

Perception of Negotiation Partner: Cultural Differences from Perspective of Estonians

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Abstract

Negotiations are a means for entrepreneurial communication and the manner how participants in negotiations treat each other is very much influenced by their cultural background. Cultural background provides individuals an understanding of their partner's role from various perspectives. Several cultural orientations have been proposed by different authors to measure cultures. Cultural orientation is considered a relative phenomenon and thus the way other cultures are perceived depends largely on the perceiver.

Estonia is a small country which was ruled by various powers but Russian and German impact is mentioned the most often. Both of these countries also play an important role in Estonia's economy and hence it is interesting and valuable to gain better understanding of how Estonians perceive them in the framework of entrepreneurial communication. The aim of the study is to draw some implications for entrepreneurs by way of studying Estonians' views on Germans' and Russians' negotiation behavior. The study was based on the framework of Hofstede's cultural dimensions using qualitative research method. The findings, along with other issues, bring up three aspects for entrepreneurs to consider when dealing with international negotiations. Limited experience and the perception of differences may lead to generation of stereotypes among entrepreneurs. Therefore, education and thorough investigation would be beneficial for acquiring efficient negotiation behavior.

Keywords: *negotiations, entrepreneurship, national culture, Hofstede's dimensions, perception of partner*

Introduction

Entrepreneurship is a sensitive area in respect of culture. In this chapter, we will single out one particular kind of business communication – negotiations – for the subsequent analysis. The manner how participants in negotiations treat each other is very much influenced by their cultural background which provides them with an understanding of their partner's (to simplify further reading, we use

partners, parties meaning negotiation participants) role from various perspectives. Therefore, the cultural approach to negotiations may reveal some general issues for business people. It is an important aspect to be mentioned in connection with Estonia, where the practice of international negotiations is about 18 years old. Estonian business people have already gained some first-hand experience of international negotiations, which can be analyzed in order to understand some culture-specific features and draw some implications.

Estonia and its social and economic history have been influenced by many countries and cultures, among which Germany and Russia occupy a special position, especially in 1918-1940. After World War II, Estonia was part of the Soviet Union, which left its imprint on political, social and cultural dimensions. (Vihalemm, 1997). By today both of these countries have still an important role for Estonia but now the historical memory is replaced mainly by economic relations. Russia holds a second position in Estonian export (sixth in imports) and Germany is on second position in Estonia's import (seventh in exports) (Statistics Estonia).

Culture can be characterized by the following four dimensions (Hofstede, 2001). *Power distance* reveals to what extent power and hierarchical relations are considered to be essential for a particular culture. *Uncertainty avoidance* explains whether tense and vague situations are tolerated or avoided and to what extent. *The individualism-collectivism* dimension shows whether the interests of an individual or a group are more important. In current research it is reasonable to make a distinction between different levels of collectivism (Allik, Realo, 1996): (1) state, nation, social institutions (2) peers, colleagues, and (3) family and close relatives level. This division is relevant because at the negotiation process the peers and colleagues level is examined only and both Germans and Russians might have different attitudes on the other collectivism levels. The fourth dimension is *masculinity-femininity*, which shows to what extent culture is dominated by such masculine values as orientation towards achievement and competition.

In the light of the abovementioned aspects, the aim of this article is to draw implications for entrepreneurs by way of studying Estonians' views on Germans' and Russians' negotiation behavior using Hofstede's framework of cultural dimensions.

The introduction of this paper is divided into two main sections, the first one describing the main concepts of the study – negotiations and culture – as well as their potential interrelationship from an entrepreneurial perspective. The second section of the paper presents an empirical analysis, which is based on the interviews conducted with Estonian business people who have copious experience with representatives of the German and Russian cultures. Finally, some implications are drawn for the entrepreneurial perspective.

The role of negotiations for entrepreneurs and the impact of the cultural context on negotiations

Due to the globalization of economy and enterprises, understanding the role of negotiations is getting more difficult. An important factor that comes into

play is culture, and understanding cultural differences makes the negotiating process rather complicated. Hawley and Hamilton (1996) have shown that in a multicultural world it may frequently happen that entrepreneurs find themselves in the role of a negotiator between the contradictory values of their own cultural system and those of the dominant world. This issue is especially important in international business when East and West meet at the negotiating table (Adair, 2003). Information processing is one of the reasons for different understandings of the negotiation process. Weber and Hesse (1998) have shown that people's differing perception is one of the factors that lead to cultural differences in the situation of risky decision making. Usunier (1991) also underlines the role of cultural differences in business negotiations by analyzing perception time.

Cultural background is one indicator that determines how the negotiator sees the whole negotiating process – what are its purposes, what role is played by the relationships with other parties, how important is formality, etc, and on the whole all that underlies the choice of strategy for carrying out the negotiations. All in all, it can be said that intercultural negotiations are represented as a function of differences between parties with respect to preferences on issues and negotiation strategies (Brett, 2000). Figure 1 suggests that when the strategies negotiators bring to table clash, the negotiation process is likely to be less efficient, and agreements are likely to be suboptimal. But differences do not always mean failure, they also mean opportunities. In Figure 1 “integrative potential” is the key factor – if cultural differences are taken into consideration, a smart negotiator can shape a suitable attitude and accordingly choose a suitable strategy that will lead to the results satisfying both parties. This means that a successful negotiation process does not assume the elimination of negative side-effects, but also their skilful utilization in one's advantage.

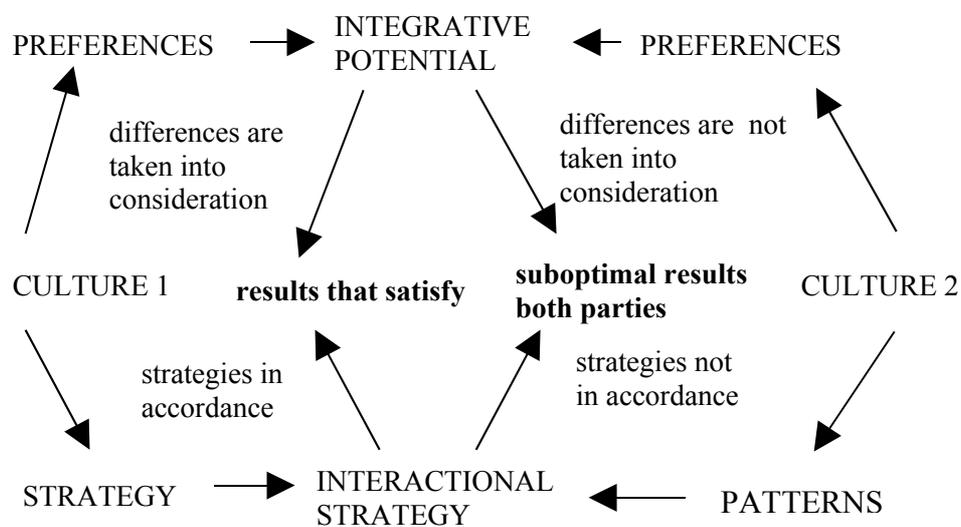


Figure 1 A model of inter-cultural negotiations (Brett, 2000, modified)

Sometimes the participants in negotiations are partially cooperative or protagonists, seeking to optimize their own gains. Studying the patterns of understanding one's partners' cultural background is particularly relevant when investigating negotiations, because culture affects the way people communicate. Entrepreneurs usually act on the basis of intuition (see, for example, Greenbank, 2000), which has shown that the role of the cognitive aspects of entrepreneurial behavior is substantial. For example, Allison, Chell and Hayes (2000) suggest that those owner-managers who are, in practice, successful in identifying and exploiting the opportunities for growth and capital accumulation (i.e., successful entrepreneurs) are more intuitive in their cognitive style than the general population of managers. We position our study into this context and aim to get some elements of understanding with respect to negotiations from the Estonian perspective, because everyday practices and interaction are sometimes influenced by intuitively created stereotypes.

Stereotyping is the process of categorizing an individual as a member of a particular group (i.e. ethnicity) and assuming that the characteristics attributed to the group apply to the individual. Indeed, it helps in dealing with negotiations but stereotypes can lead to false deduction of information because social stereotypes about the nationalities are often based on little personal knowledge. Once stereotypes get accepted, it is difficult to change them. Our study enables entrepreneurs to compare their own experiences with other peoples' understandings about the negotiation partners and thus possibly avoid stereotyping and accept the differences. It will make entrepreneurs more flexible and innovative in their communication.

Empirical study of the German and Russian cultural backgrounds in the negotiating process compared to Hofstede's estimations

To involve the empirical part, semi-structured interviews were conducted. The interview questions (Appendix 1) were derived from Hofstede's cultural dimensions framework. The analysis of the results is directed towards finding Germans' and Russians' positions in Hofstede's framework based on Estonians' perspective. The authors' intent is to find out how the respondents reflect the dimensions under discussion and in this light the answers will be interpreted in the framework of the cultural dimensions.

Semi-structured interviews were carried out with Estonian entrepreneurs who in the recent years have had or are still having business relations (exporting, importing, ownership related communication) with Russians (n=12) and Germans (n=15). The respondents were from large, small and medium-sized enterprises. Social networks and Chamber of Commerce were used as the means to get contacts of relevant enterprises.

Studying the experiences of different business people helped to draw some conclusions about certain aspects of German and Russian cultures in the negotiating process. The interviewees' thoughts and opinions provided a colorful illustration to the cultural impact of Germans and Russians that in turn referred to different cultural dimensions. The comparison of the two nations according to

Hofstede's dimensions was done as follows. We also point out the similarities and differences from Hofstede's own estimations for these two nations. There are also given some comments of respondents that illustrate how they have perceived the particular cultural dimension.

Power distance

Estonians perceive Russians with very high and Germans with rather low power distance. In Russia the position of negotiators is very important. In Germany the position or status is not considered as important as competence and power to make decisions. Above all it is important that the partner possesses the topic being negotiated. Estonians also distinguish Russians and Germans on the basis of how formal they are in the negotiation process.

For Germans the formality of the negotiating process depends in some cases significantly on the position of the opposing party in the hierarchy. Some interviewees accentuated that the negotiation process should be the more formal and considered, the higher the positions of the parties. But that does not eliminate the possibility that the opposing party may have a lower position.

For Russians, on the contrary, the positions of the negotiation parties are so important that they hardly agree to negotiate with people on lower positions. Russians think that the higher in the hierarchy, the more competent and trustworthy the partner is. One of the respondents brought out many cases when he as the owner of the company and Supervisory Board had to explain to his Russian partners that the chairman of the management board is actually much more competent and trustworthy than he himself is. All of the respondents agreed that high status plays a crucial role when negotiating with Russians.

Russians accept familiarity more readily than Germans. Their addressing formally depends on their relations with the opposing party as well as the age and seniority of the opposing party. If the negotiating process goes well for them, they are more eager to have less formal relations. For Germans it takes time to get used to familiarity, for example, the negotiation parties must be acquainted for a long time before they go over to first name terms. "People may work together for years, sharing the workplace, having negotiations, but still address each other as Herr or Frau", meaning that informality can be totally unacceptable in many cases.

One very typical characteristic to Russians is the importance of stamps and signatures. For Russians it is a sign of commitment and taking things seriously. No contract or important paper remains without these attributes. The papers are always signed by the highest authority.

According to the power distance dimension our research confirms Hofstede's estimation that Russians score very high on this dimension. But for Germans the result of our study differs from Hofstede's. According to Hofstede, Germans score low on power distance index, but Estonians perceive them being rather average.

Uncertainty avoidance

According to Estonian interviewees Russians are perceived not as cautious as Germans. Germans do not like unexpected situations that they cannot control, especially when they do not have enough information. That is why Germans examine their negotiation partner thoroughly before the actual meeting. Russians are not so exhaustive, but they also prefer to avoid problems. They may be critical when the opposing party makes a mistake, although the results of the survey showed that Russians are often troublemakers themselves. For example, Russians are usually late for meetings and fail to comply with deadlines.

Russians do not want to make long term and detailed contracts with their partners. Man's word as a contract possesses of great importance for Russians. So everything is not written down in contracts but when a certain subject has been agreed upon during the negotiation process then it also has to be kept. If not then the cooperation will probably remain short because the partner cannot be taken seriously. One reason for their rather short term or quantity based contracts may be the instability of Russian economy. "Russians live in the moment, they are not sure what will the situation look like in longer perspective and that is why they try to avoid long commitments", regarding the extent of changes in the society.

Germans, on the contrary, are punctual. They do not like obscurity; that is why it is normal that translators are involved in the negotiating process to guarantee that both parties understand each other perfectly. For example, silence makes Germans very uncomfortable, because they think that they are not understood. In one interviewee's opinion, it can also mean that the opposing party is having doubts and that in turn makes Germans very cautious.

Germans make plans to have a good overview of things but not in a very long perspective. Everything they do is usually written down and in details to avoid risks and further misunderstandings. They rely on rules in all situations affirming that everything has to be under control, stable and predictable for them. Plans, rules and order are very important for Germans. Contracts are also very detailed with them, usually made for long term period. One interviewee pointed out that it also depends on the size of the German enterprise how flexible they are in regulations. The bigger the more regulated the negotiations are. At the same time, it is important for Germans that the contract satisfies both negotiating parties, so it is a matter of long-lasting mutual gain and content. Temporizing occurs when Germans want to check everything before making a decision, because when the decision is made, it is semidiurnal. They are characterized being rather bureaucratic, coordinating the decision with different people and organizations.

Both Russians and Germans are willing to understand if there occurs a problem and negotiations need to be postponed. If there is a good reason for that then it is accepted. But in some cases Germans want to hear more detailed explanation about what happened. They expect sincere and concrete approach.

According to Hofstede's research Germans tend to be highly and according to our research even very highly uncertainty avoidant. But speaking of Russians, the result differs even more. Hofstede suggests Russians are very high on uncertainty avoidance, while Estonians perceive them rather average on this dimension.

Collectivism/individualism

The results indicate that Estonians perceive Germans as rather individualistic and Russians as average on this dimension. Most of the interviewees agreed that if the negotiation process is going well and the Russians want to do business with the opposing party for a long time, a good relationship is as important as a quick result. Some respondents believe it makes a great deal of difference what purposes Russians have and what are their real interests and altogether what is useful for them. But usually the negotiating process ends with an informal meeting and then Russians are very hospitable. However, good relations are not a scope on its own but they are part of business.

Russians were characterized by Estonians as temperament, spontaneous, concrete and warm. After a negotiation process they are likely to switch off the negotiation topic and then the contacts become informal and more personal. For Germans, informal negotiations are also important, but in contrast to Russians, they do not let informality into the actual negotiating process. Digression from the subject is not acceptable and therefore the quick result is the main issue.

According to Estonians the initiators of informal activities were the hosts as well in Russia as in Germany. But in Russia the activities were more informal and spontaneous. In the case of Germany "even the dinner is strictly planned in negotiation schedule. The dinner is formal and almost no informal communication occurs". It indicates that friendly, informal relations are very rare to happen with Germans during the negotiations. But as one interviewee mentioned on his experience there are cases when the informality comes along already after the first meeting, but this occurs when Germans have gathered some background information about Estonians. Another interviewee said that informality and small-talk is also normal in coffee-breaks. Thus, formality in negotiations with Germans is not always single-valued and they become more open in time-length. Both, our and Hofstede's study indicate that Russians are rather average on individualism/collectivism scale. For Germans Hofstede also suggests similarly to our result that Estonians perceive them being more individualistic.

Masculinity/femininity

The results of the survey show that Estonians perceive Germans as high and Russians as average on masculinity dimension. Some cases it was said that Russians are very rigid and do not give up their opinions, even if another opportunity is more useful. One interviewee recollects from his experience that usually Russians have two or three standpoints that they practically never give up.

But it is possible to make compromises if a Russian negotiator sees a benefit from it. It also appeared that Russians do not want to dominate negotiations but both parties can express their standpoints. Humor and free communication is well accepted, the atmosphere does not need to be very serious.

Germans usually consider if the other person is right, before they are willing to concede. They do not try to dominate the other party but want the negotiation process to have a win-win result where both parties are satisfied with the outcome. This way long term cooperation can be achieved. Frankness and splenetic comments are also very common among German negotiators. They do not like joking and do not show much of their emotions; the negotiation process must be relevant, consequential and persuasive.

With Russians in many cases a new cooperation is based on some common relationship or recommendation or previous experience with somebody that the company (or management) already trusts and has good relations with. But in Germany it is quite easy to start cooperation at fairs for example.

In Germany the gender differences are of importance. Men are taken more seriously in business and so even women try to look manlike and not to show off female charm. The more modest a woman is the more she can be taken seriously. The gender differences are considered important also in Russia. Russian negotiation party is usually represented by mainly two persons, one of them being a director or owner and the other a secretary. While men negotiate, women write everything down or as one interviewee put it, "men make the big words but women do the real job behind it".

On masculinity dimension both studies indicate that Germans are masculine. Russians, on the other hand score low on this dimension by Hofstede and rather average by our results.

Discussion and implications

The current study on how Estonians perceive Germans and Russians culture in the context of negotiations revealed some similarities as well as several differences in comparison with Hofstede's results. The reasons of the differences may lie in the peculiarity of the negotiation process and in the fact that our results are based on how Estonians perceive these nations, thus they might be perceived differently in other situations or by evaluators of other nationalities.

Tendencies are summarized in Table 2 and refer to the answers given by the respondents in the following part.

**Comparison of Russians and Germans along Hofstede's cultural dimensions
in the context of negotiations from the Estonians' perspective**

Table 2

| Dimension | Germans (Hofstede) | Germans (our study) | Explanation | Russians (Hofstede) | Russians (our study) | Explanation |
|------------------|---------------------------|--------------------------------|--|----------------------------|---------------------------------|---|
| PD | Low | Average | Attitude depends on competence and authority of decision; formality is important; titles matter. | Very high | Very high | The position of the parties in negotiation is crucial; formality depends on relations, age and seniority. |
| UA | High | Very high | Agreements in writing and details are important; plans, rules, order and punctuality are valued. | Very high | Average | Man's word is as important as agreements in writing; they do not rely on rules; being late is normal. |
| I | High | High | Quick results are important; agreements are very fixed; no deviation from the subject is accepted; formal communication. | Average | Average | Quick results are important, but through dependable relations; informal talks have a significant role in the negotiation process. |
| M | High | High | Win-win solutions are best accepted; humor and negotiations do not belong together; gender differences. | Low | Average | It is possible, but complicated to achieve compromises; humor and free communication is accepted; gender differences. |

Note: in “dimension” column: PD – power distance, UA – uncertainty avoidance, I – individualism, M – masculinity.

The surrounding cultural environment is most likely to influence those aspects of business that involve relations between individuals (e.g. management policies, leadership styles, communication patterns) and least likely to affect machine technologies. We have demonstrated that culture plays a role in the evaluation of one’s partners’ negotiating behavior. In our paper, we analyze how Estonians perceive German and Russian cultures through the lens of Hofstede’s framework of cultural dimensions. We also explain some manifestations of culture of the two aforementioned ethnic/cultural populations. The results will be discussed from the entrepreneurial perspective, considering three aspects: the potential role of stereotypes, the content of entrepreneurial education, and the role of entrepreneurs in the wider social context of this country.

First, it can be argued that the results of the research are stereotyping in their nature because most of the interviewees gave rather similar descriptions about the issues under discussion. Here it needs to be noticed that even all the interviewees pointed out mostly the same kind of experiences, they varied in their degree of estimation (low/very low; high/very high).

Second, the entrepreneurs should keep in mind that in multicultural circumstances one has to be open-minded and flexible. In order to be effective in multicultural interactions, entrepreneurs should as well be able to recognize how the cultural background impacts the activities in the process of negotiations. In addition to previous characteristics an entrepreneur should develop oneself through special training programs that include knowledge and exercises accommodating them with cultural sensitivity, thus supplementing their intuition. Greenbank (2000) has suggested that training should attempt to reduce the types of bias that are inherent when he has found that owner-managers tend to combine informally absorbed information, heuristics and other short-cut methods in a more intuitively-based approach to decision-making. The relevance of cultural training is also demonstrated by Miles (2003) when he gives advice that Western businessmen can follow if they want to be effective in negotiations with their Chinese counterparts.

The results show that some aspects that Estonians have perceived in their negotiations partners’ behavior are in accordance with the cultural dimensions proposed by Hofstede, while there are also some differences. These findings enable us to give some specific ideas for those who are going to participate in the negotiations where the cultural background has an important role. Indeed, more empirical research is needed for the development of effective training programs because our study shows that each ethnicity may have own perception of others and therefore the framework and data according to this construct have other meaning than that proposed by Hofstede (2001).

Third, entrepreneurs could serve as agents of integration in Estonia when we provide them with knowledge how to negotiate with Russians. Here the issue is the ethnic diversity in Estonia, where Estonians formed about 68% of its population, while 25-26% of the population belonged to the Russian-speaking

minority (Russians, Ukrainians, and Belarussians) in 2000. Their feeling of being the majority turned to the feeling of being a minority after Estonia regained independence. We propose this aspect in the same vein as Dyer and Ross (2003) analyze communication in small ethnic enterprises. They mention some advantages of direct communication for ethnic small business, including the development of social ties, especially for those who find themselves in a minority position in society. Thus, if Estonians and Russians are able to understand each other better in entrepreneurial activities, it will benefit society as a whole as well. Accordingly, if we provide entrepreneurs with knowledge how to negotiate with Russians, their contacts will be more efficient, and entrepreneurs who are at the forefront in the use of new opportunities may disseminate positive attitudes to the rest of the business society.

The suggested implications are more related to policy-making issues than to activity guidelines stipulating how Estonians could negotiate with Germans and Russians. It is naturally a limitation of our study that we were not able to offer clear advice for entrepreneurs. Obviously, the variation among entrepreneurs is higher than our results have revealed and therefore it could be that we are generating stereotypes. The second limitation is that the sampling of present research is based on small and medium size enterprises and the results may not be the same for big enterprises. Also the results may depend on whether the enterprise is a supplier or a customer in the negotiation process. Thus the influence of enterprises' characteristics on negotiation process could be a subject of further research. Nevertheless, this study may serve as a starting point for further investigation of Estonian international business relationships.

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The measurement tool for the Russian/German culture

Power distance

- 1 What kind of attitude do Russian/German business partners have towards the negotiator's position (professions of participants etc.)?
- 2 How important Russians/Germans consider status and power hierarchies?
- 3 How do Russians/Germans regard the opinion of the participants having a lower position in the hierarchy?
- 4 How personal can the communication and relations get during the negotiations (using forenames, titles, joking)?

Uncertainty avoidance

- 1 How important Russians/Germans consider rules/plans to avoid unpredictable situations?
- 2 How important is fixed structure and formality of the negotiating process for Russians/Germans?
- 3 How detailed they want the contract to be (including inflation, change of tolls; very detailed or include only basic conditions)?
- 4 How would a Russian/German negotiator act when a problem arises (postponement of a meeting, unpunctuality of the participants' or other. unforeseeable issues)?

Masculinity

- 1 How rigidly do Russians hold on to their opinion?
- 2 How would you comment on the expression "The goal celebrates the measure" when speaking of Russians?
- 3 Do common relations/friendships matter for Russians/Germans when creating the first business-contact?

Collectivism

- 1 What is more important for Russians – a quick result or a good relationship with the opposite party?
- 2 Which part of the negotiating process do Russians pay more attention?
- 3 How do the pauses, breaks and lunches look like during the negotiation process (very formal communication or friendly and informal)?
- 4 Who was the initiator for communication after formal negotiations?

Extra questions

- 1 How many negotiations have you had with Russians/Germans?
- 2 Have there been any interesting situations during the negotiating process with Russians? What?