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# The truth about cross-cultural B2B relationships

PART 3: CONTRACTS OR PEOPLE?



# Introduction

**What is the biggest influence on success in business deals: contracts or people?**

**The business world is split down the middle on the answer.**

**In part two of this series on international business relationships, the International Chamber of Commerce (ICC), Jus Connect, and McCann Truth Central have brought data and insights to understand the role of culture in business. To add further complexity, the definition of what makes a great contract or successful people relationship also varies from one country and organization to another.**

As part of our international research series on cross-cultural business relationships, we explore what senior business leaders and legal professionals consider most impactful on successful business outcomes.

In the first two reports in the series, we examined the role of emotion and cultural business values in developing successful business relationships.

This report delves deeper into how contracts and people play a role in delivering business success or, potentially, creating friction and business disputes. Using a quantitative survey with 1,701 B2B business leaders and legal professionals and in-depth interviews, we highlight the challenges and solutions to managing contracts and relationships in business.



## Key insights for this series include:

### Part 1 - Emotional influence in B2B

Understanding that emotion is key to B2B decisions should shape the business journey. It's also important to anticipate the right emotions at the right time. Business leaders are two times more emotionally connected to B2B brands than FMCG brands, with emotions ranging from positive at the start of a relationship to negative when friction arises.

### Part 2 - Business culture fluency reduces friction

Business cultural fluency goes beyond local customs. By understanding business behaviors through a lens of business cultural segments, businesses can anticipate potential differences between their own business culture and their client or supplier. Remapping the world by business culture instead of geographic criteria offers insights that help to avoid friction and increase cultural business fluency.

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### Part 3 - Contracts or people?

For some businesspeople, the contract is an opportunity to lock in a scope; for others, it's the basis for a flexible relationship. Understanding your team's and your client's or supplier's cultural perspective on contracts can help provide clearer approaches to using them.

The priority of more structure or more flexibility also plays a role in managing contracts and people.

Some people in business prioritize structured people relationships. Others want to make sure they have flexible contracts. The reverse can also be true: flexibility and co-creation in relationships may be prioritized, while others want clarity and structure in their contracts.

Learning what you and your business prefer, while adapting to what your business partners expect, helps build delivery teams and agreements that suit all parties, reducing the risk of friction and business disputes.

#### Part 4 - Win-win is better than win-lose

Business leaders favor amicable approaches to building long-term business relationships and, when things go wrong, prefer similar win-win dispute resolutions over legal proceedings (what is also called “interest-based outcomes”).

#### Part 5 - Siloed departments limit business success

Departments traditionally assigned a single role (like legal teams or marketing teams) can be integrated deeper into the B2B journey to bring their skills to other stages of the process.

#### Part 6 - One size does not fit all

Not only does this series of reports show that one global approach to B2B relationships doesn't work, but it also demonstrates differences between countries and within different groups, like different genders, ages, and professions.

## Contracts in the eyes of people who win them and people who scrutinize them

When ICC, Jus Connect, and McCann Truth Central began this research project, we started by conducting a series of in-depth interviews with global contract experts. Experts in winning new contracts and experts in managing and scrutinizing those contracts. It might be unusual for one research study to speak to both lawyers and a group of marketing and sales experts, but these two unique perspectives bring together different views within the business on what constitutes a successful business deal.

On one end of the scale are the people trying to win a new contract, such as those leading marketing and sales efforts in B2B relationships. They have an awareness of what new customers expect when awarding a

contract, because they've had to beat their competitors to win it. On the other side of the spectrum, in-house general counsel and international arbitration lawyers get to see what happens in the final stages of a contract being signed, what happens when things go wrong, or when a contract is scrutinized to settle a dispute.

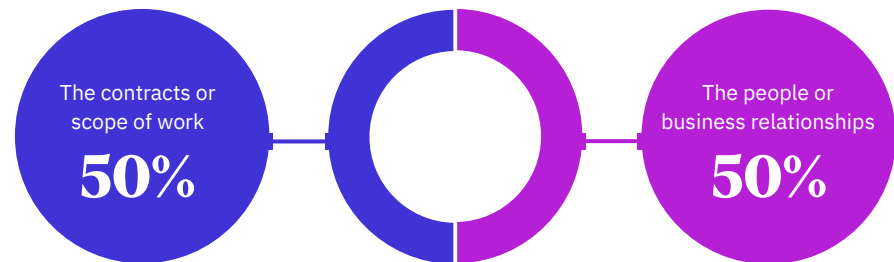
We took these insights and then put these perspectives to the wider business community to see what the prevalent perspectives were.

What turned out? The results are nearly evenly divided as if split into four equal parts.

Among many other questions in our study, two key ones revealed the divided perspectives among business leaders on what makes the biggest difference.

First, the question of contracts vs. people was explored by asking: if a business deal fails, what was most to blame? A weak contract and scope of work? Or weak relationships between people?

The answer to what makes the biggest impact:



Base: Global Business Leaders (n=1701)

On one side is the prioritization of contracts, summarized by an international arbitration expert from the United Kingdom, who said:

*“Business disputes aren’t about emotion and relationships, ; it’s simply a question of contracts and contract law. Human emotion doesn’t come into it.”*

In contrast, an international lawyer from the United States saw it from the other side of the coin, saying:

*“Disputes arise because there’s a business relationship issue, not because there’s a legal issue.”*

Of course, both contracts and relationships play a part in business success, so getting further under the surface of these two elements is essential.

Here’s the extra challenge in business: there are different views on “what good looks like” in contracts AND in relationships in B2B deals.

## **Rigid, fixed contracts or flexibility to aid collaboration?**

Should your contract offer structure and rigidity? Or should it be flexible, offering scope for collaboration and co-creation? The answer: It depends on which country you’re in and what business culture your client or supplier has.

In our previous report, we went into cultural segments and business behaviors in more detail., In this report, we look specifically at attitudes toward contracts, and there are two ends of the spectrum when it comes to whether a contract should offer either structure or flexibility.

In some organizations, clear contracts with a structured scope of work are the priority. One in-house general counsel in Brazil highlighted the power of a well-organized contract when awarding a new supplier, saying:

*“It’s most important that information is organized in the contract so that*

*we can check everything that they have said during the bidding and procurement process.”*

This rigidity and clarity in contracts can act as a shield for some business leaders. A business leader in Nigeria told us that having a clear contract with suppliers made their position as a customer stronger:

*“If they don’t meet the contract agreement, we terminate. We’re not going to renegotiate, because, at that point, the trust has been broken. The confidence is not there anymore, so there’s never a guarantee that they’ll be able to meet up to whatever you’re trying to negotiate.”*

On the other hand, some people in business see the signing of a contract as just the start of ongoing adaptations and adjustments once the relationship has been formally started. One international arbitration lawyer from the United States said:

*“With some international clients, there’s no such thing as finalizing a contract. Anytime someone says, ‘We finalized the contract’, with a certain client, you know that they have no idea what they’re doing, and that they’re in for a rude surprise because the end of a negotiation with that client is the beginning of a negotiation. With some clients, the signing of a contract is no more than an invitation to start trying to revise it.”*

A global marketing lead in Saudi Arabia had a nuanced view of contracts being a reference to guide future interactions rather than a strict measure to make or break a relationship, stating:

*“The scope of work acts as a point of reference when disputes arise, enabling us to step back and say ‘hey, you’re actually off track.”*

With this in mind, it also opens the question of how people interact in the positive parts of a relationship, as well as how people and business teams navigate friction and disputes between businesses.

## People in business: Structured interactions or flexible collaborators?

As with contracts, the definition of strong people relationships also varies from one country and organization to another.

For some people in business, a set of successful business relationships between the people and stakeholders involved is built out of clarity and structure. This could involve the contract itself and how it defines the escalation process when interactions are failing. A legal specialist in China told us:

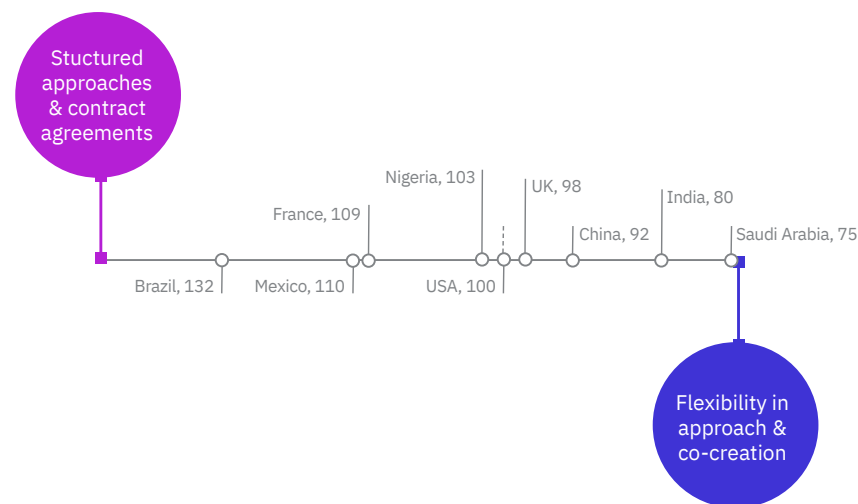
*“For a big company, in the commercial contract, there will be very clearly outlined terms regarding dispute resolution, and normally that will provide a framework (e.g., how many days the parties will have to engage in friendly negotiation to resolve the issue). And then, there will be escalation mechanisms, where the escalation will go to the senior level of the parties to have a senior executive meeting with each other to discuss the solution.”*

However, expectations of structured relationships don't just pertain to formalities around dispute resolution; they also impact the micro-elements of day-to-day interactions. For example, 62% of business leaders surveyed said they would usually only attend meetings with a clear agenda. Additionally, 48% stated that they would prefer a B2B relationship between a supplier and client to first achieve the original stated objectives in the business agreement before making any changes to the agreed scope of work.

In contrast, the other half of people in business leadership are more open to adaptations and course corrections while a project is live, with 52% agreeing that:

*“Business goals can change as projects develop.”*

One business leader in France said they preferred open conversations



Index of endorsement of preferring structure vs flexible collaboration (100 = Global average | **Base:** 1,701)

with business partners, combined with a willingness to be flexible:

*“Show adaptability towards everyone. I want frankness from the start of meetings, asking direct questions, but I expect the same flexibility from the countries we work with.”*

For others in business, the role of structured contracts was low on their wish list, instead setting a priority for the potential for building relationships with people based on a willingness to be adaptable, personal, and collaborative. A business leader in China stated, simply:

*“First be friends, then do business.”*

While individual businesses and organizations have different approaches to the balance of structure vs. flexibility, businesspeople in different countries self-report as prioritizing one approach over the other to differing levels. Anticipating and adapting to these differences will also help business leaders plan how to interact with business partners around the world.

# Which approach works best?

Mapped out below is a broad summary of the four attitudes to successful B2B relationships based on the two scales in this report (contracts vs. people and structure vs. flexible collaboration).

What matters most to successful business deals?



**24%** of contracts with **clear scope of work** and **structured agreements**

**26%** of contracts with the **flexibility for collaboration** and **co-creation**

**25%** of people relationships **with clear, structured ways of working**

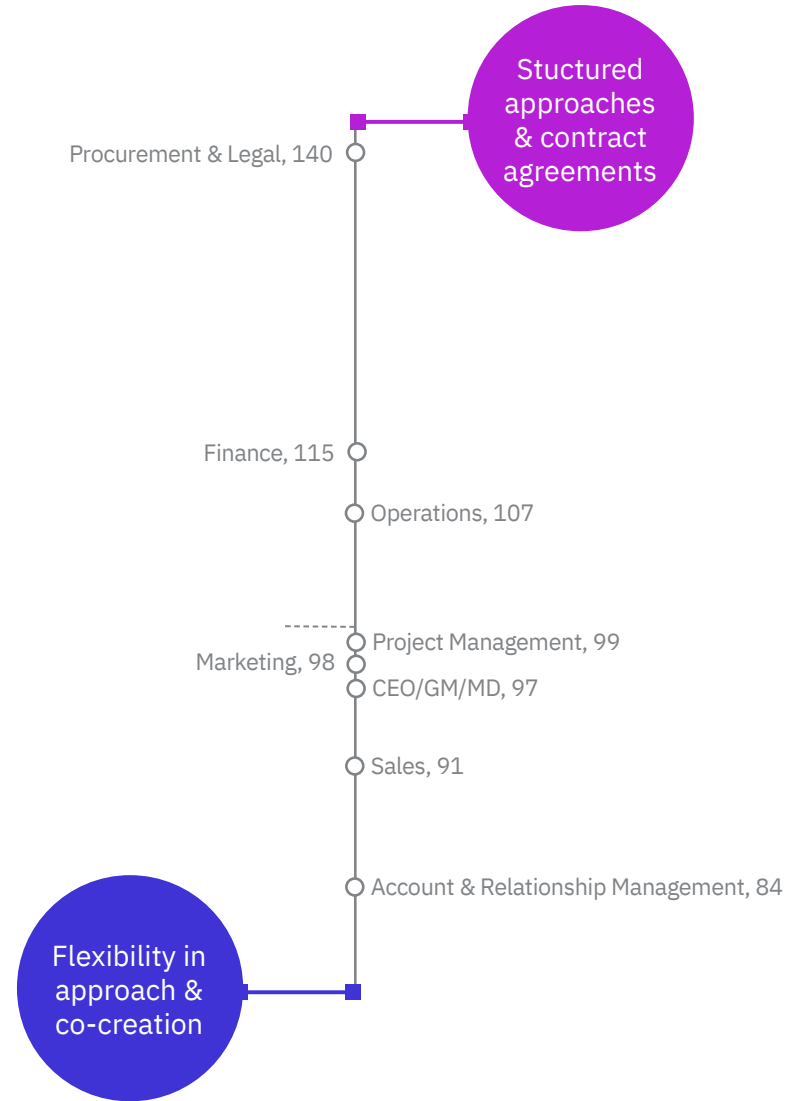
**25%** of people relationships with the **flexibility for collaboration** and **co-creation**

As you can see, whichever of these describes you best, you'll always be in a minority.

One in four people in B2B relationships will have a similar attitude to you, while the other three out of four have a different approach, valuing contracts or people, structure or co-creation, differently from you.

The solution is to find and build a mixed team of people appointing new suppliers or winning new clients, as well as in the ongoing delivery teams.

People in different department roles have higher or lower levels of prioritization of the structure of contract agreements vs. the flexibility of co-creation.

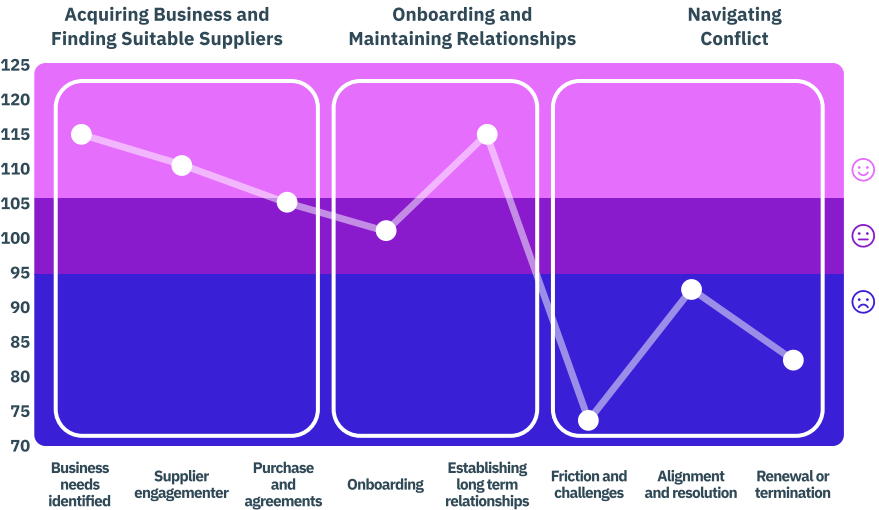


Index of endorsement of preferring structure vs flexible collaboration by department (100 = Global average | **Base:** 1,701)

# Blend teams for optimal outcomes

Bringing people from different departments into a pitch, the onboarding process, and team operations helps ensure a balanced perspective on contracts vs. people and structure vs. flexibility.

Business leaders should take care in how they build their teams at each stage of the business journey. In the first paper, we highlighted the emotional “roller coaster” of the business journey. Different business departments are involved at different stages of the journey.



Index of emotional engagement by business leaders in each stage of the B2B journey (100 = average emotional engagement | Base: 1,701)

## Phase 1: Acquiring business and finding suitable suppliers

**Key roles:** Marketing teams work to ensure company visibility when potential clients are identifying needs, with sales teams engaging once a lead is generated. Procurement and legal teams engage once purchase agreements and contracts are being drawn up.

**Risk point:** Sales teams may focus more on people and co-creation, while Procurement and Legal teams focus more on contracts and structure. It’s important to ensure integration between these two teams

## Phase 2: Onboarding and maintaining relationships

**Key roles:** Operations, Relationship Management, and Project Management teams take the lead in onboarding the new client or supplier and deliver the ongoing contract.

**Risk point:** Client Service/Relationship Management teams tend to be more focused on flexibility and co-creation, so that they could lose sight of the agreed scope of work. Ensure a prominent role for Operations and consider an ongoing role for Procurement and Legal to check in against the agreed contract.

## Phase 3: Navigating and resolving friction and disputes

**Key roles:** Usually initially led by delivery teams and, when needed, escalated to senior leadership to work towards a mutually beneficial resolution and renewal. Finance and Legal teams are more involved when business friction leads to contract disputes and potential termination.

**Risk point:** If departments like Client Service/Relationship Management start the dispute resolution process, they might wait too long to bring in the contracts and agreements as a basis for discussion. Equally, a Procurement or Legal team might focus too much on the black -and -white detail in the contract and could benefit from keeping relationship managers involved to keep seeking a collaborative, mutually beneficial outcome.

# Conclusions

There is no single global perspective on whether contracts or people have the biggest influence on the success or failure of a business deal. While some departments and countries lean more towards structure or towards the flexibility of co-creation, there are still differences in opinion within those departments and countries.

Even if two businesspeople agree that contracts matter most, they might still diverge in their view of what a good contract is. One might view a contract as a tool for holding businesses accountable and checking deliverables closely against the agreed scope, while another might see the contract simply as a way of formalizing the start of a flexible scope of work that can adapt and be renegotiated throughout the business deal.

Equally, when businesspeople agree on the importance of prioritizing people and human relationships in a business deal, they might still differ on whether successful relationships are built on structure and order, or whether they expect people to be adaptable and collaborate in finding flexible approaches as the project unfolds.

## Implications

Building teams of people with different attitudes and capabilities offers the best chance of success. If you have too many leaders focused on structured contracts, you could lose the opportunity to have strong human relationships that co-create an unexpected solution.

Equally, if you have too many leaders who prioritize flexibility and collaboration, you could lose sight of the original contract and scope of work, only to realize too late that a project has veered too far off track.

## Recommended actions:

### 1. Mix teams and profiles for increased effectiveness

Consider how to mix teams during the pitching and appointment process, while onboarding and delivering ongoing service and then manage friction and resolution.

Explore giving greater flexibility to departments and individuals with more structured approaches vs. a more flexible approach to create a balanced mix of teams and business relationships.

### 2. Identify internal and client preferences towards structure vs. flexibility

Ask questions; do your research. Use client conversations or internal and external surveys to find out whether your company and teams lean in one direction or another, as well as your key clients and prospective clients. Adapt your company messaging, your relationship and contract management process to dial up or down on structure vs. flexibility in the way you communicate with other businesses and how you manage or deliver service agreements.

### 3. Use experts and specialists at the right place and time

If your organization has fewer people on one side or the other of structure vs. flexibility, recruit or train people to fill the gap. Alternatively, bring in experts or contractors at the key moments when they're needed. Use technology and people databases, like [Jus Connect](#), to identify potential experts and partners for key stages of the B2B relationship journey.



# About the organizations

## International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 170 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.

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## Jus Connect

Originating from the extensive Jus Mundi arbitration and international law database and empowered by Conflict Checker, Jus Connect epitomizes informed decision-making. We provide legal teams with unparalleled data-backed profiles and analytics, enabling them to strategically choose external counsel, experts, or arbitrators while avoiding conflicts of interest. But it's not just about selection; law and expert firms find in us a partner that amplifies their reach and revenue. With our tailored business development solution, arbitration teams can showcase their practice, setting them apart in a competitive market.

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## McCann Worldgroup Truth Central

McCann Worldgroup Truth Central is McCann's global intelligence unit dedicated to unearthing the macro-level truths that drive people's attitudes and behaviors about life, brands, and marketing. Truth Central leverages its expertise in global marketing and communications to navigate and articulate complex cultural nuances, shaping insights that drive strategic business decisions.

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## → Next time

In the next installment of this series, we look at the difference between a win-win vs. win-lose approach to business and dispute resolution. The approach of win-win, sometimes called "interest-based outcomes," is the approach most people in business say they prefer. So, if that's true, why do disputes still happen, and why are international arbitration cases growing twice as fast as global trade?