

# Negotiating International Business - Thailand

*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.*

Around 80 percent of the country's population is Ethnic Thais. The majority of the others in this pluralistic culture are Chinese. Many of the businesspeople belong to the Chinese minority. They often have strong connections back to family businesses in China, which can sometimes make it necessary to close a deal both in Thailand and China. Of all Thais, 95 percent are Buddhists and most of the others are Muslims. The country consists of two former kingdoms, Thai Lann to the North and Siam to the South. Power centers among the Thai elite still follow this division, so doing business countrywide often requires negotiating separate deals.

Businesspeople and officials in Thailand, especially outside of Bangkok, usually have only limited exposure to other cultures. When negotiating business here, realize that people may expect things to be done 'their way.' However, some among younger generations may have greater international experience and can be very open-minded.

Thailand is the only Southeast Asian country that was never under European rule. People are proud of their history. *Thai* means *free*. That notwithstanding, there is a strong allegiance to the King and his family. The country's government, though, has been the subject of many coups throughout its history. Government contracts may therefore not be secure in the long term. In addition, the country is divided into several provinces whose local governments may be very influential, especially away from Bangkok.

## ***Relationships and Respect***

Thailand's culture is strongly group-oriented. Asserting individual preferences may be seen as less important than having a sense of belonging to a group, conforming to its norms, and maintaining harmony among its members. Building lasting and trusting personal relationships is therefore very important to most Thai people, who often expect to establish strong bonds prior to closing any deals. People in this country prefer to do business with those they know and respect. Consequently, proceed with serious business discussions only after your counterparts have become somewhat 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 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. Worst case, such a change may bring negotiations to a complete halt.

In Thailand's culture, 'saving face' is very essential. Harmony must be maintained at all cost, and emotional restraint is held in high esteem. Every person's reputation and social standing rests on this concept. Causing embarrassment to another person or openly criticizing others may cause a *loss of face* for all parties involved and can be disastrous for business negotiations. Reputation and social standing strongly depend on a person's ability to control emotions and remain friendly at all times. The importance of diplomatic restraint and tact cannot be overestimated. Keep your cool and never show openly that you are upset.

Thais are usually very friendly and polite. Life is there to be enjoyed and keeping a positive attitude is expected and appreciated. Never lose control of your emotions or be overly assertive.

In Thailand's business culture, the respect a person enjoys depends primarily on his or her age and rank. It is very difficult for Thais to have a conversation with a person whose status is unclear, since knowing whether someone is a superior, inferior, or equal strongly influences behaviors. Business leaders may have a high sense of self-reliance and can be very autocratic and authoritarian. Titles are very important. Admired personal traits include politeness, modesty, sincerity, honesty.

### *Communication*

The official language of the country is Thai. Many businesspeople speak English, although not always well. It may be useful to have 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.

Thai people usually speak in quiet, gentle tones. Conversations may include periods of silence, which do not necessarily convey a negative message. Loud and boisterous behavior is perceived as a lack of self-control. People generally converse while standing around three feet apart.

Because being friendly and saving *face* are so important in this culture, communication is generally indirect, though slightly less so than in other Asian countries. Direct confrontation is inappropriate, and it is better to ask open questions instead of closed ones. When responding to a direct question, Thai people may answer 'yes' only to signal that they heard what you said, not that they agree with it. 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 'maybe.' Each of these could mean 'no,' as does a 'yes' that sounds hesitant or weak. Alternatively, a respondent may deliberately ignore your question or pretend that he or she does not understand English. It is beneficial to use a similarly indirect approach when dealing with Thais, as they may perceive you as rude and pushy if you are too direct.

A Thai who considers you a superior will likely tell you what he or she thinks you want to hear, especially when others are around. This is a way to save *face* and preserve honor. Similarly, if asked to give constructive feedback, people may resort to highlighting only the positives, in which case you should listen carefully for what is *not* being said. Candid comments and criticism may only be conveyed in private, often through a third party. Similarly, it can be effective to deliver negative responses to your negotiation counterparts through a third party, which is a face-saving way.

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. Avoid any physical contact with Thai people except for handshakes. Never touch someone's head, not even that of a child. Since Thais consider the left hand unclean, use it only if inevitable. Pointing with the index finger or the full hand is considered rude. Instead, gesticulate in the general direction of whatever you are referring to or point with your chin. Eye contact should be very infrequent. Thai people rarely look the other straight in the eye. Restrain your emotions and avoid any facial expressions that may suggest disagreement, such as grimacing or shaking your head.

Thai people do not expect foreigners to smile as often as they do. Smiles and laughter do not always indicate amusement or approval. Frequently, they may mask embarrassment, disapproval, and other feelings of distress. Accordingly, Westerners may sometimes observe Thai people smiling or laughing at what they might consider inappropriate moments.

## *Initial Contacts and Meetings*

Before initiating business negotiations in Thailand, it is highly advantageous to identify and engage a local representative who can make the initial contact. This person will help bridge the cultural and communications gap, allowing you to conduct business with greater effectiveness. Without such an agent or business partner, even seemingly simple things such as getting items through customs can become very difficult and frustrating. Choose your representation carefully to ensure that they can accomplish what you expect them to do.

Conducting negotiations in Thailand with a team of negotiators instead of relying on a single individual may speed up the negotiation process. 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. Worst case, such a change can bring negotiations to a complete halt.

If possible, schedule meetings at least 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. While meetings may start considerably late, Thais generally expect foreign visitors to be punctual. In Bangkok with its often-chaotic traffic and resulting considerable delays, allow plenty of time to get to an appointment. Avoid being more than 10 to 15 minutes late. Displaying anger if you have to wait, which happens often, reflects very poorly on you.

Ethnic Thai names are traditionally given in the order of first name, family name. Addressing them with *Khun* plus the first name is perfectly acceptable. Using *Mr./Ms.* plus the family name may confuse people who had little exposure to foreign cultures. Some Thais may actually call you *Mr./Ms.*, followed by your first name. Chinese people usually give their names in the order of family name, first name, where the latter consists of two names, the generational name, and the given name. These two are usually hyphenated but may be spoken (and sometimes written) as one. Some people use assumed western first names, in which case they give theirs in the order of first name followed by family name. Properly pronouncing your counterparts' names is very important. Academic and professional titles are highly valued and must be used. Introduce and greet older people first. Thais use handshakes only to greet foreigners. The local greeting is the *wai*: the hands are held together as if praying, touching your body lightly somewhere between your chest and forehead.

After the introductions, offer your business card to everyone present. Not having a card as a foreigner is viewed as unprofessional, even though you may not always get one in return. Business cards should be of high quality and printed in English, with the other side translated into Thai. 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 card with your right hand, with the Thai side facing the recipient. Similarly, accept others' cards using only the right hand. Smile while doing so, then examine the card carefully. Not reading someone's card can be an insult. Next, remark upon the card and then place it 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. Never write on a person's business card.

At the beginning of a meeting, there is normally some small talk. This allows participants to become personally acquainted. It is best to let the local side set the pace and follow along.

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. It is unrealistic to expect initial meetings to lead to straight decisions. Frequent meeting interruptions are normal and do not signal a lack of interest.

Presentation materials should be very 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 Thai is not a must, but it helps in getting your messages across.

## *Negotiation*

**Attitudes and Styles** – Leveraging relationships is an important element when negotiating in Thailand. To Thai businesspeople, 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 and people may be open to compromising if viewed helpful in order to move the negotiation forward. Maintaining harmonious relationships throughout the process is vitally important. While each party is expected to pursue their best interests, Thais disapprove of competitiveness and strive to find win-win solutions, avoiding confrontation and always leaving a way out for the other. In fact, Thais may prefer compromising even if there is no real need to compromise. However, keep in mind that there are often Chinese cultural influences that can affect negotiation styles.

**Sharing of Information** - Information is rarely shared freely, since the locals believe that privileged information creates bargaining advantages. However, it can be advantageous to share some information as a way to build trust.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. In addition, Thais 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.

Thai people 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, 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. If small, insignificant details seem to have become major problems, realize that there may be larger problems that your counterpart is unwilling to address directly. To identify the real issue, ask open questions and try to see the bigger picture. More often than not, though, stalling behaviors are attempts to create time pressure in order to obtain concessions.

**Bargaining** – Thais like 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. 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 Thai side reciprocate in areas that had already been agreed upon. However, note that company policy is usually strictly followed, particularly in larger organizations, so be careful not to demand concessions that go against it.

Deceptive techniques are frequently used. This includes tactics 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 making false demands and concessions. Do not take such tactics personally and realize that overt attempts to lie at or bluff your counterparts could backfire and might damage business relationships. Lies may be difficult to detect. It is advisable to verify information received from the local side through other channels. Similarly, they treat 'outside' information with caution. Thais 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, even though they may be very effective.

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, since Thais could view these as signs that you are not willing to build a long-term relationship. They 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. Periods of silence in conversations are normal and may not represent an attempt to use it as a negotiation technique.

Thai 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 may be used 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 somewhat common in Thailand'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 Thai 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. Alternatively, let your local representative handle such aspects.

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

**Decision Making** – The country's business culture is extremely hierarchical and superiors enjoy enormous deference. Decision making is a very slow and deliberate process in Thailand. Decision makers are usually senior executives who consider the best interest of the group or organization. They may consult with others before making the call. Subordinates may be reluctant to accept re-

sponsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives. Gaining access to top managers can be difficult, though. You may first have to deal with layers of subordinates, many of whom could strongly influence the final decision.

In Thailand's still-shaky political and economic environment, company decisions are rarely independent of outside influences. Never underestimate the role of government officials, bureaucrats, and the military. All of them wield considerable influence across many industries. A number of criminal groups exist as well, many of which are led by high-ranking army officers. Doing business in the country can become extremely difficult and very unpleasant without the support of the 'powers-to-be.' It is important to come prepared to deal with these outside forces.

When making decisions, Thai 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 much more strongly than empirical evidence and other objective facts do. Thais 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. While oral commitments may be legally binding, they are rarely enforceable and may sound stronger than what your Thai counterparts may be willing to put in writing. Do not rely on interim agreements to be final. Any part of an agreement may still change significantly before both parties sign the final contract.

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. Thais believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation.

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 Thai business partner. Business partners usually expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms. Thais expect to settle all disputes out of court.

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

Thailand remains a male-dominated society. Women rarely attain positions of similar income and authority as men unless they work for the government. Otherwise, however, they mostly receive the same treatment from Thai companies.

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***

Formal and neat attire is very important when doing business here. Male business visitors should wear dark suits with neckties on most occasions. Make sure shoes and suit are in excellent condition.

Business lunches and dinners are frequent and help advance the vital process of building strong relationships and growing your network. Business may not be discussed during these events.

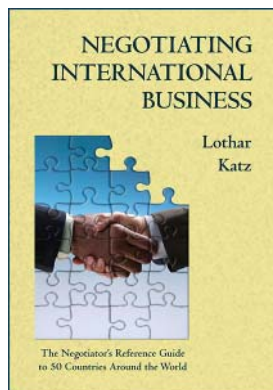
Table manners are very important, especially when dealing with the Thai elite. Take your time and do not rush to eat, do not chop up your food and then eat, and above all avoid spilling food from your plate onto the table or tablecloth. Thais rarely use chopsticks, and the use of spoon and fork is commonplace. Never grimace if served something strange or unfamiliar. Leaving a little food on your plate is usually good as it signals that there was enough of it.

Especially with local companies that lack international expertise, business entertainment may sometimes include invitations Westerners may find highly inappropriate. In such cases, finding ways to avoid the issue without directly rejecting the invitation is very important as it 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 30 minutes or more is perfectly acceptable.

During small talk and other social conversations, you may be asked very personal questions. If you do not want to answer, smile or politely explain that such topics are not discussed openly in your culture.

Gift giving is common in social and business settings in Thailand. 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.



*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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