

COMMENTARY

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LET'S FACE IT: ZOOM BEATS PHONE

When it come to social interaction, face-to-face is best

JONATHAN WENIG



The year that turned corporate Australia (and everything else) on its head has made it plain that Lesson 101 of deal-making — that the only way to close out a complex negotiation is to nut it out around a boardroom table — is more truisms than enduring truth.

Deal activity has been healthy, even buoyant, despite the fact that business people were rarely leaving their own homes, let alone

suiting up to haggle with a room full of negotiating counterparties.

But as life looks like returning to almost normal, as people return to the CBD, as business travel once again becomes possible — and before we declare Zoom meetings the new normal — it's worth unpicking what we've learned from commercial engagement in the time of COVID.

There's quite a bit of science regarding the efficiency and effectiveness of different modes of communication.

Research undertaken by Michael Kraus, Associate Professor of Organisational Behaviour at Yale School of Management, has found that audio-only conversations are most effective in terms of communicating and interpreting emotional reactions. His 2017 study on this phenomenon divided participants into three groups and presented them with three different exercises.

In the first exercise, participants were presented with a short

video showing a group of friends talking and joking. One group was shown the video together with its audio. The second group was played the audio but not shown the video, and the final group was shown the video without any accompanying sound.

The study found that the group who heard the interaction without seeing the video provided the most accurate interpretation of the emotions experienced by the friends featured in the video.

Kraus concluded that tone of voice is the most important "channel" through which human beings read and interpret emotions.

In apparent contradiction of this study is the science cited in Maria Konnikova's best-selling book "The Biggest Bluff", which is all about what the author, who holds a doctorate in psychology, learned by shadowing world-renowned poker player Erik Seidel.

At a critical point in her journey, Konnikova implemented an approach based on the principle

that body language — best interpreted at close quarters — was the clearest indicator of a person's intentions. She started winning!

As an M&A adviser, my own considered if somewhat less scientific contribution to this body of knowledge is that over the past 12 months the net quality of communication with clients and related parties in a transaction has improved. But my strong sense is that this has more to do with the shift from phone to video calls than it does with the involuntary shift away from face-to-face engagement.

Way back in the time before COVID, the communication dynamic in deals saw the vast majority of communication taking place over the phone, with perhaps the last 10 per cent being thrashed out in person around the table.

Since the first lockdown in March 2020, video calls have largely replaced both phone conversations and face-to-face meetings. At the height of the "Zoom

boom" an estimated 300 million users worldwide were logging on to the platform. And, in contradiction to Michael Kraus's findings, at least for what we do, video has proven to be a significant enhancement over audio.

While I'm hardly qualified to reconcile the science, my experience tells me that in closing a deal, both the manner and depth of engagement are critically important. And when the mode of communication engages not just our ears but other senses, the effectiveness of communication is bolstered.

But the theory doesn't undermine the unique value of in-person communication. Emotional engagement and reading the emotions of parties on the other side of the table is a fundamental skill in M&A — what we do is not a cold objective practice.

A suite of emotions — fear, anxiety, excitement, frustration — and a touch of theatre at times play a big role in deal-making, alongside intellectual rigour.

It may not be high stakes poker, but neither is it entirely comparable with the emotional themes of everyday life on which Kraus's thesis is based.

So, what will happen when we emerge from our pandemic-altered *modus operandi*?

My prediction is that video calling will not recede with the pandemic since its superiority over phone interaction has been revealed. Face-to-face interaction engages not just our ears but other senses, the effectiveness of communication is bolstered. But the theory doesn't undermine the unique value of in-person communication. Emotional engagement and reading the emotions of parties on the other side of the table is a fundamental skill in M&A — what we do is not a cold objective practice.

The bottom line is that people, including deal-makers, value human connection and will invariably opt for the platform that optimises the fabric from which our lives — personal and corporate — are woven and sustained.

Jonathan Wenig is lead partner in Arnold Bloch Leibler's corporate and M&A practice.