NEGOTIATIONS BETWEEN GERMANY AND LATIN AMERICA
A CROSS CULTURAL QUALITATIVE STUDY

Enrique Ogliastri

ABSTRACT
This is a summary of research about the inter-cultural negotiation processes followed in Germany and Latin America, highlighting similarities and differences. Results are based on research carried out with managers on Latin American and German negotiations cultural values. The study includes 110 interviews using a semi-structured questionnaire on a concrete negotiating experience in one of these cultures. The author offers suggestions on how to negotiate more effectively in the German and Latin American cultures. The purpose of the paper is to build theory using a qualitative, comparative and grounded theory approach to cross-cultural negotiations.

This paper includes five sections. The first part presents the research. The second continues by summarizing results on the sequence of negotiation processes in the Latin American culture. The third section contrasts by presenting characteristics of negotiating processes followed in German culture. The fourth part analyzes the similarities and differences found using a quantitative Globe study with managers on German and Latin American cultural values. Finally, the fifth section presents several conclusions and recommendations for people from these cultures who will be negotiating with the other.

A negotiation culture is understood as the set of values, beliefs, behaviors, customs, expectations, process and rationales shared by people from a region or collectivity and used when they try to make an agreement to do a common project or to solve differences or conflicts of interest.

Key words: negotiation cultures, cross-cultural management, qualitative/quantitative comparisons.


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2 The author teaches at IE & INCAE Business Schools, is a Ph. D. in organizations (Northwestern U.), has published 18 books and is a consultant of strategy and negotiations.
1- THE STUDY

1-1 Objectives
- To describe the sequence of negotiation behaviors in Latin America and Germany.
- To understand the differences and similarities between Latin American and German negotiation cultures.
- To predict and highlight negotiation misunderstandings and problems associated with cultural patterns in these two regions.
- To offer guidelines and advice for people about to engage in negotiations with the other culture.

In summary, the purpose of this paper is to build theory based on practical experiences.

1-2 Methodology
Qualitative research on intercultural negotiations is anthropological (describing and understanding the phenomenon from the participants’ perspective) and sociological (symbolic interactions describing and interpreting the negotiating process to understand the participants’ behaviors). Likewise, it requires studying the culture from the outside (what is said by those who are negotiating in the culture) and inside (the internal perspective) (Dorfman, 1996; Morris et al, 1999). As what usually happens with qualitative methodologies, the analytical process has been primarily one of induction and comparison, meant to develop an explanation on one culture’s way of negotiating with the other one (Glaser & Strauss, 1967).

The process began with research questions rather than hypotheses: how do Latin Americans negotiate with Germans (and Germans with Latin Americans), why do they negotiate that way, what characteristic processes do they use, and what recommendations can be made to them and to those negotiating with them? The research questions were very concrete, limiting the theoretical field to negotiating practices.

Research questionnaires were targeted for one specific negotiation experienced by the respondents. To avoid stereotyping, the questionnaire focused on only one experience. Interviewees were asked, through open questions, to narrate their experience with the other culture, from pre-negotiation through the negotiation sequence. It also included a question about experiences that were radically different from the ones narrated, in order to assess whether they had described an isolated incident from their general experience.

Finally, they were asked to describe what they had liked the most from that particular experience (and what they had not liked), what amazed them, the similarities or differences they thought existed concerning participants in the negotiation, the other party’s negotiating behaviors and the advice they would give a friend or colleague who had to negotiate in that country. See the questionnaire in Appendix 1.
This paper is based on a data analysis using the constant comparative method on 110 interviews about a concrete negotiation experience in the other culture (Germans in Latin America, and vice versa). Data analysis consisted of semantic coding/classification of interview statements based on 20 predetermined dimensions adapted from Weiss & Stripp’s (1985) framework: content analysis of open-ended questionnaire data.

I used two successive “samples.” The first was a thesis written by Ovalle (2000) based on 86 interviews (with 36 Germans and 50 Latin Americans). The second was a thesis written by another student who had not read the first one; he used 24 interviews conducted while he was living in Hannover (Germany) for eight months during the World’s Fair in 2000 (Martínez, 2001). The second thesis reached similar conclusions, validating the first. This paper integrates the results from both research projects.

Another way I validated the data was to incorporate responses from groups of Latin American managers with experience working in Germany, and vice versa; they have reviewed and validated the information presented. A final source of validity is the comparison I made to results from other studies about these managerial cultures, including a qualitative study of intercultural negotiations between Colombians and the Dutch and quantitative measurements from the Globe study.

I achieved inter-rater reliability by training my students to select and classify sentences from the interviews. This revision had face validity because the answers were mostly straightforward behavioral descriptions, without much interpretation or inferences. We continued independently selecting/coding the information until achieving a complete fit; this took five interviews for one student and three for the other one.

2- THE CULTURAL SCRIPT OF NEGOTIATIONS IN LATIN AMERICA

Not much research on negotiation processes in the Latin American culture exists. Ogliasti’s research (1992; 1997; 2000) shows that there are several similar negotiation patterns that are followed throughout different countries in Latin America. He concludes that even though not all Latin Americans negotiate the same way, it is possible to identify traditional patterns or guidelines that have been established and are widely used in negotiations: a negotiation culture. This paper confirms such general conclusions, but points to specific behaviors and sequences of events in experiences with German counterparts.

2-1. In Latin American culture negotiators are supposed to get to know the other side personally before starting business. Culturally, personal relationships are very important in business, and it is a plus to be friendly, soft and warm. Meetings are often relaxed, with few time pressures. Negotiators are expected to use their instinct and first impressions to evaluate whether they trust you and your company. Negotiations become a
very interpersonal process. Latin American culture avoids conflict and open confrontation, preferring to use close, personal relationships to soften the experience.

2-2. In Latin American culture negotiations are not usually prepared for in great detail. Additionally, negotiators often hesitate to share information or data about the problem because they believe the other party will use it against them.

2-3. In Latin American culture there is a belief and assumption that there are winners and losers in negotiations: one side wins at the expense of the other in a “zero sum” situation, in which the problem is basically solved by distributing benefits. Bargaining and haggling are standard negotiation tools. The process often starts by making exaggerated offers and demands, aimed at framing and positioning for subsequent negotiation moves.

2-4. Latin American negotiations emphasize persuasion. Negotiations often begin with hospitality: people in a good mood, telling jokes, being friendly and warm, or trying to find personal similarities. Negotiators try to be quite eloquent (convincing you with their reasoning, moving you emotionally) and turn to power as a last resort (using loud voices and disinterest to intimidate).

2-5. In this culture people express emotions quite openly. In Latin America it is believed that a genuine and authentic person is one who openly shows what he or she is feeling. In some parts of the region, people can be more hostile, but in the majority, it is customary to conceal this aggression and show more affection. Some negotiators control their emotions and are more aware of how to use them to have an impact on others. Generally, though, the emotional side of Latin American culture shows less concern for rationality; there is much more romanticism, as demonstrated by Pascal’s quote: “The heart has reasons that reason cannot know.”

2-6. In Latin American culture negotiators analyze all points on the table at the same time, as a “package” or negotiation block, instead of using a more traditional technique of going down the agenda, agreeing on a point and moving to the next. This package method corresponds to the most advanced negotiation theories, since it creates more mutual value through the exchange of concessions. However, many people from outside the region find it disorienting and chaotic.

2-7. Many sub-cultures in Latin America play on language ambiguities. A “Yes” may in fact mean “maybe” or even “No,” if the negotiation party does not “read” the underlying context in which things are said (subtle signals on how people speak or body language). In these settings, literal translations can be completely incorrect. These sub-cultures tend to exist in areas away from the coasts (for example, Bogota, San José de Costa Rica, La Paz and Quito).

2-8. Latin American culture is full of uncertainty, which makes people very flexible and able to manage new or unforeseen situations; therefore, negotiators in Latin America should be prepared for a wide margin of error around any commitment made.
This means that agreements can change and the legal “Act of God” (casus fortuitus) in contracts is, in fact, relative.

2-9. Even though business is often a short-term deal in Latin America, people consider the personal relationships they develop while negotiating to be long-term. Therefore, they try to maintain good personal relationships with the other side even if no business agreement is reached.

3- A COMPARISON WITH THE GERMAN NEGOTIATING CULTURE.

Several studies have analyzed German culture and negotiation processes (Flippo, 1996, Glouchevitz, 1997, Kenna & Lacey, 1985). The main difference between those studies and this paper is that I offer a more concrete and precise perspective without implying universalism or that the results only reflect interactions with the Latin American culture. In addition, I am focusing solely on negotiation cultures and cross-cultural processes. I have collected 218 written experiences of negotiations between Germans and Latin Americans. However, in this section I am using only the 110 included by the two bi-cultural students in their theses about German negotiating patterns written under my supervision (Ovalle, 2000; Martínez, 2001). Based on these studies, I developed four main conclusions about how negotiations are different in the German culture.

3-1. In Germany, negotiators are expected to study all the business details before beginning the negotiation and define the objectives they wish to achieve. These objectives may be optimistic, but are not irrational. German culture places emphasis on achieving sustainable results in the long-term. In contrast, negotiations in Latin America often are started without thorough preparation, and there is a short-term focus.

3-2. In German negotiating culture opening demands are presented objectively with the reasons and data behind them. This pragmatic approach allows for an upfront presentation of objective data, a confrontation, of sorts, using facts without arrogance or personal attacks. In cultures that place emphasis on bargaining, like in Latin America, negotiators tend to make exaggerated requests to see how the other party reacts and push the limit to an extreme so that an agreement in the middle can be reached. These are two very different ways of negotiating.

3-3. Another difference is that German culture expects an ordered negotiation process, in which one negotiation point is discussed at length until it is resolved. Negotiators avoid moving on to the second point until the first is finished. Most people process items using a “point-by-point” negotiation style, in a methodic and orderly manner. This is very different from “package” negotiation, like in Latin America (and Japan), where negotiators discuss everything at the same time and “nothing is agreed upon until everything is agreed upon.” Negotiating in a block or package is hard to do for “monochronic” (one thing at a time) and orderly cultures that prefer to finalize one item
before beginning the next. Although it is important for negotiators to be organized, in negotiation, the inability to discuss several items at the same time is an obstacle to more comprehensive solutions.

3-4. Personal relationships during negotiation also differ. In Latin American culture people can be emotional, personal and warm, even in business negotiations. In contrast, the German culture places an emphasis on rationality, being objective, hiding emotions and not mixing personal and business topics. An intellectual confrontation about data is considered unemotional, and it clashes with the Latin Americans’ preferred style.

The following section presents cultural differences found in recent studies that can help us understand these negotiation patterns better.

4- ANALYZING THE DIFFERENCES

Several studies have shown that Latin American- and German-speaking countries belong to two different cultural regions in the world (Schwartz, 2008; Chokkar et al, 2007; House et al, 2004; Inglehart and Carballo, 1997; Ronen S., Shenkar, O, 1985). Each region has its own set of values and practices (Ogliastri et al, 1999; Szabo et al, 2002). Table 1 presents a summary comparison between these two different cultures, focusing on East and West Germany (Brodbeck and Freese, 2007) and Latin America (Ogliastri et al, 1999). Identifying these differences helps us to understand negotiation patterns better and how misunderstandings may occur. For most of these variables, the Table presents current cultural practices as well as those values or preferences that managers have, which have been identified in research on general cultural traits. This Table has been prepared exclusively to facilitate understanding on the abovementioned differences in negotiation patterns between Latin American and German cultures; there are seven key differences between behavior and values between these two negotiating cultures.

Table 1 Here.

4-I. According to the Globe Study on middle managers (Chokkar et al, 2007), German and Latin American cultures are completely different in terms of trying to avoid uncertainty, though there is a trend for convergence between the two. German managers try to avoid unforeseen events at any cost; they want to minimize uncertainty, so they carefully prepare for the negotiation and leave nothing to chance. They take little risk. At the same time, they would prefer for business relationships to have a little less structure than what their culture normally expects so the process can be more flexible. On the other hand, Latin American managers live with uncertainty and would like much more security and institutionalism. These trends are positive for both parties’ negotiation processes because they may be able to meet half-way.
4-2. German culture is individualistic, both in family life and institutionally or socially, and this trend is not likely to change. Latin American culture is the opposite, in which people value collectiveness in families and groups, cohesion, and loyalty. They value group benefits and achievements over individual ones. The two cultures are clearly different, both in terms of practices and preferred ideals.

4-3. German culture accepts assertive, aggressive and confrontational communications, and uses direct and serious language. New negotiation theory suggests a “soft on the person, hard on the problem” approach; however, being “soft” or “hard” is culturally-relative. In the Latin American culture, on the other hand, people are raised to be softer in personal relationships and in the middle in terms of assertiveness. Problems with interpersonal business relationships reflect these differences in values: an effective way to solve a problem for some, being “hard on the problem,” can be interpreted as being “hard on the person,” since relationships are not always seen as separate. Fortunately, German managers would prefer less aggressive interactions, and Latin American managers would prefer more direct and assertive ones, so it is possible that they could negotiate together somewhere in the middle.

4-4. Something similar is seen in performance orientation, which is declining in German culture, but increasing in Latin America. This convergence will facilitate the negotiation process so that the negotiators focus more on results than personal relationships.

4-5. In terms of time, Germans would prefer to not think so far in the future as they do now. The opposite is true for Latin Americans, who would prefer to move from a present, short-term perspective to a more long-term one.

4-6. Another topic related to time that has been studied by Edward Hall (1966, 1998) has to do with the process: German culture is monochronic, meaning people prefer to do one thing at a time and do it well. In negotiations this means that they analyze and agree on issues point-by-point. This process is not as appropriate according to new negotiation theory because it causes them to miss opportunities to exchange priorities and trade off concessions, which result in mutual value creation. The apparently disordered and confusing process of discussing several points at a time, exploring concessions of one point for another, requires a polychronic mentality (doing several things at once), which is more common in Latin Americans culture.

4-7. Finally, one other cultural difference is the importance placed on communication context (Hall, op. cit.). Cultures with little communication context speak clearly in univocal tones, avoiding ambiguity and misunderstandings. Other cultures, like the Latin American or Japanese ones, have much greater communication context, in which the message is relayed not only through the words used, but also by the way they are said, the tone of voice, gestures, non-verbal communication and body language. Like the Dutch (Van Hoof et al 2005), Germans operate with little or low communication
context. This makes negotiations done with literal translations difficult and results in misunderstandings.

5- SUMMARY AND ADVICE

The four main differences between the Latin American and German negotiating cultures include the following topics: prior preparation to reduce uncertainty, the use of bargaining or objective technical standards, the process of negotiating packages and the type of interpersonal treatment expected by each side.

Latin Americans could learn from the German culture how to prepare better and improvise less, not open negotiations with exaggerated and unfounded demands and use objective standards. They should remember that an attack on a problem does not equal a personal attack. It must be clear that Germans separate their personal and professional lives, and Latin Americans should not get upset by their distance since it is something normal in German culture. By learning about German culture and values before the negotiation, Latin Americans will be able to understand them better, feel less frustrated and make the necessary adjustments.

On the other hand, German negotiators could learn from the “package” negotiation technique used in Latin America, to make concessions on different points, instead of trying to solve everything in order, point-by-point. Likewise, they should accept that Latin American culture is less aggressive and direct and that they might see the Germans as being arrogant and confrontational, which would not be productive in the negotiation.

In order to incorporate Latin American values and culture, Germans would have to be more flexible and less impatient, developing warmer relationships. Sometimes these types of experiences make us more aware about our own cultures and understand that “normal” is culturally-relative.

This cultural analysis reviewed traditional practices and lessons learned in families, schools and organizations in society. We have highlighted general values and preferences, some of which are different from traditional ones, in these regions. However, generalizations at the cultural and individual levels are different. Individuals are distinct and unique. It should be highlighted that our data shows dissatisfaction with current cultural trends: things that Germans and Latin Americans would like to change. In particular, it seems that there is a certain convergence between the two in several key areas. In today’s global world, it is imperative that negotiators be able to understand very different cultures in order to be effective in the negotiation process, as well as enrich their own understanding.

Table 1:
CULTURAL SIMILARITIES AND DIFFERENCES BETWEEN
GERMANY AND LATIN AMERICA

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Germany: current culture/practices</th>
<th>Germany: desired or preferred culture</th>
<th>Latin America: current culture/practices</th>
<th>Latin America: desired or preferred culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Uncertainty avoidance</td>
<td>High (A)</td>
<td>Low (C)</td>
<td>Low (C)</td>
<td>High (A)</td>
</tr>
<tr>
<td>2- Family and group collectivism</td>
<td>Low (C)</td>
<td>Low (C)</td>
<td>High (A)</td>
<td>High (A)</td>
</tr>
<tr>
<td>3- Assertiveness</td>
<td>High (A)</td>
<td>Low (C)</td>
<td>Average (B)</td>
<td>Average (B)</td>
</tr>
<tr>
<td>4- Orientation toward performance</td>
<td>High (A)</td>
<td>Average (B)</td>
<td>Low (C)</td>
<td>High (A)</td>
</tr>
<tr>
<td>5- Future orientation</td>
<td>High, long-term outlook (A)</td>
<td>Low, focus on present (C)</td>
<td>Low, focus on present, short-term outlook (C)</td>
<td>High, future outlook (A)</td>
</tr>
<tr>
<td>6- Time</td>
<td>Monochronic</td>
<td></td>
<td></td>
<td>Polychronic</td>
</tr>
<tr>
<td>7- Importance of communication context</td>
<td>Low</td>
<td></td>
<td></td>
<td>High</td>
</tr>
</tbody>
</table>


NOTE: The letter A represents results with a standard deviation higher than the overall average in the Globe study. The letter B represents results with a standard deviation just above or below the overall average. The letter C represents results with a standard deviation lower than the average. Globe interviewed 17,000 middle managers in 61 countries. The first column represents the “as is” (current common practices) situation in the home countries of the interviewed managers; the second indicates what they think the situation “should be” (preferred values).

For example, managers from Germany described their culture as “highly inclined to avoid uncertainty” (A), but wanted them to have a “low inclination to avoid uncertainty” (C).
APPENDIX 1
Questionnaire No. 1
Formal International Negotiation

Name of respondent _______________ _______ Nationality (culture) _____________

Country/culture the respondent negotiated with: ______________________

Company/Organization _________________   Date of the negotiation ____________

Name of the interviewer ______________    Date of the interview ___________

Recall your negotiation experiences in other countries. Think of a former experience that has been particularly significant.

1. Specifically, think of one concrete formal negotiation (purchase or sale, conflict resolution, discussions to reach an agreement, etc.) where you participated and that involved people or entities from two countries.

2. What were the previous issues (interests) leading up to this negotiation? (What would have happened to each party if no agreement was reached; what were their alternatives? BATNA) What were the main options for each party?

3. How did you and they prepare for this negotiation? What were the pre-negotiations, how did they approach you?

4. How did you decide who was going to negotiate, what would be on the agenda and where would the negotiation take place?

5. How did the negotiation begin? (Was it a haggling/bargaining process with an excessive opening demand?) Who opened the negotiation? How did each of the parties go about their openings? Were criteria and or objective criteria sought or established, or was it a mere bargaining of positions?

6. What were the main events in the process? How did you get to the most important points?

7. How was the deal closed? Was it a good deal? (satisfactory to both parties, took a long time, etc.)

8. What about this experience called your attention the most? What did you like the most? What did you like the least? Do you think people from the other country are similar to you? (in what respect?) Different from you (in what respect?) What are they like?

9. Do you think this was a typical experience? Have you had experiences that differ much from this one? (with people from the same country or culture)

10. What advice would you give someone (a colleague or a friend) going to this other country to negotiate?

11. In brief, how do people from that country usually negotiate? What is the difference between that culture and yours that you experienced in the negotiation you just recounted?

12. If you had to do this negotiation again: would you change your behavior? What would you do differently and why?
REFERENCES


