



Doing Business in Saudi Arabia

By Lothar Katz

Few countries hold greater strategic importance to the United States and the global economy than Saudi Arabia. Not only is it the world's largest oil producer, a controlling force within the Organization of Petroleum Exporting Countries, and one of few stabilizing political forces in the Middle East, its economy is also the largest in the region, with a GDP almost twice the size of runner-up United Arab Emirates.

Surprisingly, few foreigners are experienced in doing business here. While younger Saudis are usually used to interacting with visitors from other cultures, it nevertheless pays to prepare well before starting business interactions in this country. Local customs and practices can be challenging. Here are a few hints.

Relationships Above All

Strong personal relationships are very important to most Saudis, prior to closing a deal. People here prefer to do business with those they know and like. This requires a long-term perspective and commitment. Social interactions are at least as important as business contacts. Serious business discussions

should unfold only after your counterparts have become very comfortable with you, which is usually a rather slow process.

Social relationships in Saudi Arabia can create powerful networks, especially if reaching into the extensive royal family. Whom you know may determine whether people want to get to know you. Saudis may initially be wary of Westerners, so third-party introductions are most helpful for building trust with potential partners.

Business relationships here exist between people, not necessarily between companies. Even after you win your local business partners' friendship and trust, they may not always trust others from your company. Changing a key contact may require the process to start over.

Two aspects are crucial: always remember that this is an Islamic country, and do whatever it takes to "save face" with your counterparts. Even the slightest show of disrespect for the religion could disastrously affect your business interactions. Similarly, causing embarrassment to another person could lead to loss of face all around, cause significant tensions,

and even end business relationships. The importance of diplomatic restraint and tact cannot be overemphasized. Keep your cool and never show openly that you are upset. It may be better to accept compromises, even unfavorable ones, if the alternative means that your counterpart loses face.

Status, rank, and age enjoy the utmost respect in this culture. For others to take you seriously, you must show your status. Carefully select your hotel and transportation. Use the services of others, such as a porter, to avoid being viewed as a low-ranking intermediary. Impeccable appearance is also vital. Male business visitors should wear conservative suits on most occasions. Always cover your whole body, and make sure shoes and suit are in excellent condition.

The official language is Arabic. Many businesspeople speak English well enough, so you'll rarely need an interpreter. Speak in short, simple sentences and avoid using jargon and slang. To help people whose command of English is limited, speak slowly, summarize your key points often, and pause frequently to allow for interpreters.

Speech and Body Language

Saudis usually speak in quiet, gentle tones. A raised voice may indicate anger, which is a very bad signal. At business lunches and dinners in restaurants, keep conversations at a quiet level. Being loud may be regarded as bad manners. People here generally converse in close proximity, standing only two feet or less apart. Never back away, even if your personal comfort zone feels encroached upon. Doing so could be read as a sign that you are uncomfortable around them.

Communication is generally rather indirect. Saudis like circuitous language, which can make it difficult for Westerners to figure out the exact message. They love flowery phrases, exaggerations, rhetoric, and eloquent people are deemed more respectable and trustworthy. Open disagreement and confrontation are rare and best avoided. You won't usually hear a direct "no." When a Saudi says "yes," he may actually mean "possibly." Ambiguous answers usually mean "no." Silence is another way to communicate negative messages. If you are too direct, Saudis may perceive you as rude and pushy.

Gestures and body language are usually more restricted than in other Arab countries, but men make frequent physical contact. Greetings may include hugging and kissing, and men may walk hand in hand. All of these are simply signs of friendship.

However, never touch anyone's head, not even a child's. Muslims consider the left hand unclean, so use it only if you must. The soles of your shoes are also considered unclean – try never to show them to others, even when seated on a cushion. Pointing, too, whether at people or objects, is considered impolite. Instead, wave your open hand toward the object. Throughout the Arab world, the thumbs-up gesture is viewed as offensive. Eye contact should be frequent, almost to the point of staring, as this conveys sincerity and helps build trust.

Local intermediaries can leverage existing relationships to make initial contact for you. Having a "sponsor" is also a legal requirement for visiting the country. When doing business here, you need someone who'll introduce you to the right people and help you build relationships.

If possible, schedule initial meetings three to four weeks in advance.

There's no telling how long a meeting will last, so schedule only one per day. Provide details on titles, positions, and responsibilities of attendees ahead of time – Saudis want to know whom they'll be meeting. Schedules are often loose and flexible, and meetings may start considerably late. However, Saudis generally expect foreign visitors

to be punctual. Avoid being more than 15 to 20 minutes late, and call ahead if you will be. Displaying anger if you have to wait, which happens often, reflects very poorly on you. The most senior meeting participants often arrive last. Meetings will likely be interrupted at prescribed prayer times. Never question this practice.

First Introductions

Saudi names can have several parts and may be difficult to identify. Inquire ahead or politely ask the person how to address them correctly. Do not call Saudis by their first names unless they offer it. Arabs may take it as a sign of disrespect if you mispronounce their names. Titles, such as Doctor or Professor, are highly valued – always use them when addressing anyone who carries one. Greet the most senior person first, and then greet everyone else in the room individually. Introductions and greetings are accompanied by extensive compliments as well as handshakes using the right hand. Saudi women generally do not shake hands with men.

After introductions, offer your business card to everyone present. It must be in pristine condition. Show doctorate degrees on your card, making sure that it clearly states your professional title, especially if you have the seniority to make decisions. Present your card with your right hand, facing the recipient.

Similarly, accept others' cards using only the right hand. Smile and keep eye contact while doing so, then examine the card carefully. Never stuff someone's card into your back pocket or otherwise treat it disrespectfully.

The first meeting may consist entirely of small talk, with prolonged inquiries about your health, family, and so on. This may include very personal questions (although never regarding female members of your family). It may actually take several meetings before ever discussing business. Be patient, let the other side set the pace. Interruptions are normal, not indicating a lack of interest.

Women in a Muslim World

Saudi Arabia remains a male-dominated society. Few women work in office jobs here, and even fewer ever attain positions of authority. Many local men are uncomfortable dealing with Western women or shaking hands with them. 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 also help. Even so, you may still not receive sufficient attention, so it may be best to take along a male colleague and act "behind the scenes."

Male visitors should not speak to Saudi women unless the situation clearly requires it. Contact between men may be intense, but it is vitally important not to stare at any woman you may meet.

Expecting lengthy commitments from their business partners, Saudis will focus mostly on long-term benefits. Saudi negotiators often strike a competitive style, and will fiercely bargain for seemingly small gains. As long as direct conflict is avoided, they respect hard bargainers and will ultimately look for win-win solutions. To earn their respect, keep a positive, persistent attitude – accept an initial deal even when its return doesn't seem appealing. Much bigger profits will come once you have proven yourself a worthy partner.

Information isn't shared freely, since people here believe that privileged information creates bargaining advantages. In contrast, any information you share will probably reach your competitors if they too have existing relationships, because the Saudis will feel obligated to offer them the right to respond to your proposals.

Leave Room to Bargain

Don't underestimate Saudi businesspeople – they're shrewd negotiators who thoroughly enjoy bargaining and haggling, and they may be seriously offended if you refuse to play along. Be flexible: the bargaining stage can take quite a while, with prices often moving more than 50 percent between initial offers and final agreement. Leave yourself plenty of room for concessions; and if you make one, ask the other side to reciprocate – but never make them look like the loser. If you make significant concessions too early, your counterparts will expect further compromises later on. Aspects can always be revisited to your advantage – offer further concessions if the Saudi side reciprocates in areas that have already been agreed upon.

Lies and other attempts to mislead are not uncommon in Saudi business dealings. Expect your Saudi counterparts to be masters at this game, playing it with many exaggerations and much

enthusiasm. Don't take such tactics personally, but verify what they tell you. Remember, even when you can see right through a lie, it would be a grave personal insult to state or even hint that your counterpart isn't telling the truth.

Saudi negotiators won't be openly aggressive or adversarial, but they may use more subtle versions. Extreme opening offers are a common way of starting the bargaining process. Even if negotiators make indirect threats and warnings, or subtly display anger, be careful of using these tactics yourself – appearing too aggressive may damage the relationship. Never walk out or threaten to do so, as your counterpart may take this as a personal insult. At the same time, know that Saudis can become quite emotional during fierce bargaining. It is best to remain calm.

Should a dispute arise, try to resolve it through personal one-on-one meeting with the Saudi negotiation leader. Show your commitment to the relationship and don't use logical reasoning or get argumentative, since this will only make matters worse.

“Haste Is of the Devil”

Company hierarchies can be very rigid, with clear lines of authority. Even though the pace of business is accelerating, decision-making can be a slow and deliberate process in Saudi Arabia. The best interest of the group or organization is paramount: others must be consulted, often entailing several layers of approval. Final decision-making authority may be delegated down, but that can change quickly if subordinates fall out of favor. You must win the support of senior executives.

Expect business interactions to be slow and protracted, and be prepared to make several return trips. Be patient, control your emotions, accept delays. Trying to rush the process probably won't produce better results and may be counterproductive. A Saudi proverb warns, “Haste is of the devil,” and many Saudis believe that whether something happens quickly, slowly, or not at all depends solely on Allah's will. On the other hand, the pace could suddenly change from very slow to very fast. Once your counterparts have made a positive decision, they might expect fast progress.

When making decisions, Saudi businesspeople may not rely much on rules or laws. They usually focus on

the specifics of a situation. Personal feelings and experiences outweigh objective facts. Saudis often hesitate to take risks. If a decision seems risky, first find ways for them to become comfortable with it. If your relationship is a strong and trusting one, you're far likelier to succeed.

Corruption and bribery are quite common in Saudi Arabia's public and private sectors. However, people may draw the line differently, regarding minor payments as rewards for getting a job done. What you may consider a bribe, a Saudi might only view as a nice gift. Merely hinting that you view this differently could be a grave insult to the person's honor. It may help if you explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

Commitment vs. Contracts

Meeting summaries can be an effective way to verify understanding and commitments in Saudi Arabia, but they shouldn't be taken for final agreements. Details may still change significantly before both parties sign a contract. Agreements are only final when the participants part. Until then, the Saudi side may unilaterally abrogate them, possibly even if they were already signed. Under Saudi law, oral agreements are not binding.

Personal honor is highly valued in Saudi Arabia, so contracts are usually dependable and your partners will strive to keep their commitments. Businesspeople here do understand the role of contracts well, but may view them only as general guides for conducting business, expecting both parties to be willing to adjust their terms if conditions should change. The written contract usually serves only to capture the agreement's primary terms and conditions. Writing it up and signing it is a formality. To Saudis, the primary strength of an agreement lies in the partners' commitment, not in its paper documentation. If you propose an overly detailed contract, this may cause hurt feelings.

The Art of Social Decorum

Saudi hospitality is world-famous. You are not expected to reciprocate at similar levels. Social events don't require strict punctuality. While it's best to arrive at dinners close to the agreed

time, being late to a party by 15 to 30 minutes or more is expected. There may be little conversation during meals, allowing everyone to relish the food. Tea will be served at many occasions. It would be a mistake not to accept it, even if you're not thirsty.

Lastly, a few caveats: Remember, alcohol is illegal in Saudi Arabia. In conversation, avoid subjects such as Saudi Arabia's internal conflicts with Islamic extremists, or its political role in the Gulf and Iraq wars. Whether at their office or in their home, never praise something too strongly that your host owns. He may feel obliged to give it to you, which could create a very difficult situation. **N**

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