

Ivey BUSINESS JOURNAL

IMPROVING THE PRACTICE OF MANAGEMENT

Negotiating with the complex, imaginative Indian

By Rajesh Kumar

Reprint # 9B05TB04

IVEY MANAGEMENT SERVICES • March/April 2005

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Negotiating with the complex, imaginative Indian

No less a company -- or former company -- than Enron learned how difficult negotiating with Indians can be. In 1999, bureaucrats stopped a multi-billion dollar pipeline Enron had started in eastern India because the company's executives were insensitive to India's history. This author, an Indian academic, has some cautionary tales and excellent advice for North Americans hoping to negotiate successfully with Indian businesspeople and bureaucrats.

By Rajesh Kumar

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India's rapid ascendance to prominence on the world economic stage is likely to be a major story in the 21st century. A study by Goldman Sachs suggests that India is expected to be the world's third-largest economy by 2035, next only to the United States and China. Management consulting firm A.T. Kearney has noted that India has become the third most attractive foreign investment destination globally. The initiation of the reform process in 1991 began to highlight some of India's strengths that had gone unnoticed previously. The intellectual spark of the Indians, the use of English in many, if not all, transactions, the existence of an independent judiciary, albeit an imperfect one, all brought to the forefront the inherent strengths of India as a potential economic power. Nowhere was this more evident than in the rapid growth of software exports

from India, which increased from \$128 million (U.S.) in 1991 to \$2.4 billion (U.S.) in 2002/'03.

India is in the midst of an economic transformation that is likely to affect, albeit in varying degrees, its political culture, social practices, and the basic values and attitudes that affect the day-to-day interpersonal interactions among individuals. There is, however, often a lag between a change in the economic sphere and a change in the socio-cultural practices that govern behaviour. Socio-cultural values are often slow to change, in part because they are unconsciously held, and in part because they are integral to an individual's identity, which is threatened by the potentiality of change.

This has a key implication for the Western businesspeople who are seeking to do business in India, and who will have to navigate the cultural divide if they are to be successful. (I should mention that in addition to the cultural factors, there are also the bureaucratic hurdles that the foreign investor must navigate, but that will not be the focus of this article.) Although the cultural divide is evident in a wide variety of managerial activities, the focus of this article is the negotiating challenge confronting the North Americans.

The purpose of the article is to outline the way in which Indians negotiate and the difficulties that such a style may pose for North Americans. We also explore the possible strategies that the North American manager may employ in his or her interactions with the Indians. We begin by outlining some of the dominant Indian cultural values, and subsequently assess their impact on the Indian

negotiating style.

Indian cultural values: A blend of East and West?

The Indian culture has been shaped by a wide variety of influences that include Hindu philosophy, British colonialism, Islamic influences and the *realpolitik* of the Cold War era. The influences are varied both in terms of the content, their timing and their durability. Clearly, the Hindu philosophy has had a profound impact on the basic belief structure of the Indians, and its importance is self-evident given that more than 80 per cent of the population in India is Hindu. British colonialism or imperialism has sharply coloured the way in which the Indians interact with the West. Islamic influences have no doubt affected the social texture in certain parts of the country, but other than that, and the latent tension between the Hindus and the Muslims, which occasionally erupts, Islam does not play an important role. Finally, with the steady improvement of relations between India and the United States, the tensions of the Cold War era between India and the United States seem to have all but disappeared. Both India and the United States now seem to be showing a new fondness for each other, even though outsourcing concerns, have, of late, highlighted some tensions between the two countries.

(a) Coexistence of individualism and collectivism

A unique feature of the Indian mindset is that it combines both individualistic and collectivist tendencies. As individualists, Indians are very goal-oriented and aggressive, traits that are not unlike those of the North Americans. At the same time, however, the Indians are a very family-oriented people and confine and ration their loyalties and affections only among those who are close to them.

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It is the simultaneous presence of individualism and collectivism that distinguishes the Indian manager not only from his North American counterpart but also from his East Asian peer who is unquestioningly collectivist in his or her orientation. Scholars have long debated whether India is part of the East or the West. They have come to the conclusion that the

Indians are, on the whole, more Western than Eastern in their way of thinking. This implies that the Indians can behave either in an individualistic or a collectivist manner, depending on the situation. The heightened context-sensitivity of the Indian manager may make it

difficult for the North American manager to fully understand his counterpart's actions. As a Western manager put it, "I feel that the most difficult thing is that the Indians will tell you one thing, think another, and do a third thing, which is not what a Dane would do." (unpublished Master's thesis, M. Hughes, Aarhus). A further implication is that the Indian negotiator is not a good team player. Beyond the confines of the familial in-group, the Indian negotiator does not work well as part of a team due to the ingrained belief that he is right and the other person is wrong. I refer to this tendency as "anarchical individualism."

(b) An idealistic bent of mind

To the outside observer, India is a country that has a very well-developed spiritual tradition. Philosophical reflections have loomed large in the Indian cultural context, but it is important to note that these have gone hand in hand with the development of an exceptional ability to analyze. The rapid development of the software industry in India, which has done much to improve the country's image, would not have been possible without such a skill. When transferred to a business-related context, the idealistic mindset means that the Indian manager has high aspirations for what he/she would like to

achieve. It also has the implication that the Indian manager can be very discerning and may easily find flaws in arguments. The idealism that the Indian manager brings to bear is often designed to attain the best possible solution to a problem. This can be both beneficial as well as detrimental to creative problem solving

(c) Nationalism

A Pew Center study recently found that India was the most nationalistic place on the earth. People are very sensitive to any action by foreigners, and in particular, investment actions that may be viewed as detrimental to the country's welfare. Although such sentiment is not unique to India per se, it is probably more easily aroused here than in many other countries. The high degree of nationalistic sentiment is a product both of British imperialism and the strained relations between the United States and India during the Cold War.

Nationalistic sentiment has a number of implications. First, foreign investors may be held to a higher standard than the local firms. It also implies that foreign investors' projects, especially highly visible ones, will be evaluated very closely. Third, foreign investors will be constantly under pressure to gain and maintain their legitimacy in the eyes of the stakeholders.

(d) Attitude towards time

Unlike North Americans, the Indians have a subjective view of time. A recent study of negotiators from 12 different cultures found that the Indians were the least sensitive to time considerations (Jeswald Salacuse, *The Global Negotiator: Making, Managing and Mending Deals Around the World*, Palgrave MacMillan, 2004; see article by Professor Salacuse in this issue of Ivey Business Journal). This lack of sensitivity to time stems from the fact that Indians do not feel the same sense of urgency to conquer the world as North Americans. They have more of a "being" than a "doing" orientation, and this difference in the orientation to the world is likely to affect their

sensitivity to time.

(e) Hierarchical culture

The Indian culture is hierarchical. Top-down decision making is the norm, and more often than not there is only a downward flow of information in an organization. Subordinates will rarely, if ever, disagree with their superiors, even though they may disagree with the nature of the decision or the manner of its implementation. This hierarchical character is accompanied by a parallel tendency for the subordinates to want to be nurtured by their superiors. The subordinates expect the superior to be benevolent towards them, and if this benevolence is reciprocated, the subordinate is also likely to respond by remaining loyal.

Cultural values and the Indian negotiating style

Negotiation is an important managerial skill. The acceleration of globalization and the opening up of markets in Latin America, Eastern Europe and Asia have underlined the importance of culture in influencing negotiation processes and outcomes. Much has been written about the role that culture plays in shaping negotiating outcomes, although it would be fair to say that exploration of this matter with respect to India is sparse. A common theme in much of the literature on cross-cultural negotiations is that the negotiating style varies across cultures, and that differences in negotiation styles often lead to a breakdown of negotiations. These differences, if unanticipated and/or not effectively managed, can give rise to negative emotions such as anger and may provoke distrust.

The core Indian cultural values that we have described paint a portrait of the Indian negotiator as a complex, highly imaginative individual. The complexity derives from the fact that his or her behaviour is influenced by cultural values that are associated with inconsistent behavioural patterns. Thus, as an individualist, the Indian negotiator may be highly aggressive; at the same time, as a collectivist, he or she may be passive and reluctant to express his

or her views absent consensus. The negotiator's rich imagination may express itself in high aspirations, creative problem solving and/or excessive paranoia in which he or she is able to find problems just about everywhere. This may be further fuelled by a high degree of nationalism. What, then, are the implications of the Indian negotiator's behaviour?

(a) Negotiation process is drawn-out

The negotiation process often does not admit of an easy conclusion. Indian negotiators require a lot of information and will subject this information to extensive analysis. Their high aspirations, belief in hierarchy and inability to work well as a team will combine to make sure that any negotiation will not be quick. As a Western negotiator once commented, "When you start negotiating they will never accept your proposal and they will try to squeeze as much as possible. They will negotiate for weeks trying to get the best deal. And eventually you get so tired of negotiating for the last 5 per cent that you eventually agree to their price." The length of the process can most certainly be unsettling for the North American negotiator who views time as money and would like to move on to the next project once the ongoing one is completed. A good illustration of this is also provided by the experience of independent power producers who sought to develop new power projects in India in the 1990s. Many of these projects encountered severe delays and many firms developing them chose to exit the country.

(b) Social relationships are not that important at the outset

In India, an ingrained streak of individualism precludes the necessity to develop relationships at the beginning of negotiations. This cultural characteristic will surely please North Americans,

for it does have the critical implication that business negotiations are not constrained, at least initially, by the lack of a relationship. There is less of a need for lavish banquets or after-hours drinking, as is often the case in Japan or China. But the fact that relationships are less important at the onset of negotiations does not necessarily imply that the time

while relationships may be less important at the negotiation phase of the proposed venture, their importance is likely to increase during the operational stage of the venture. Relationships are important at this stage because they may help to align the expectations of all of the parties more accurately and further signal the sincerity of the foreign investor to the Indian partner.

required to complete the negotiation will be shortened. Further, while relationships may be less important at the negotiation phase of the proposed venture, their importance is likely to increase during the operational stage of the venture. Relationships are important at this stage because they may help to align the expectations of all of the parties more

accurately and further signal the sincerity of the foreign investor to the Indian partner.

(c) Contractual obligations do not have the same sanctity

Contractual obligations do not have the same sanctity in India as they do in the North American business culture. The Indian businessperson has traditionally had to operate in a chaotic environment. Infrastructural weaknesses such as a lack of an adequate, reliable supply of electricity, political instability, nationalistic concerns, judicial delays, a cultural bias that favours flexibility, and a fear of being taken advantage of are likely contributors to the Indian preference for open-ended obligations. The Indian penchant for searching for the ideal solution only aggravates this problem, inasmuch as changed circumstances imply that the negotiated contract may not have been the optimal one. For example, the Indian can continually insist that the foreign partner assist them on a long-term basis without getting any equivalent concessions. If this expectation of generosity is not met, Indians will

come to resent their foreign colleagues. The general tendency to renegotiate does not sit well with the North American negotiators. It undermines their sense of control and confidence and may lower their perceptions of the trustworthiness of their Indian counterparts.

(d) Perceptions of fairness vary

Fairness is an important element of negotiations and India is no exception. That said, what constitutes fairness in India, and the factors that influence such perceptions, are clearly different in India than they are in North America. Scholars note that fairness has two dimensions, outcome and process. Outcome refers to the equitableness of the outcomes, while process refers to the mechanisms by which the parties interact. While outcome concerns are without question important in the North American business culture, process concerns have a greater resonance. In India, by contrast, outcome concerns are more important. The greater importance of outcome-based fairness issues vis-à-vis process-based fairness issues may be attributable to a number of different factors. First, given the widespread perception that past colonialist powers have robbed India of its wealth, any allocation that is perceived as benefiting the foreign investor more than the locals will be strongly critiqued. Secondly, while the perception of equity in North America rests on the norm of proportionality, i.e. the greater the effort, the greater the outcome, equity in India is more need-based. There is the implicit expectation that the partner who is wealthier should make greater concessions.

The negotiating challenge: Coping skills for North Americans

Negotiating with Indians is an exercise in ingenuity management. The complex, imaginative Indian negotiator can pose all kind of problems for the unaccustomed, inexperienced North American, even though that may not necessarily have been the intention of the Indian negotiator. The North American may find it difficult to discern the intention of his Indian counterpart, and/or may get frustrated

by the slowness of the process or the excessive demand for all kinds of information. So what should the North American negotiator do?

(a) Be patient but firm

An ample supply of patience is an essential ingredient for negotiating in India. Lack of patience will only create frustration and anger, adding to the stress of conducting negotiations in a faraway land. Frustration and anger may, in turn, lead the North American negotiator to become aggressive, and this may not go down well in a culture where nationalistic sentiments are high. That said, there are areas where the North American negotiator can most definitely make his influence felt. If, for example, there are certain procedural issues with which the North American negotiator is unhappy, he or she can certainly try to exert some influence. As one Western manager has remarked, "...and I remember the first clashes we had really were when we had the meetings with the Indians who came one hour, up to two hours late, and they did just that....We said that if we can't even agree on a meeting time, then there's no hope of us setting up a joint venture together. Afterwards there were no problems."

(b) Work with the Indian's high aspiration levels rather than against it

Unrestrained imagination may be a problem in a business setting, but a focused imagination may well work to the advantage of everyone. It allows negotiators to be creative and exploratory but in a disciplined way. When a North American negotiator is confronted with highly idealized thinking on the part of the Indians, he or she can either reject it outright or seek to channel it in ways that might be mutually beneficial. Outright rejection may cause the Indian negotiator to become bitter and resentful. The Indians are highly sensitive people which, when combined with the legacy of imperialism, makes it easy for them to dismiss suggestions made by Western counterparts. An alternative might be to work with the Indian negotiator to reframe the problem in ways that may be mutually beneficial. This would have to be done in a subtle way and will

take time, but in the long run it will be beneficial for the project and allow you to earn the trust of the Indian negotiator.

(c) Recognize the virtues of flexibility

The idea of a legally binding contract will not advance North Americans' cause in doing business in India. In an imperfect and ever changing institutional environment, a North American's best guarantor of success is his or her willingness to be flexible. This flexibility must be made manifest in cultural, political and social spheres. Contractual provisions are the starting point of a process that, by definition, will entail changes as situations evolve. Our argument does not carry the implication, of course, that the North Americans should accept all the changes that come their way. It is only that the need for changes should not be rejected in a reflexive way. The other point worth remembering is that flexibility may also work in favour of the North Americans.

(d) Induce the Indian negotiators to behave differently

It would also be helpful if the North Americans were to create incentives for the Indians to change their behaviour. The sensitivity and moral righteousness that Indians often display are not conducive to creative problem solving. It makes the Indians rather defensive, and critical comments end up being taken personally rather than as encouragement to make constructive changes. The one way to do this would be to make the Indians feel a little more secure. This security, I feel, is likely to be bolstered by behaviour that borders on being humble. Ideological arguments are best avoided altogether and the use of pressure tactics may not be able to yield dividends over the longer term. Scandinavian firms have somewhat of an advantage in this regard for they are far less aggressive than their North American counterparts, especially the Americans. The success of Finnish companies like Nokia and Wartsila Diesel in India is a testament to this behaviour.

(e) Be prepared to accept that negotiated

agreements may not be implemented in a timely way

In addition to the fact that the Indian negotiators have a different conception of contracts, it is also important to note that the negotiated agreements may sometimes not be implemented in a timely way. This is likely to cause confusion and perhaps anger in the North American negotiator, and while that is inevitable, it should not obscure the larger context of the negotiations. Delayed implementation may, on occasion, be a deliberate act, but it may also be a product of last-minute contingencies such as bureaucratic obstacles. The cultural challenge for the North American negotiator is to identify when there is deliberate opposition to implementation, and when the implementation is being impeded by factors over which the local partner may have little control.

Negotiating in India poses a unique set of challenges for the North American negotiator. North Americans are goal-oriented and time-conscious negotiators whose interest, above all, is in coming to an agreement in a timely way. This style may encounter problems in the Indian context and I have attempted to outline why this may often be the case. This does not imply in any way that all North American negotiators will experience problems, or that all of these problems will always arise in all negotiations. My purpose has been merely to identify what these problems are and the strategies that might prove effective for the North American negotiator in coping with the cultural challenges in India.

Although the negotiation style in India may be different from that in North America, North American negotiators can cope with these challenges if they understand the skills needed to operate in the Indian business environment, are prepared to make the effort to learn new ways of doing things, and appreciate the constraints of doing business in a still-emerging economy. As the Western expatriate manager, Silvio Napoli once put it, "To succeed in India you have to be one-half monk and one-half warrior. So far, I've learnt to develop my monk part."

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