

**Do Third Parties Minimise Cultural Misunderstandings in International Business
Negotiations? - The case of German and Romanian firms**

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Abstract: The objective of this study is to examine the role of third parties (e.g., consultants) in cross-cultural negotiations and its potential in reducing cultural misunderstandings. Business negotiations between German and Romanian SMEs are examined with particular emphasis on the effects of cultural differences. This is carried out by means of two in-depth case studies, that is, a German firm which has recently entered the Romanian market as well as a consultancy firm operating in Romania. Both secondary data and in-depth interviews are used. The results of the study indicates that although not every cultural difference on the national level leads to frictions in face-to-face interactions, some divergences can be strong enough to jeopardise business negotiations even between countries in close geographical proximity. We contend that third parties have the potential to reduce or even eliminate some of the negative effects of cultural ambiguities and thus may contribute considerably to a successful negotiation outcome.

Keywords: International business negotiations, third party, culture, Hofstede, Germany, Romania.

INTRODUCTION

This study aims to determine whether a third party (e.g., consultants, legal advisors, etc.) contributes in minimizing negative effects of cross-cultural misunderstandings in the context of an international business negotiation. We investigate this topic in the setting of potential cross-cultural misunderstandings in international business negotiations among SMEs located within a close geographical proximity of each other, that is in Germany and Romania. Despite the geographical closeness and shared membership in European Union, Germany and Romania exhibit a number of very different historical, political and trade-related traits. For instance, until 1989, Romania had a Soviet-style command economy in which nearly all agricultural and industrial enterprises were state controlled. There was no private property and no free market. As a result, business negotiations typically conducted in Germany were not practised in Romania. Nevertheless, since Romania joined EU in 2007, its economic development improved dramatically and its estimated population of 22.000.000 has turned out to be an attractive market for other EU countries. Indeed, Germany can be regarded as one of the main

investors in Romania, which in turn boosted the number of cross-cultural business interactions and generated an increase in business negotiations between the two countries.

The contribution this study aspires to make is to propose a solution for the problem of cultural differences for SMEs in IBN by means of involving third parties. Unlike previous studies, which predominantly investigated external parties holding a specific interest in the business transaction, this project examines the role of unilaterally hired cultural consultants that attenuate cultural differences. Furthermore, it needs to be emphasized that although companies of all sizes run into negotiation problems, managers of SMEs often lack the business negotiation skills to make deals in the international marketplace. Small companies are also not able to devote as much time and money for good cultural preparation as the large firms. The involvement of third parties can hence be considered as a solution for SMEs engaging in international business negotiations (IBNs). The latter has important implications for practice and scholarship.

This paper is structured as follows. Firstly, the literature regarding the key cultural dimensions (based on the cultural studies of Hall (1959), Hofstede (1983) and Salacuse (1999), that influence the international negotiation process, is examined. Secondly, third parties and their role and contributions in IBNs are discussed. Thirdly, the methodology is discussed. The selected companies are presented and the data collected is subsequently analysed. Then, the findings are presented. Conclusions and practical implications are offered. It is expected that this study will provide a more thorough understanding of the cultural issues faced in IBNs and offer a new insight into the importance of the role that third parties play in these processes for SMEs; particularly in the German and Romanian context.

THEORETICAL BACKGROUND

According to Ghauri and Usunier (2003), the process of business negotiations consists of three main stages; Pre-Negotiation, Face-to-face Negotiation and Post-Negotiation. Every stage was argued to be influenced by environmental and immediate context factors (Phatak and Habib, 1996). The environmental context refers to the forces that are not controllable by the negotiating parties, including political, economic and social realities. On the contrary, the immediate context can be controlled by the parties and involves the adopted strategies, and the relationships between the parties that influence the negotiation (Phatak and Habib, 1996).

Additionally, different cultural customs and habits are supposed to represent potential sources of misunderstanding and conflict.

Several definitions of culture have been proposed but for the purpose of this study the culture will be defined as the socially transmitted behaviour patterns, norms, beliefs and values of a given community (Hall, 1959). As culture profoundly affects the way people think, behave and communicate, this leads to the assumption that it also affects the way people make business (Salacuse, 1999). In fact, many findings indicate that business executives, despite their intention to work towards a common goal and to reach successful and beneficial agreements, are still struggling in negotiations due to culturally rooted differences in business protocol, language and value systems (Reynolds et al., 2003).

In effect, when negotiators from different cultural groups interrelate, it is possible that they have different assumptions with regards to social interactions, economic interests, legal requirements and political realities. These cultural differences can lead to sources of misunderstandings and conflict between the parties in the bargaining process (Graham, 1985, 1997). Once the conflict surfaces, it may be exacerbated by the way the parties try to cope with it. Salacuse (1999) states, that: 'one unfortunate tendency is for each of the parties to extol their own cultural values but to denigrate those of their business or negotiation partners' (Salacuse, 1999, p.220).

The cultural dimensions identified by Hall (1959) and Hofstede (1980) were taken as a theoretical base for the analysis of the German and Romanian negotiation behaviour. The use of Hofstede dimensions has caused fierce debates among academics (e.g., Chapman et al., 2008; Hofstede, 2002; Leung et al., 2005; Smith, 2002; Triandis, 2004; Harzing and Hofstede, 1996). However, their use has also been widely used and confirmed (Talay and Cavusgil, 2009; Kirkman, Lowe, & Gibson, 2006; Tihanyi et al. 2005; Bakacsi, Sandor, Andras, & Viktor, 2002; Harzing and Hofstede, 1996; Erramilli, 1996). These particular dimensions were selected as they allow for the cultural comparison, which shapes the negotiation traits investigated by this study. In order to rank these two countries within the specified concepts and since these studies do not explicitly mention Romania, other literature on Romanian cultural traits was exploited. Nevertheless, due to the imminent importance of Hofstede's cultural studies for this particular project, Poland, the Czech Republic and Hungary were identified to serve as the main indicators for comparison. These three countries (particularly Poland) are believed to

exhibit similar cultural traits as Romania, which are rooted in their common belonging to the former soviet block.

The concept of *Power Distance* characterises cultures according to their distribution of power (Hofstede, 1983). The fundamental issue involved is how a particular society deals with the fact that people are unequal. According to Katz (2006), Romania is a hierarchical society, where companies have a defined chain of command and people expect to work within clearly established lines of authority. This would support a high power distance score and the supposition that Romania, in comparison to Germany, shows a higher disposition to accept and expect that power is distributed unequally. Germany, however, scores very low on this dimension. Therefore, it can be deducted that in Germany, hierarchies are quite permeable and the power distance between two bordering professional positions is not very big. This could result in important consequences for the negotiations between the two countries. For instance, since Romanians place high emphasis on professional positioning, they might refuse, or feel a lack of respect, if the German side attends the negotiation with a lower ranked professional.

The notion of *Individualism* recognises the importance of relationships within a society. At one end of the scale are societies in which the ties between individuals are loose and ‘everybody is expected to look after himself or herself’ (Hofstede, 1983, p. 79). This is made possible by a large amount of freedom that such a society leaves individuals and thus these societies can be labelled as highly individualistic. At the other end of the scale, however, are societies in which the ties between individuals are very tight and ‘everybody is supposed to look after the interest of his or her in-group and to have no other opinions and beliefs than the opinions and beliefs in their in-group’ (Hofstede, 1983, p. 79). In these collectivistic societies, interpersonal linkages are important and business deals are expected to arise from already developed relationships (Sebenius, 2002). Caution needs to be exercised when equating Romania with Poland’s high score on collectivism, especially when the latter is perceived to be a consequence of the communist system. The latter comes down to the fact that Hofstede excludes the political meaning behind the word ‘collectivism’, emphasizing that it refers to the group, not to the state.

Nonetheless, it seems plausible for Romania to be characterised as a rather collectivistic society, which is also supported by Katz (2006), who notes that Romania’s culture expects its members to have a sense of belonging to and conform to their group. Moreover, the Romanian

need to establish a relationship before engaging in business negotiations is widely documented (Katz, 2006). Germany, on the other hand, scores the highest on individualism, suggesting German negotiators to be geared more towards individual profits and win/lose situations. The German negotiation behaviour could thus be perceived by the Romanians as irritating and as a disturbing factor for the overall collaboration.

Uncertainty avoidance is another important cultural dimension, which addresses the question of how a certain society deals with the notion that the flow of time is one-way. Hofstede (1983) emphasizes that we 'have to live with uncertainty because the future is unknown and always will be' (Hofstede, 1983, p.81). Societies, ranked as high uncertainty avoidant, try to minimise the possibility of ambiguity and risk by developing strict laws and regulations. This enhances the need for written rules and the observance of these rules is seen as a crucial aspect of their societal organisation (Hofstede, 1983). In addition, high uncertainty avoidant societies distinguish themselves by more emotionalisms.

According to the British Foreign and Commonwealth Office, Romania is governed by a great deal of bureaucracy with often overlapping local bureaucracies. This highly bureaucratic organisation can be interpreted as a result of strict laws and regulations which contradict high uncertainty avoidant cultures. Furthermore, literature attests Romania to have a high degree of emotionalism (Katz, 2006). Germany, however, scores lower on this subject in relation to Poland, the Czech Republic and Hungary. Nevertheless, the German score is still quite high and thus a big difference with Romania on this cultural dimension seems unlikely.

A further cultural dimension regarded important for the German-Romanian negotiation context, is the distinction between the Monochronic (M-time) and Polychronic (P-time) time cultures. M-time characterises those cultures that perceive time to be a valuable resource, which needs to be used in the most efficient way. As a result, schedules are strictly observed and punctuality is essential to assure smooth operations. The strict observation of schedules leads to a preference for tackling one issue at a time and thus excludes multitasking (Hall, 1976). P-time cultures, however, are considered to be much more flexible in their view of time, meaning that due to frequent interruptions, schedules are hardly ever followed. Furthermore, in P-time cultures, personal relationships are believed to have priority over business issues (Sebenius, 2002). This notion of diverse handling of time might cause friction between German

and Romanian negotiators. In effect, behaviour in relation to time often generates misunderstandings, especially in international negotiations (Usunier, 1991).

M-time orientations are argued to be most common in the European-influenced cultures of the United States, Germany, Switzerland, and Scandinavia (LeBaron, 2003). P-orientation to time on the other hand, involves simultaneous occurrences of many things and the involvement of many people (LeBaron, 2003). Romania, unlike Germany, can definitely be classified as P-time country. Katz (2006) notes, that Romanians often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. Germans, however, expect every activity to begin and finish on time, so that they can get on with other tasks. According to Ang et al. (2000), the main disadvantage monochronic individuals have when negotiating with a polychronic partner is that time pressure may cause them to make concessions in order to meet deadlines. In contrast, polychronic individuals may view their monochronic counterparts as lacking in sincerity and politeness. Thus, unhappiness due to misinterpretation of the monochronic individual's time efficiency may disrupt a business negotiation (Ang et. al, 2000). The differences in time-orientation between Romanians and Germans seem to be considerable and the lack of ability to handle this cultural variable could cause serious damage.

'Like time, the language of space is different wherever one goes' (Hall, 1959, p.90). For many people the maintenance of a correct distance with unfamiliar people, including business partners, is an important aspect. Some cultures regard physical contact as a sign of affection and trust, whereas in other cultures the inobservance of the personal space can be considered as intimidating. Furthermore, in many countries the maintenance of a certain distance is a sign of respect and good behaviour. For example, Scandinavians and Germans are often advocated to be fairly cold and distant; and it is the concept of space itself that conveys this feeling (Hall, 1959, p.90). Thus space can be argued to be a cultural variable.

According to the literature and cultural country guides, Romanians keep physical contact infrequent and initial greetings formal. Direct eye contact is seen as appropriate and symbols self-confidence. This behaviour is, according to the researcher, fully in line with German business practices and the element of space is hence not anticipated to pose a major obstacle in business negotiations between German and Romanian negotiators.

Probably the most renowned cultural classification made by Hall is the categorisation between *high-context* and *low-context cultures*. High-context cultures distinguish themselves by covert and implicit messages where ‘between the line reading’ becomes crucial (Hall, 1959). In high-context cultures there are many contextual elements that help people understand the rules. In low-context cultures, on the other hand, little importance is paid to non-verbal cues. The messages are explicit, clear and to the point. It can be stipulated further that low-context cultures are more prone to rely on written documents, such as business contracts. The latter are thus much more extensive, detailed and time consuming but decrease the likelihood of misunderstandings.

Considering Hall’s classification between high and low-context cultures, Germany can undoubtedly be situated at the lower end of the scale. This becomes explicit by Hall himself, who states that: ‘Our American society is quite a low-context culture overall, but not as low as the Germans or Scandinavians’ (Hall, 1976, p. 91). Romania, however, is believed to be a fairly high-context culture, since high-context cultures emphasise group needs over the individual ones (Hall, 1976). Furthermore, countries such as Italy and Spain are found at the high end of Hall’s communication context classification. All of these countries have Latin as a base and since the Romanian language derives from the same roots, it is highly likely that their communication abuts to a high-context style. The low-high-context culture clash between Germans and Romanians is thus expected to lead to misunderstandings in the negotiation process.

The last cultural dimension used as basic theory for this study is the *Confucian Dynamism*. This dimension evaluates the orientation of a particular society according to its long- or short-term basis. Long-term oriented cultures are assumed to be highly pragmatic and dynamic, whereas short-term oriented cultures hold on to traditional values and customs (Hofstede, 1991). Hofstede further terms long-term orientation as positive pole, as it is associated with four ‘positive’ Confucian values¹, while the opposite applies for short-term oriented values, which are considered ‘negative’². The difference between the two opposite poles is that the positive pole reflects a dynamic, future-oriented mentality, whereas the negative pole reflects a more static, traditional and past-oriented mentality (Hofstede and Bond, 1988; Hofstede, 1991). In general, this fifth dimension shows how big the planning-horizon of a particular society is.

¹ Persistence; Ordering Relationships by status and observing this order; Thrift; Having a sense of shame

Belonging to one or the other pole has considerable impact on the way negotiations are conducted.

When trying to apply this dimension to the actual negotiations between Romanians and Germans, some interesting points become apparent. For instance, Germans, unlike Romanians, are believed to be relatively indifferent to the creation of relationships and prefer to get down to business and only engage in the briefest of small talk. Romanians on the other hand, perceive negotiating as a joint problem-solving process and aim at developing long-term relationships and win/win situations. Moreover, according to Katz (2006), Romanians are believed to prefer establishing basic relationships before engaging in business. This means that Romanians might expect a higher degree of flexibility when it comes to the adherence to written agreements in the long run. In this respect, it can be said that for Romanians contracts function as statements of intent. It is expected that if circumstances change, the contract will accommodate the revised conditions. As a characteristic of low-context culture, Germans are expected to strictly follow contracts and to be rather inflexible with regards to agreed decisions. Despite the mentioned differences between the two cultures, different orientations are expected to play a marginal role in business negotiations, since companies normally do not voluntarily overlook potential future benefits. Nevertheless, with regards to the degree of adherence and flexibility towards written contracts, it is possible to expect some friction between German and Romanian parties.

The way companies handle the problem of cultural differences can differ significantly. Uppsala model suggests that historically organisations tend to follow the incremental expansion approach (Johanson and Vahlne, 1977). This means that they first enter countries, which are considered culturally closer. This approach is used in order to progressively acquire and gain experience, which facilitate cross-cultural dealings. In order to tackle the problem of culture in IBN, many MNEs create a dense network of their own permanent 'local people'. However, SMEs have often little experience with doing business globally and in most cases lack the economic resources to maintain permanent internal 'local people', who could support them in business negotiations. They are hence frequently unfamiliar with the counterpart's culture.

² Personal steadiness and stability; Protecting your face; Respect for traditions; Reciprocation of greetings, favours and gifts

One of the proposed solutions to overcome previously discussed cultural barriers, would be for German and Romanian SMEs to employ third parties, when trying to engage in international business negotiations. There is a number of different types of third parties, such as players with a direct interest (e.g. subcontractors and shareholders), actors with vested interests but not directly connected to the deal, mediators, and consultants or agents (Salacuse and Braker, 2006). The latter specifically prepare for, and/or even actively take part in the negotiation process; the main difference between this type and pure mediator type is that the former usually have some sort of contractual arrangement with one of the original players. For example, German negotiators are generally believed to be more deal-orientated than their Romanian counterparts. External third parties familiar with the dominant local practice can hence help to clarify and interpret situations, as they emerge during the negotiation process. In this way, third parties help to avoid short-sighted decisions. They also assist in creating the correct perception of the other party's conscious and unconscious acts, which in turn reduces the surfacing of misunderstandings and enhances the overall negotiation success.

RESEARCH METHODOLOGY

This exploratory qualitative study is based on two different interviews that were conducted with a relatively small engine-manufacturing German company (i.e. Lödige Group) and with a Romanian based cultural consulting firm (i.e. twcon S.R.L). Lödige Group was chosen on the basis that it had only recently started doing business in Romania. The second company, TWCON S.R.L., was selected due to the fact that it is classified as an SME (i.e. less than 250 employees³) and specialises in cross cultural consulting services between Germany and Romania. Thus it offered an invaluable insight into not only the *modus operandi* of such a company, but also into cultural differences between Germany and Romania.

Several authors advocate that there is not a single research method that should be used, but rather that the choice of a particular method depends on the research problem (Ghauri and Gronhaug, 2005; Punch, 1988; Silverman, 2005). The qualitative approach was chosen in order to bring about an in depth understanding of the phenomenon under investigation, which represents constructions and interpretations of reality that are in flux and that change over time (Merriam 2002; Eisenhardt, 1989). Qualitative research is flexible (Healey and Rawlinson 1994), adaptable to change (Saunders, Lewis and Thornhill, 2003) and it helps in establishing

³ Definition of SMEs according to the European Commission of Enterprise and Industry.

causal relationships between variables (Ghauri and Gronhaug, 2005). Denzin and Lincoln (2000) further note, that it is mainly through detailed interviewing and observation that the researcher can get closer to the actor's perspective (Denzin and Lincoln, 2000). A positivistic approach, on the contrary, could at times mask the true nature of the phenomenon under observation (Miles and Huberman, 1984). The advantages as well as the drawbacks of qualitative versus quantitative research have been discussed previously by several researchers (e.g., McGivern, 2006; Marchan-Piekarri & Welch, 2004; Gummesson, 2000; D'Iribarne, 1997; Guba & Lincoln, 1998; Buckley & Chapman, 1996; Miles & Huberman, 1994; Brannen, 1992; Strauss & Corbin, 1990; McCracken, 1988).

The consultation of secondary data was the starting point of this research study. Ghauri and Gronhaug (2005) note that secondary data can help researchers in the problem formulation and/or devising more concrete and focused research questions' (p.91). Within the secondary data research, the internet sites of relevant organisations such as the European Union and the World Bank were consulted. This provided us with comparable cross-country economic data of the studied countries. Professional publications from the top-consulting companies, such as PriceWaterhouseCoopers further facilitated the gathering of such data.

Two different interviews were conducted. The first interview was semi-structured, while for the most part of the second interview, the critical incident technique was used. The semi-structured interview form is characterised by a fixed sequence of themes as well as suggested questions (Kvale, 1996), which allowed the testing of pre-specified cultural dimensions/assumptions. Yet, being semi-structured they also allowed openness to change, which facilitated the discovery of new insights. The second interview, however, was based on mainly critical incident technique, which is used for collecting direct observations of human behaviours that have critical significance and meet methodically defined criteria (Bryman and Bell, 2003). The advantage of this type of interviewing is that the respondent is not biased by the expectations of the interviewer and might reveal some points which have not been previously considered by the researcher (Phillips, 1966).

Although the two interviews differed with regard to the interview technique used, we still followed the key interview investigation stages proposed by Kvale (1996), namely 'thematizing, designing, interviewing, transcribing, analysing, verifying and reporting' (p.88). The first step was to gain a good knowledge of the subject ('what') and to formulate the

purpose of the research ('why'). After these two issues were resolved, we posed the 'how' question of the interview design. The designing phase hence entailed a setup of the interview draft or guide. This draft was pretested several times in a pilot study, in order to ensure the comprehensiveness of the interview questions and their consistency with the research problem at hand. The actual interviews for this study were conducted via telephone. This methodology obliged the researchers to rely on note taking and remembering. On the one hand, this procedure had some obvious limitations, such as rapid forgetting of details and biased results due to selective memory. On the other hand, the interviewers' careful remembering and note taking may have worked out as a selective filter. In this way superfluous content has been excluded, facilitating a structured analysis. Kvale (1996) notes that there is no correct standard answer to the question of an integral or partial reproduction of the interview. This implies that 'the answer will depend on the intended use of the transcript' (Kvale, 1996, p.170). After the interviews have been completed, we proceeded with the transcription of the interviews and conventional content analysis, focusing on the characteristics of language as communication, paying particular attention to the content or contextual meaning of the text (Budd, Thorp, and Donohew, 1967 in Hsieh and Shannon, 2005).

In order to justify that findings are genuinely based on critical investigation of all their data and do not depend on a few well chosen examples (Silverman, 2002), we devised the second interview in such a manner that it can be used as a mechanism to confirm the validity of the first interview. Critical incidence technique can hence be seen as a 'tool' for double checking the interview questions posed in the first semi-structured interview.

FINDINGS AND DISCUSSION

This study analyses seven different cultural dimensions that were potentially identified to cause cultural friction in the German-Romanian negotiation context. The main focus of the analysis is thus on the identification of potential cultural misunderstandings that may have an impact on the overall negotiation outcome, and to also examine the role that third parties can play in overcoming some of these frictions. The results of this study raise the following main points:

(i) With regards to the power distance, the professional status was identified to play an important role in business negotiations. While in German companies hierarchical levels are relatively close, in Romanian, the power and authority given to different positions vary considerably. In this sense it was assumed, that the counterpart's professional status is much

more important for the Romanian negotiators than for the German ones. This was confirmed by the CEO and owner of 'twcon S.R.L', who stated that Romanians are indeed much more hierarchy conscious and that professional status is very important for them. It can be concluded that Romanians, through their importance given to strict professional hierarchies, accept and expect an unequal distribution of power. For the Germans, on the other hand, the actual ability combined with the power to make decisions seems to be more important than the actual hierarchical positioning. The CEO of Lödige group confirmed this by noting that as long as the counterpart is competent and has the power to make decisions; their (lower) professional ranking is not at all a problem.

This implies that in order to minimize the risk of cultural friction and to demonstrate goodwill, Germans should observe this notion and their negotiating team should involve people of higher rank when negotiating with Romanians.

(ii) In order to address the Individualism/Collectivism dimension, the interview questions were aimed at examining the negotiators' alignments towards individual benefits or group orientations. The main assumption behind was, that Germans are more individualistic and that this is reflected in tougher negotiation strategies. Some evidence for this has been found. For instance, the CEO of Lödige Group pointed out that in his eyes negotiations are absolutely win/lose situations and that tough strategies have to be used in order to assure the best possible outcome. However, caution must be taken when interpreting these results as it seems that German companies are commonly in a stronger negotiation position. The latter was confirmed by both interviews. This situation could be attributed to cheaper access to capital and the largely available labour supply in Romania. As a result, German companies are in a much better bargaining position and are thus more tempted to adopt tougher negotiation styles.

(iii) Testing the degree of risk aversion in business negotiations is not an easy task. In this study, the researcher attempted to determine the existence of a pattern in relation to the flexibility of rules and regulations. According to Hofstede, uncertainty avoiding countries try to minimise the possibility of ambiguity by developing strict laws and regulations. In this sense, two main factors were analysed:

- 1) The adherence to standard procedures in business negotiations
- 2) The degree of bureaucracy and its impact on business negotiations

With regards to factor 1, it does not seem that either party adopted any unconventional actions. CEO of Lödige Group corroborated the latter by stating that ‘everything followed the norms and conditions normally used in Germany.’ Regarding the second issue, the bureaucracy was described to be denser in Romania. However, the differences are actually more related to the issue of authorisations and less so to the procurement. As a result, it does not appear that high bureaucracy has an effect on business negotiations, as these are related to the buying or selling of supplies. Although the literature suggests that Romanians are more uncertainty avoidant, Germany’s heavily regulated societal organisation together with the findings obtained through the qualitative research, give the impression that cultural frictions in relation to the degree of uncertainty avoidance are minimal.

(iv) On the long-short-term cultural dimension, we found Romanian attitude to business to be quite fragmented. On the one hand, there are young entrepreneurs who have adopted a western business style. In the words of the CEO of ‘twcon S.R.L.’ they are ‘Americanised’. These people are commonly found in emerging businesses, such as the IT industry. It is precisely this dynamic and future oriented element that characterises long-term oriented societies. However, other studies highlight, that there is another part to the Romanian business-scenery, which seems to be much more traditional and static and can thus be categorised as short-term oriented. According to the CEO of ‘twcon S.R.L.’, these kinds of attitudes are frequently found in big public or former public companies. This cultural classification has some serious implications for the negotiation behaviour. Romanians were described as very friendly and interested in establishing relationships. Furthermore, a slight tendency to delay the discussion of critical points has been noted by the CEO of ‘twcon S.R.L.’, demonstrating that the contract is not always seen of primary importance by the Romanian negotiators. These tendencies have however not been attested to create ambiguities with German negotiators who are, according to the literature, more contract-oriented. This could have implications for the Romanian negotiators, who may feel offended by the German lack of respect for establishing a bond and a relationship. However, it must be kept in mind that German companies are commonly in a far better negotiation position. Consequently, the German side can permit itself a tough and rigid negotiation style.

(v) Germany has been classified as M-time oriented, while Romania as P-time oriented country. According to this distinction, it was assumed that business negotiations follow different patterns in these two countries and thus misunderstandings and irritations are likely to

arise. The findings of this study, however, do not fully support the latter notion. In effect, it was expected that negotiations in Romania would not be held in a sequential and chronological order and that this would cause difficulties and malcontent to the German side. Nevertheless, while the interview with CEO of 'twcon S.R.L.' seems to confirm the view that Romanian time-orientation is unstructured and unplanned, the experiences of the German Lödige Group were mostly positive. Lödige Group CEO stated that 'negotiations were very subject focused and I don't think that they would have taken more time if they were held in Germany'.

The only point that both interviews confirmed, is a difference in the attitude towards the observance of appointments. Punctuality does not seem to matter as much to Romanians as it does to Germans, which in turn negatively affects the German ability to plan ahead.

(vi) Hall noted that the attitude towards personal space differs across cultures. However, this study did not find evidence to support that this dimension could lead to frictions in business negotiations.

(vii) The findings of this study clearly indicate the difference in communication context to be the major cause of friction in German-Romanian business interactions. CEO of 'twcon S.R.L.' particularly highlights the differences in communication, stating: 'the thing with the implicit communication is a really big problem; the expectation of the implicit communication. So when the German says something, then he just means this. On the other hand, the Romanian tries to understand what more the German has said; he tries to understand what the German wanted to have said.' In other words, misunderstandings can arise because the Germans are not able and/or used to read between the lines and grasp the actual message, whereas the Romanians try to read between the lines where there is nothing to be found, and thus create meanings that do not exist. Additionally, the CEO of Lödige Group noted that verbal-cues and non-verbal communication can create ambiguities. For instance, the Romanians were perceived as aggressive and unwilling to make a deal because between them they had loud and emotional discussions. Even in the presence of a translator, the German side had the impression that the real intentions were not transmitted. This has important implications for the negotiation process and particularly for the involvement of third parties.

(viii) With regard to the involvement of third parties, it can be said that both interviews support the notion that well-founded country knowledge is essential for a company, if they are to

decide to enter this country. Moreover, they both agree that third parties have the ability to clarify cultural characteristics and can help to establish relevant contacts.

It is interesting to mention that both participants consider third parties in a role of 'cultural consultants' to be most valued for the negotiations, since they are perceived as providers of business experience that can reduce and/or eliminate cultural misunderstandings. The latter is in itself a form of tacit knowledge, which is difficult to acquire for SMEs with limited resources. Knowing what cultural problems can arise between Germans and Romanians is in this respect crucial knowledge.

A number of different factors that influence the participation of third parties in IBN have been identified by the analysis of this study. One of the main factors proposed by both companies was the size of the deal. Particularly, the Lödige Group CEO noted that deals of 20 million Euros or over require much professional assistance. This service is procured in exchange for payment and it seems natural that the fees paid to the third party must be economically reasonable. Smaller deals, however, might require mainly cultural assistance and country information. It can thus be concluded, that the cost of hiring a third party will consequently influence their use.

The size of the company is another determinant for the participation of third parties. Big MNEs often have their own local branches in various countries. These dependencies act as internalised third parties and thus make the use of external third parties superfluous. The companies, which are believed to be most prone to hire third parties, are hence medium-sized enterprises with little foreign experience, which are not big enough to have the resources to fully internalise the functions of third parties. These companies are expected to make deals that are important and big enough to push them to be successful at the first attempt and exclude an experimental learning approach.

Third parties are advocated to buffer cultural problems between the original players. This means, that they actively interfere in their relationship. From this, two consequences emerge: on the one hand, it seems necessary that the other side accepts the involvement of a third party in the business deal. On the other hand, third parties might negatively affect the relationship between the players. The second interview makes explicit that some Romanian businessmen would not agree to the participation of third parties. Again the fragmented Romanian business

landscape is denoted: ‘The problems arise when negotiating with former public enterprises. They are the new-rich, most of them made their money in dishonest ways. Then it becomes very difficult that an external consultant will be accepted. (...) If there is a consultant who speaks Romanian, knows the people and pays attention that the German side won’t get tricked, they definitely don’t like that (CEO of twcon S.R.L.)’. This surfaces an important point. If the counterpart is correctly informed, the participation of third parties should normally be accepted, as it forms part of the international business standard. Parties that are not willing to accept the participation of third parties might act so mainly because of two reasons. Either they fear the leakage of information, which should be exclusively the case of highly sensitive deals; or the other side fears that third parties might prevent them from accomplishing profitable deals.

The second consequence is that third parties affect the relationship between the players. This particular study assumed, that the third party will try to maximise its personal outcome, in terms of reputation or salary, disregarding the potential long-term interests of the client. In order to test this, the interviewee was asked to explain how immediate the danger is, that third parties follow proper interests and thus hinder the creation of relationships between the original negotiators. The respondent explained, that: ‘If there is a third party involved in the business negotiations, then this party will always stand in between the original players. Therefore, the creation of a long-term business relationship will always fail to be established.’ This statement points to a different dimension of the problem. It can be assumed, that irrespectively of the payment form, third parties will always hinder the establishment of business relationships. As a result, the participation of third parties in business negotiations will depend on the intention of the original players to establish close and long-lasting business relationships. The renunciation of third parties might therefore be advisable in negotiations leading to strategic alliances. Nevertheless, when analysing the economic aspect of third party assistance, the dimension of the deal and the appropriateness of investing money must be considered.

CONCLUSIONS

This study investigates the role of a third parties and their impact in minimising the negative effects of cultural differences on the negotiation process. Cross-cultural business negotiations between German and Romanian firms were considered. The in-depth nature of this study has added to the limited literature currently available on the role of third parties in business negotiations in the context of SMEs.

Results of this study is summarised as follows: (i) the evidence suggests that third parties indeed minimise the problem of cultural differences in IBN. This was attributed to the extra local knowledge that allows these parties to envisage potential points of friction that could arise in business negotiations; (ii) furthermore, lack of a solid relationship between original players can hinder active participation of third parties in the negotiations; (iii) the influence and success of third parties was found to be rather small, if the two negotiating parties perceive each other as disrespectful or dishonest during their business interaction; (iv) culture seems to play an important role in cross-cultural business negotiations as evinced by the following observations: (a) differences in non-verbal communication turned out to be a major point of friction between the two cultures; (b) high power distance orientation indicates that German companies should be aware of the Romanian attachment to hierarchies and the importance of professional positioning; (v) however diminishing the importance of culture we have also noted the following: (a) although differences in time-orientation have been indicated as an issue by both interviewees, the expected consequences for business negotiations have not been fully confirmed; (b) the evidence does not seem to support the notion that a different degree of uncertainty avoidance impacted business negotiations between Germans and Romanians.

Implications and Recommendations for Practice

In this study, the findings have highlighted a number of managerial implications. First, SMEs should not underestimate the effect of cultural differences when doing business in geographically close countries. Second, it is recommended that SMEs that decide to enter the Romanian market employ a third party that will help them overcome the frictions that arise due to different cultural backgrounds. It is also of paramount importance for SMEs that wish to do business in Romania to invest time and in establishing establish a relationship with their foreign counterparts.

Limitations and Suggestions for Future Research

Overall, every effort was made to ensure the validity and reliability of the methodology and to achieve the aims and objectives of the research. Nevertheless, this study suffers from some of the underlying limitations associated with qualitative research. This study is based on a very small sample that highlights some of the conceptualizations that were put in place by the underlying theory. The most interesting finding stems from the inclusion of third parties with the aim of overcoming the cultural frictions that may arise in German-Romanian negotiation

context. It would be very appealing to explore the impact that third parties may have for Romanian SMEs that wish to enter and do business in Germany. Another potential area for research would be to investigate in more depth the actual negotiation outcomes between German and Romanian SMEs and the impact third parties have on the process.

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