid back without exception. Maintaining cordial relations at all times is crucial, and showing humility is a great way to build trust. Third party introductions can be very helpful as a starting point to building a trusting relationship with a partner.

In the country's culture, 'saving face' is very essential. Every person's reputation and social standing rests on this concept. Causing embarrassment to another person may cause a *loss of face* for all parties involved and can be disastrous for the relationship. Reputation and social standing strongly depend on a person's ability to control emotions and remain friendly at all times. People believe that everyone should be treated with civility, so even snubbing a beggar may result in loss of face. Similarly, a positive attitude is mandatory since negativity of any kind can also cause loss of face. The importance of diplomatic restraint and tact cannot be overestimated.

In the Philippines' 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 important to

treat elderly people with great respect. Admired personal traits include humility, politeness, modesty, and graciousness.

In a way, this culture combines the Asian concept of *face* with the immense pride of the Spaniards. Filipinos are easily offended and have a reputation for violence. Do not provoke others, since people may believe they must act to regain their honor, regardless of the consequences.

### ***Communication***

The official languages of the Philippines are English and Filipino, a standardized dialect of Tagalog. However, many other languages and dialects are spoken as well. Most Filipinos speak at least some English. 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.

Filipinos can be enthusiastic conversationalists when in a happy, cheerful mood. However, people generally speak softly in the Philippines. Loud and boisterous behavior is perceived as a lack of self-control. Listen carefully when another person is talking. Interrupting others may be considered offensive. Silence is rare and may signal a problem. Filipinos generally converse while standing around two to three feet apart.

Because the concept of *face* is important in this culture, communication is generally very indirect. When responding to a direct question, Filipinos may answer 'yes' only to signal that they heard what you said, not that they agree with it. Open disagreement and confrontation must be avoided, so you rarely hear a direct 'no.' Instead, they may give 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,' as does a 'yes' that sounds hesitant or weak. It is beneficial to use a similarly indirect approach when dealing with Filipinos, as they may perceive you as rude and pushy if you are too direct. No matter how a conversation goes, avoid showing negative emotions or facial expressions that could signal disagreement.

While gestures and body language are used for communication, they are usually kept subtle. Avoid any physical contact with Filipinos except for handshakes. When pointing at people, use your chin rather than a finger or your whole hand. Eye contact should be infrequent. While it is beneficial to make some eye contact when meeting a person for the first time, Filipinos consider frequent eye contact intrusive and rude.

While Filipinos do not expect foreigners to smile as often as they do, they generally respond well to happy faces and positive emotions. Smiles do not always indicate amusement or approval, though. Instead, they may mask embarrassment, disapproval, and other feelings of distress. Accordingly, Westerners may sometimes observe Filipinos smiling or laughing at what they might consider inappropriate moments.

### ***Initial Contacts and Meetings***

Before initiating business negotiations in the Philippines, 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. Without proper introductions, it may be very difficult to meet senior managers within any organization. The intermediary should be present at all meetings with your local counterparts.

Negotiations in the Philippines can be conducted by individuals or teams of negotiators. Teams should be well aligned, with roles clearly assigned to each member. Changing a team member may

require the relationship building process to start over and should therefore be avoided. Worst case, such a change can bring negotiations to a complete halt. It is unlikely that you will meet the top executive of an organization at the first meeting, so be prepared to deal with subordinates. They may have significant influence over the final decision.

If possible, schedule meetings at least three to four weeks in advance. Since people want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Clearly communicating your objectives for the meeting and agreeing on an agenda upfront is useful, even though the latter may not be strictly followed. While punctuality is not always valued, Filipinos generally expect foreign visitors to be very punctual. Avoid being more than 5 to 10 minutes late. However, you may find that meetings start anywhere between right on time and an hour or more late.

Names are usually given in the order of first name, family names. Upper-class Filipinos often have two family names, the first one from their father and the other from their mother. Use *Mr./Mrs./Miss* plus the (father's) family name. If a person has an academic or professional title, use it instead, followed by the father's family name. Don't be surprised if you meet a person who appears to have different 'formal' and 'casual' names – the use of nicknames is widespread, and Filipinos may even show their nickname on their business cards. Introduce older people and those of higher rank first, and stand up when someone in either category enters the room. Introductions may be done by looking each other into the eye while raising eyebrows. Handshakes are also accepted, but keep them light and short. Men should wait for women to initiate handshakes. If a woman does not seem to want to shake hands, it is best just to nod your head.

After the introductions, offer your business card to everyone present. You may not always get one in return. It is not necessary to have it translated into Filipino. Make sure that it clearly states your professional title, especially if you have the seniority to make decisions. The exchange of business cards tends to be informal, which is different from most other Asian countries. Present your card with two hands, with the print facing the recipient. Accept others' cards using both hands if possible. Smile and make eye contact while doing so, then examine the card carefully. Next, remark upon the card and then place it on the table in front of you or into your card case. If a Filipino writes his or her home phone number on the card, consider this an invitation to call.

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. Humor is often appreciated, but keep it light. The primary purpose of the first meeting is to become acquainted and build relationships. Business may or may not be discussed. Never try to hurry along with your agenda. It is unrealistic to expect initial meetings to lead to straight decisions.

Presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Having your handout materials translated to Filipino is not a must, but it will be noted favorably.

Meetings should end on a cheerful note, no matter what the outcome. Having some social conversation at the end is expected. Do not leave before the meeting has concluded.

## *Negotiation*

**Attitudes and Styles** – Leveraging relationships is an important element when negotiating in the Philippines. To Filipinos, negotiating is usually a joint problem-solving process. 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 cooperative, but people may be unwilling to agree with compromises unless it is their only option to keep the negotiation from getting stuck. Maintaining harmonious relationships throughout the process is vitally important. While each party is expected to pursue their best interests, Filipinos disapprove of competitiveness and strive to find win-win solutions.

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

Keep in mind that humility is a virtue in the Philippines' 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. Excessive promises may be taken as lies and could seriously damage your counterpart's trust in you.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. In addition, Filipinos have a lower sense of urgency than a Westerner may be accustomed to. Consequently, your expectations regarding deadlines and efficiency may be unrealistic. Be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, control your emotions, and accept that delays occur.

Filipinos 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. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. In any case, remain positive and 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 tend to underestimate how much time this takes and often make the mistake of trying to 'speed things up.' Actually, attempts to speed up the process will often prove counterproductive. Again, keep a happy face and remain patient and persistent. Your Filipino counterparts will respect this attitude, which helps in building stronger trust.

**Bargaining** – Most Filipinos love bargaining and haggling. They expect to do a lot of it during a negotiation and may be offended if you refuse to play along. They may use a wide array of negotiation techniques quite competently. The bargaining stage of a negotiation can be extensive. Filipinos may prefer to respond to your inputs rather than presenting ideas of their own. While they will eventually open up to new ideas, they do not easily change their opinions. Nevertheless, prices often move more than 40 percent between initial offers and final agreement. Leave yourself sufficient room for concessions at different stages. Ask the other side to reciprocate if you made one. 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 Filipino side reciprocate in areas that had already been agreed upon.

Although Filipinos generally prefer a straightforward negotiation style, they also use deceptive techniques, such as telling lies and sending fake non-verbal messages, initially pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or mak-

ing false demands and concessions. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so 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. Filipinos do not use 'good cop, bad cop' and it is best to avoid the tactic since the implications for relationships can be significant. They are also not likely to use the 'limited authority' technique because groups, rather than individuals, normally make decisions. Since you must avoid causing loss of face, be very careful when using the techniques of making false demands or false concessions.

Negotiators in the country may occasionally use pressure techniques that include making final offers or nibbling. Final offers may come more than once and are rarely final. Do not use tactics such as applying time pressure or making expiring offers, since Filipinos could view these as signs that you are not willing to build a long-term relationship. They may choose to terminate the negotiation. Periods of silence are frequent and usually reflect a natural inclination rather than the intentional use of a negotiation technique. Avoid 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.

Filipino negotiators avoid most aggressive or adversarial techniques since they affect face. The risk of using any of them yourself is rarely worth the potential gain. As an exception, extreme openings are frequently employed as a way to start the bargaining process. However, use the tactic with caution since it may adversely affect the relationship if employed too aggressively.

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 tactics such as blocking, distracting or changing the subject, asking probing questions, or making promises may be used. The exception is directness, which is very rare in this society. They 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 ignore or tactfully reject them and request that each aspect be negotiated individually.

Corruption and bribery are quite common in the Philippines'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 Filipino may view as only a nice gift. It may help if you introduce and explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

Conflicts and disputes that may arise during a negotiation can be difficult to resolve because Filipinos prefer to ignore or deny them. Patience and continuous friendliness pay strong dividends. In extreme situations, use a mediator, ideally the party who initially introduced you.

**Decision Making** – The country's business culture is very hierarchical. However, decision making is normally a group process in the Philippines. This can be confusing for Westerners looking to identify the 'key decision maker' in an organization. While a senior manager usually makes the final decision, this is only the end of a process that involves many stakeholders who establish consensus through a series of deliberations. There is never a sense that any individual has the 'final say.' This decision 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.

When making decisions, Filipinos usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh much more strongly than empirical evidence and other objective facts do. Most Filipinos are moderate risk takers.

### ***Agreements and Contracts***

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful. Oral commitments may sound stronger than what your Filipino counterparts may be willing to put in writing. If possible, get a written agreement at each stage of your negotiation. Written agreements may be honored even if they are not a formal contract.

Written contracts tend to be lengthy and often spell out very detailed terms and conditions for the core agreements as well as for many eventualities. Nevertheless, writing up and signing the contract is a formality. Filipinos believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Contracts need to be registered with Filipino government administration to be legal.

It is recommended to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table as it may be viewed as a sign of mistrust.

Signed contracts may not always be honored. This depends to no small degree on the strength of the continuing relationship between the contract partners. It is strongly advisable to continue staying in touch and maintaining the trust of your Filipino business partner. Business partners usually expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms.

### ***Women in Business***

Compared with other Asian countries, women are relatively emancipated in the Philippines. However, *machismo* attitudes remain strong. Women may be considered inferior, and they rarely attain positions of similar income and authority as men.

Female business travelers should 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.

### ***Other Important Things to Know***

Proper attire is very important when doing business here. Male business visitors should wear dark suits on most occasions.

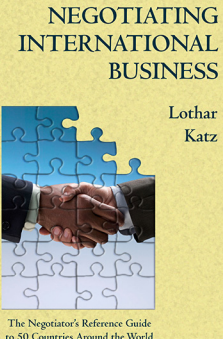
Business meals and entertainment, including breakfasts, lunches, dinners, banquets, and other evening events, are frequent. These events help advance the vital process of building strong relationships and growing your network. Business may not be discussed during these events. To prevent loss of face, always accept offers for food or drinks.

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 this helps preserve *face* for all involved.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 15 to 30 minutes or more is expected.

Gift giving is quite common in social and business settings in the Philippines. If you received one, it is best to reciprocate with an item of similar value that is typical of your home country. Fashion articles are often welcome. Do not open gifts in the presence of the giver unless your host did so first.

Topics to avoid in conversation include poverty in the country and the widespread corruption in politics and business.

 <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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