

STRATEGIES AND TACTICS IN GERMAN/SWISS-INDIAN NEGOTIATIONS: LESSONS LEARNED

Extended Executive Summary

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Study Background and Approach

*Study based on the **critical incident methodology**, analyzing and assessing **4 strategies** and **10 tactics (critical situations)** – including an opposing reaction*

*The 4 strategies under evaluation comprise of: **partnership, retreat, avoidance and applying pressure***

*The 10 tactics comprise of: **embracement, precedent, blandishment, promises, meet half way, seating plan, untruths, time management, higher authority and good cop, bad cop.***

Business relations between India and Germany/Switzerland have grown tremendously during the last decade. However, conducting business in the German-Indian context is a difficult process as it requires an in-depth understanding of the cultural characteristics of potential business partners. Thus, research literature has extensively focused on intercultural management topics to create a mutual understanding among managers from diverse cultural backgrounds.

However, the topic of intercultural negotiations has in this respect only partly been studied. With regard to Germany/Switzerland and India, research is lacking to a large extent. Therefore, clear recommendations how to conduct negotiations can only sparsely be identified in the literature. Available insights for German/Swiss managers on how to negotiate in India are largely derived from cultural models or personal experience reports and, thus, no precise source of information. Moreover, practical suggestions are mostly missing with respect to which strategies and tactics to choose when negotiating about the establishment of Joint Ventures (JV) and similar forms of cooperation.

A team of researchers at EBS University of Business & Law and the University of St.Gallen conducted a survey with support from IIM Bangalore in which German and Indian managers analyzed and assessed fundamental negotiation strategies and tactics when setting up a JV. The aim was to give more precise information on how to conduct negotiations more successfully in the German-Indian context.

Study Structure and Participants:

51 executives assessed the 4 negotiation strategies in section I – 63% coming from India and 37% from Germany.

37 executives assessed the 10 tactics in section II – 57% Indian, 38% German, and 5% holding other nationalities.

Study participants comprise of **nearly 50% top-level executives**, have **wide ranging** industry expertise, and either come from **SME or from large companies**.

The study is based on two different online surveys, which are sent to German and Indian managers. These two surveys, based on their structure, are absolutely identical and solely differ from each other based on their research perspective. Major objective of this study is that German and Indian participants, independently from each other, evaluate identical strategies and tactics and, thereby, reveal differences in perception, values, and actions.

The survey asks respondents to analyze and assess the applicability of 4 explicitly described strategies and 10 negotiation tactics in the German-Indian negotiation context. Thereby, each survey is divided into two sections. The first section covers 4 negotiations strategies, whereas the second section focuses extensively on the evaluation of 10 negotiation tactics on a seven-point Likert scale. Each study participant will access all 4 strategies of section I, but due to time constraints only 5 tactics of section II. Thus, 4 different study versions exist – two in German and two in Indian language with each language version comprising of two variants (each variant assessing, as described, only 5 tactics).

Evaluation of negotiation strategies:

German managers perceive the **partnership strategy** to be most successful with a mean rating of 5,26 (Scale 1-7). **Avoidance**, with a score of 3,11, is perceived to be more promising than the other strategies of **applying pressure** and **retreat**. Both of them are rated to be rather unsuccessful in German-Indian negotiations and assessed with a mean of 3,16 respectively 3,11. Similar to the assessment of German managers, Indian managers rate **partnership** with a mean rating of 5,66 to be the most successful negotiation strategy. **Retreat** with a mean of 3,53 is assessed to be slightly more promising than the strategy of **avoidance** (3,00). Lastly, Indian managers assess **applying pressure** to be the most unsuccessful negotiation strategy in German-Indian business relationships with an average score of 2,94.

However, in order to precisely demonstrate the actual use of strategies in German-Indian negotiations, study participants were asked in a next step to assess to what degree they actually use and apply each described strategy.

These results confirm the preliminary findings. The **partnership** approach is perceived to be the most promising and, therefore, most applied strategy by

“It is generally a fatal and serious mistake to become aggressive and push an Indian towards a yes or no answer. It simply does not make sense to pressurize an Indian as they will respond aggressively, caustically, and probably shrink into their shell.”

German CEO

“One should focus at all times on being neutral and expand the pie in order to reach an agreement – even if the Indian tends to become vocal and impulsive.”

Indian Manager

Germans and Indians with 51% respectively 55%. Moreover, results indicate that German and Indian managers do not often use **avoidance** and **retreat** strategies in negotiations. The standard deviation around the mean values is relatively small, indicating that a ‘consensus’ among respondents on these strategies exists. This is exactly in line with the results of the previous assessment on how successful respondents perceive the strategies of **avoidance** and **retreat** to be. With regards to the strategy **applying pressure**, the situation is different. *Even though German and Indian managers state they perceive this strategy to be very unsuccessful, they apply it relatively often.*

Overall, a similar understanding exists between Germans and Indians on how to conduct negotiations by focusing **on an integrative, win-win approach**. Moreover, both Germans and Indians evaluate the applying pressure strategy inconsistently. In detail, the evaluation shows that most **Indians** (67%) heavily **focus on partnership** and only a minority (33%) uses a potpourri of all strategies available. **Germans**, contrary to their Indian peers, focus more on **assertiveness than on cooperation** and, thus, **apply more pressure** in negotiations. Last but not least, one has to **keep in mind the high standard deviation** in some scores as this indicates a widely diversified perception among the survey participants.

In sum, the following general recommendations can be given:

- Do not focus on applying pressure – rather **expand the pie**.
- **Stay firm, openly discuss business problems face-to-face** and **defend your standpoint factually**.
- Be aware that the **applying pressure strategy is used** despite the fact that it is assessed to be the most unsuccessful strategy.
- Be just as **assertive as cooperative**.

Evaluation of negotiation tactics and presented reactions:

Embracement (“Umarmung”):

Germans and Indians only seldom use this tactic with average scores of 2,0 respectively 2,1 (Scale 1-7). When analysing the reaction, it becomes clear that Indians endorse the presented reaction of not making any concessions towards the other negotiation partner more than the Germans.

Overall, the following recommendations can be given:

- The Indians will expect a certain degree of embracement, hospitality, and esteem **but do not try**, as a German, to devote attention and time to an Indian to bias him in favor of a decision.
- **Business should remain business** - this should clearly be articulated from both sides.
- **Exaggerated attention** towards the Indian partner is perceived **suspicious**.

“Be very wary! When I go in for a negotiation I am always on the guard.”

Indian Manager

“Accepting the embracement of the Indian with restraint; however, starting own embracement action not to owe him something on this level.”

German Manager

- As a Germans do not “fear” a direct and rejecting answer as the evaluation shows that Indians appreciate a **clear, factual and precise reaction**.

“Thank friendly and invite to a return visit.”
German Manager

In sum, the normal **process of relationship building & embracement is highly welcomed**. Thus, finding a **good mixture between hospitality and professional business atmosphere is crucial**.

“Avoid comparing a Indian partner with others – counterparts will not be amused if they are told that work can be done with someone else.”
Indian Manager

Precedent (“Präzedenzfall”):

Germans and Indians seldom use explicitly the tactic of making precedents. Though, the reaction is perceived to be promising. Overall, it is conspicuous that both sides state that they rather experience the tactic to be used by their counterpart than apply it by themselves.

The following recommendations can be given:

- It can be inferred that one should **directly argue against** the comparability of underlying cases if opposed with such claims in German-Indian negotiations.
- As a German manager **avoid referring to third parties** when using the precedent tactic. Indian partner would interpret this as a lack of trust and some form of market or bazar bargaining in the actual negotiation process.
- Thus, **plain speaking**, the **emphases on personal advantages**, and the ‘focus on the here and now’ is core to react appropriately.

“Do not amplify on it and put the focus onto the now and here.”
German Manager

“Call for all top decision makers to be present especially for thrashing out something as vital as financial details.”
Indian Example

Blandishment (“Schmeicheleien”):

Germans and Indians do not perceive the tactic to be helpful and, moreover, do not experience it to be used in professional business negotiations. However, managers from both countries perceive the reaction to consult the CEO to be right if problems during the negotiation process arise.

Overall, the following recommendations can be given:

- As a German **do not follow** the “grit your teeth and get to it” approach by leaving discrepancies open and taking them along into final talks as Indians **do not** perceive **balanced** and **open discussions** as an **exertion of pressure**.
- Only send your **highest representatives** into German-Indian discussions and carefully consider that negotiation partners have to come from the **same hierarchical level**. Otherwise, this is perceived as a sign of disrespect.

“I would prefer all stakeholders being involved and insist on “to the point” discussions.”
Indian Manager

“Leave eventual discrepancies open and bring them back in when having final talks/negotiation”
German Manager

Overall, It is of major importance that **“key decisions need key people”**, **“discussion should be conducted between equals”**, and **“all important people should be on board when discussion topics of high interest”**.

“I make all relevant agreed terms in writing which are having impact on the joint venture.”
Indian Manager

“Accept the verbal agreements of your Indian counterpart in order not to put the whole negotiation process at stake.”
German Manager

“Sometimes you raise the stakes so high at the beginning that meeting half way can be a great deal.”
Indian Manager

“Continue negotiating and try persuading. As a general rule, the “Indian” middle is always a maximum claim.”
German Manager

“Focus on core issues, such ideas regarding seating arrangements and benefitting one side negotiator are childish.”
Indian Manager

Promises (“Versprechungen”):

On average, Indians (3,9) use *promises* more often than Germans (2,3). Though, data shows that the reaction is perceived to be only partially useful and successful as Indians and Germans assign a score of 3,7 respectively 3,0.

Overall, the following recommendations can be given:

- **Do not make concessions** and rely on verbal agreements even if you think this potentially facilitates the contract signing process and builds trust among partners.
- Follow the objective to **include all topics** under discussion in a **written contract**. The **Indian participants largely perceive verbal agreements to be highly problematic in the German-Indian business context**.
- **Some** Indians make the constraint that they would solely rely on a verbal agreement if they deeply know their negotiation partner and have established a high-level of trust and continuous business relationship to them.

An Indian lawyer put it as follows: *“It is of major importance to have **clear and solid contracts from the beginning on**, as contracts **regulate future expectations** of both JV partners [...] and **mistakes are done** due to the fact that people **do not focus enough** as they are too enthusiastically.”*

Meet One Another Half-Way (“Sich in der Mitte treffen”):

German and Indian managers apply the tactic moderately often. Moreover, Indian managers perceive the reaction to be more promising (4,3) than their German peers (3,4).

Overall, the following recommendations can be given:

- **Convince** an Indian manager with **facts** and an in-depth, “iron-clad” **analysis** of the economic situation and explicitly listed numbers/data.
- Thus a **comprehensive analysis**, including an in-depth risk assessment, is the inevitable **requirement** for a decision consensus as an Indian will not be willing to base his decision simply on his gut feeling or magnanimously.

The study results indicate that Germans sometimes neglect the elemental necessity that they have to **convince** their **Indian counterpart analytical wise** and tend to be **too reluctant to confront** their Indian negotiation partner with a **clear expression of opinion**.

Seating Plan (“Sitzordnung”):

In sum, Indians and Germans do not perceive the tactic as well as the reaction to be useful.

However, the following recommendations can be given:

- Despite the presented situation, Germans should remain confident and **resist** such **power games** irrespectively of the surroundings.

“My threshold of discomfort is in this respect very low – for me other, more factual, aspects are more important.”
German Manager

“From time to time I also use this tactic to steer and control a negotiation and its outcome. Though, it depends on the dose how often you can use this tactic successfully.”
Germany Manager

“Retreat and lay back till the other company comes up with a better proposal.”
Indian Manager

“The discussions & arguments from a German perspective keep on going for ages. Sometimes we tend to make simple things rather too complex.”
German Manager

“I will not negotiate with the time. Because time is the thing we can not negotiate.”
Indian Manager

- Like Indians, Germans should consider to openly address the issue of the seating arrangement – **negotiations** are supposed to be **on equal terms**.
- Thus, Germans should **express their discomfort** about the situation to demonstrate and show their **equal partner status** and **not dread** a potential discussion and confrontation with their Indian negotiation partner.

As a **German**, do **not reduce** the degree of **directness beyond required level**, as this would be counterproductive as **Indians appreciate** a **factual, balanced**, and **respectful face-to-face discussion**.

Untruths (“Unwahrheiten”):

On average, both Germans and Indians assessed the use of this tactic with a score of 3,6 and the respective reaction with 3,9 and 3.8 respectively – though, detailed analyses of the statements show perceptual differences between Germans and Indians.

If confronted with such a tactic:

- **Deeply** and **thoroughly analyze** the **negotiation partner** upfront (airtight analysis), the situation, all eventualities and (potential) claims to be made, as the Indian partner will also follow this approach.
- As a German **act more proactively** to explore the context if an Indian uses this tactic. **Do not adopt a wait and see attitude**, as you do not want to impair the mutual level of trust.
- **Do not at all** directly ask to see the contract details as it is perceived by Indians to be rather dubious and, thereby, highly problematic.

Overall, it can be stated that the quote **“trust, but verify”** is particularly true for the Indian way of thinking and acting in this situation.

Time Management (“Zeitmanagement”):

According to the study results, Germans and Indians rarely use this tactic explicitly; however, both sides state that they often experience this tactic to be used by their negotiating partners. Moreover, Indians (5,3) rate the reaction to be far more successful than Germans (3,9).

Overall, the following recommendations can be given:

- With regard to *time management*, understand that **Indians and Germans** perceive **problems** and **delays** mostly **similarly**.
- (1) Discuss most important topics first, (2) try to set up a joint agenda with the highest hierarchical negotiator of the other party, (3) arrange enough time for talks, and (4) do not negotiate under time pressure, as this seriously harms and worsens your negotiating position.
- The general advice can be given that one **should not try to micromanage** Indians as they potentially **become touchy** about this.

In sum, **both sides** blame each other to **prolong negotiations – deliberately or not**. Thus, trying to **implement a stringent timeframe** seems to be the **only universal remedy** to accelerate processes.

“Request for joint meeting or discussion to have fair discussion from both side.”

Indian Manager

“If we get stuck in a negotiation, I try to continue talks on the next higher level of authority. As hierarchies are manifold in Indian companies it is worthwhile to explore the next higher hierarchical level.”

German Manager

“Ignore the behavior, you need achievement, get straight to the point.”

Indian Manager

“Bias the ‘middle’ by illustrating the middle differently.”

German Manager

Go To Higher Authority (Sich auf eine höhere Instanz berufen”):

Germans (2,8) and Indians (3,0) use this tactic only every now and then explicitly. German managers evaluate the proposed reaction to be applicable (4,2), while Indians are more indecisive about the reaction (3,4).

Overall, the following recommendations can be given:

- **Do not stubbornly** use this tactic even if it is the most convenient way for you to follow your objective.
- Clearly **gauge** the **consequences** that it results in a **decreasing** level of **trust** and most likely will be **perceived negatively** as a pressure tactic by your Indian/German negotiation partner.
- **Give** the **Indian/German** negotiating partner the **chance** to approach the higher authority than doing it personally.

German and Indian managers alike have to **carefully consider** if and when the tactic of **approaching** the next **higher authority** is right – one must be certain that this tactic should **only** be **seen** as the **last choice**.

Good Cop, Bad Cop (“Guter Polizist, Böser Polizist”):

Germans assess this tactic with a mean of 2,8 and, thus, only use this tactic once in a while. Accordingly, Indians indicate to use it even less often, as shown by a mean of 2,1. Though, the reaction is perceived by Indians (4,1) to be more promising than by Germans (2,9).

If you encounter a person using this tactic:

- Important to **realize** the tactic, **but not** to **communicate** it. *Join the game* and be patient than to actually reveal what you think to have figured out.
- **Focus** on a more **professional intercourse** and do not try to bring your tactic through.
- As so often, be **careful** by drawing any conclusions from the respondents’ **statements** as they are **not unanimously** and differ enormously.

Overall Results Tactics:

When summarizing the results of German and Indian managers, it can be stated that they do not permanently use the presented tactics explicitly in negotiations. In detail, **meet half way** and **untruths** tactics are used most frequently – **embracement** and **seating plan** tactic are used least frequently. The presented

reactions are assessed to be applicable. In detail, German managers evaluate the **precedent** and **blandishment** reaction to be most useful – while the **seating plan** and **good cop, bad cop** reaction are assessed to be most useless. Indians evaluate reactions similar. However, the **seating plan**, **embracement** and **time management** reaction are assessed to be most promising ones.

“In the Indian context promises are not as strict as in the West. Breaking a promise is bad, but shows flexibility which matters for Indians.”

*German Regional
South East Asia
Manager*

“If problems arise, take yourself to India to discuss problems openly, factually, face-to-face, and look for flexible outside the box solutions.”

Swiss-Indian Lawyer

Interestingly, large perceptual mismatches exist regarding how often one experiences the counterpart to use a certain tactic and the actual self-evaluation of that counterpart. In detail, German managers perceive Indians to far more frequently use **time management** in their favor than the actual Indian self-evaluation. Indians perceive a similar perceptual mismatch with respect to **precedents**, **verbal promises** and the **seating plan** tactic. So there is room for further studies.

Throughout the study, a phenomenon can be identified which is called **schematic overcompensation**. According to Adair, Taylor and Tinsley (2009) a “*schematic overcompensation occurs if negotiators adjust their schemata to match how they anticipate their counterpart would behave*” (Adair et al., 2009, p. 158). However, persons acting in an international environment fail to realize that also their counterparts make a simultaneous schematic adjustment. Consequently, mismatches how to conduct the negotiation occur. In this study schematic overcompensation can be seen throughout the free text evaluations. In this study, **Indians** state to be **very direct, contrary** to their “**usual cultural habit**”. Contrary, **Germans strongly** try to **avoid direct expressions** in order not to confront Indians with too direct talks – also against their average behavior in a business context. **As a consequence**, Germans and Indians **talk at cross-purposes** in many situations. This can be seen throughout the free text evaluation of this study. In order to facilitate the negotiation process between both sides, schematic overcompensation **has to be taken in mind to counteract such challenges within an intercultural negotiation process.**

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The ASIA CONNECT Center at the University of St.Gallen supports companies from Indian and Europe in their respective foreign market entries offering its insights from good practice studies, industry intelligence services as well as executive education programs and networking/issue management opportunities. Dr. Roger Moser serves as the Director of the ACC-HSG as well as Adjunct Faculty at IIM Udaipur and Visiting Faculty at IIM Bangalore. www.acc.unisg.ch

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