

Negotiating International Business - Portugal

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 March 2008.

Though Portugal's culture is quite homogeneous, its businesspeople, especially those among younger generations, are usually experienced in interacting and doing business with visitors from other cultures. However, that does not always mean that they are open-minded. When negotiating business here, realize that people may expect things to be done 'their way.'

The country's business environment changed dramatically over the last 40 years. It went from being backward and mostly agrarian to becoming a market-driven economy that can be surprisingly modern. However, while more and more Portuguese companies have received foreign investment and embraced modern management techniques, other industries and enterprises still hold on the traditional style of doing business.

Most Portuguese are very proud of their country. It is advisable to familiarize yourself with some of its rich history as showing at least a little knowledge about it will be viewed very favorably.

Relationships and Respect

Portugal's culture expects its members to have a sense of belonging to and conforming with their group. At the same time, it leaves some room for individual preferences. Building lasting and trusting personal relationships is critically important to most Portuguese, 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, like, and trust. Establishing productive business cooperation requires a long-term perspective and commitment. Consequently, proceed with serious business discussions only after your counterparts have become very comfortable with you. This can be a time-consuming process. The Portuguese tend to distrust people who appear unwilling to spend the time or whose motives for relationship building are unclear.

Business relationships in this country exist between people, not necessarily between companies. 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.

Establishing personal relationships with others in Portugal can create powerful networks and is vital to doing business. Whether people think you are worth knowing and trusting often weighs much more strongly than what proposals you have to make. Personal networks may open doors and solve problems that would otherwise be very difficult to master. Maintaining honest and cordial relations is crucial. Third party introductions can be very helpful as a starting point to building a trusting relationship with a potential partner.

While the Portuguese are usually warm and friendly, they are also very proud. 'Saving face' and respecting everyone's honor and personal pride are crucial for doing business in the country. Openly criticizing someone in front of others, or even one-on-one, can have a devastating impact on your negotiation. The importance of diplomatic restraint and tact cannot be overestimated. Keep your cool and never show that you are upset. Avoid open conflict, and know that politeness is crucial.

In Portugal's business culture, the respect a person enjoys depends primarily on his or her status, rank, and age. It is important to treat elderly people with great respect. Admired personal traits include kindness, flexibility, and sociability.

Communication

The country's official languages are Portuguese and Mirandese. The former dominates. Many businesspeople speak at least some English. With older high-ranking managers, it may nevertheless be useful to engage an interpreter. 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 your key points often, and pause frequently to allow for interpretation.

While discussions may sometimes get lively, the Portuguese dislike loud and boisterous behavior. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. People may show their emotions openly. However, it is crucial that you never lose your temper or appear impatient, as there is always a risk of hurting someone's pride. People generally converse standing around two to three feet apart, which is not as close as in many Latin American cultures.

Communication in Portugal is rather indirect. The Portuguese often prefer to be careful about what they say and how they say it. People may not get straight to the point when trying to get a message across. In addition, they may tell you what they think you want to hear rather than what they really think. They might insist that everything is in perfect order, even when this is not the case. In conversations, silence is rare and usually signals that there is a problem. You may have to read between the lines or watch for non-verbal clues to understand what is being conveyed. In difficult situations, look for other contacts in your network that may be able to help you find out or interpret what is going on. It is beneficial to use a similarly indirect approach when dealing with the Portuguese, as they may perceive you as rude and pushy if you are too direct. The communication may become a little more direct and frank once a strong relationship has been established.

Gestures are usually subtle. 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. Physical contact is rare and usually limited to friends. Pointing at people or objects is impolite. Instead, wave your open hand toward the object. The American OK sign, with thumb and index finger forming a circle, is an obscene gesture in Portugal. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust. Anger may sometimes be masked with a smile.

Initial Contacts and Meetings

Choosing a local intermediary who can leverage existing relationships to make the initial contact is useful. This person will help bridge the gap between cultures, allowing you to conduct business with greater effectiveness.

Negotiations in the country can be conducted by individuals or teams of negotiators. It is vital that teams 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.

If possible, schedule meetings at least one to two weeks in advance. Since the Portuguese want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. They will expect to do business with the decision-maker in your organization. The most senior executive to attend on the Portuguese side will be at a similar level in the hierar-

chy as your own negotiation leader. An agenda may get set upfront, but this is only a formality. It will likely not be strictly followed. While meetings often start late, people generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late, and call ahead if you will be. Displaying anger if you have to wait only reflects poorly on you.

Names are usually given in the order of first name, family name. Some Portuguese may have two family names, the first one from their father and the second from their mother. Use *Mr./Ms.* or *Senhor/Senhora*, plus the person's family name. If there are two family names, use the father's. If a person has an academic title, use it instead, followed by the family name. Only close friends call each other by their first names. Introductions are accompanied by firm handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. It is advantageous to use cards with one side in English and the other in Portuguese. 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. Smile and keep eye contact while accepting someone else's card, then take a few moments to look at it. Next, place the card on the table in front of you.

Meetings start with small talk, which can be very extensive. It is important to be patient and let the other side set the pace. Questions should not get too personal. Initial meetings may appear somewhat formal, but the atmosphere usually is more relaxed in subsequent meetings as the relationship develops. A sense of humor will be appreciated as long as it is not sarcastic or cynical. Meetings in Portugal may appear somewhat chaotic, with frequent interruptions and several parallel conversations. Do not take this personally; it also does not indicate a lack of interest.

The primary purpose of the first meeting is to become acquainted and build relationships. Business may be discussed, but do not try to hurry along with your agenda. The goal should be to establish respect and trust between yourself and your counterparts. It is unrealistic to expect initial meetings to lead to straight decisions. In addition, it is rare to get open opinions at the conference table, so watch for subtle clues and use other opportunities such as one-on-one conversations or business dinners to learn more.

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 Portuguese is not a must, but it helps in getting your messages across.

Negotiation

Attitudes and Styles – To the Portuguese, 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. Although both sides must make a long-term commitment to their business engagement, the Portuguese usually expect it to result in near-term benefits. The primary negotiation style is cooperative and people may be open to compromising if viewed helpful in order to move the negotiation forward. It is vitally important to remain relaxed and non-confrontational throughout the bargaining exchange. Nevertheless, there may be attempts to win competitive advantages, which should not be taken negatively. The culture ultimately promotes a win-win approach and values reaching consensus. You will earn your counterparts' respect by maintaining a positive, persistent attitude.

Sharing of Information – Even when personal relationships are strong, your Portuguese counterparts may be reluctant to share information openly. Many believe that privileged information creates bargaining advantages or that opening up could expose weakness. If you receive information, do not take it at face value. For instance, your counterparts may signal that quality and delivery are significant decision factors even if they are only interested in price.

Pace of Negotiation – Expect negotiations to be very slow and protracted. The Portuguese do not hurry and dislike people who do. They also have little respect for deadlines. Be prepared to make several trips if necessary to achieve your objectives. Information gathering, bargaining, and decision making may take considerable time. Attempts to rush the process are unlikely to produce better results and may be viewed as offensive. Throughout the negotiation, be patient, control your emotions, and accept that delays occur.

Most Portuguese prefer 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, 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.

Portuguese negotiators may sometimes request urgent changes. This is often a way to test your flexibility.

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.' Again, patience and persistence are vitally important.

Bargaining – Most of the Portuguese are used to bargaining, but many dislike haggling. Confrontation and open competition make them uncomfortable. The bargaining exchange can nevertheless be extensive, and prices may move by about 25 to 35 percent between initial offers and final agreement. Leave yourself sufficient room for concessions at different stages. The Portuguese can be very flexible when trying to find workable solutions. If needed, show willingness to compromise as a way to preserve the honor of both parties. After making concessions, always ask the other side to reciprocate. 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 Portuguese side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequently used. This includes tactics such as telling lies and sending fake non-verbal messages, misrepresenting an item's value, or making false demands and concessions. Your Portuguese counterparts may make other attempts to mislead you in order to obtain bargaining advantages. Even when you can see right through a lie, it would be a grave personal insult to state or even hint that your counterpart is not telling the truth. It is advisable to verify information received from the local side through other channels. 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. Portuguese negotiators rarely use 'good cop, bad cop' and it is best to avoid the tactic since the implications for relationships can be significant. They may claim limited authority, stating that they have to ask for their manager's approval. This could be a tactic or the truth. Since you must avoid causing loss of face, be cautious 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 should not be made too soon since your counterpart may not believe that you are serious. Do not use tactics such as applying time pressure or making expiring offers.

The Portuguese could view these as signs that you are not willing to build a long-term relationship and may choose to terminate the negotiation. 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. Silence can be an effective way to signal rejection of a proposal.

Portuguese 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. Extreme openings may be viewed as unfriendly and will rarely work to your advantage. Never walk out or threaten to do so in an aggressive fashion as your counterparts will likely take this as a personal insult and may end all talks. However, threatening a 'friendly walkout' while strongly emphasizing the relationship may be very effective.

Emotional negotiation techniques, such as attitudinal bargaining, attempting to make you feel guilty, or appealing to personal relationships, are frequent and can be effective. Be cautious not to hurt someone's personal pride when employing any of these tactics, though. At times, defensive tactics such as blocking or changing the subject, asking probing or very direct questions, or making promises may be used.

Corruption and bribery are rare in Portugal, 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.

Conflicts and disputes that may arise during a negotiation can be difficult to resolve because the Portuguese may ignore or deny them. Otherwise, you might be able to reach resolution by focusing on logical arguments and facts. Ask your counterparts to suggest alternatives if needed.

Decision Making – The country's business culture is very hierarchical and superiors enjoy strong deference. Communication is expected to take place across similar levels in the hierarchy and it could damage the respect you enjoy if you spent much time and attention on someone you outrank. Decision makers are usually senior executives who are often autocratic but will consider the best interest of the group or organization. Subordinates, and even senior managers, can be quite reluctant to accept responsibility. Decision makers rarely delegate their authority, so it is important to deal with senior executives. Decision making can take a long time and requires patience. Attempts to rush or put pressure on the process is an affront to Portuguese business protocol.

When making decisions, businesspeople 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. The Portuguese are often uneasy with change and 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, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding. However, commitments may not be fulfilled even if they sounded strong. Gentle reminders between meetings are often helpful. Even when you receive written commitments during a negotiation, you may sometimes find that they are not kept. Any part of an agreement may still change significantly before both parties sign the final 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. The Portuguese believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

It is advisable to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table. The Portuguese may read it as a sign of mistrust if you do.

Signed contracts may not always be honored. Since the justice system works very slowly, they are also difficult to enforce. It is important to be prepared for some frustration and to consider the possibility of being ripped off. The most important factor is 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 Portuguese 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

Machismo attitudes remain strong in this country. While becoming more common in business, women still have a hard time attaining positions of similar income and authority as men. 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 help a lot.

Female business travelers should graciously accept any chivalric gestures they receive, while exercising caution and acting 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.

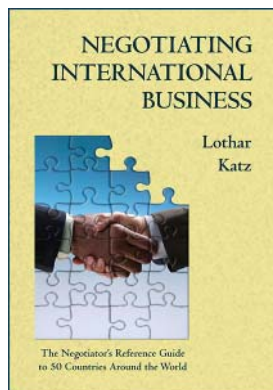
Other Important Things to Know

Conservative, good attire is very important when doing business here. Male business visitors should wear dark suits with neckties on most occasions.

Business meals are important opportunities for relationship building. Business is rarely discussed over dinner.

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 at least 15 minutes is expected and a longer delay is still acceptable.

Gift giving in business settings is rare, especially early in your engagement. It is best not to bring a gift to an initial meeting in order to avoid raising suspicions about your motives. However, partners may exchange small gifts when the contract is signed.



Negotiating International Business (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.

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