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**CULTURAL DIFFERENCES IN FINNISH AND RUSSIAN NEGOTIATION
PROCESSES**

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1. INTRODUCTION

Research on culture affecting international business is considered as a growing area, due to the internationalization of the business world. Thus, business world needs people who know how to operate between different cultures. This study focuses on negotiation between representatives from Finnish and Russian cultures. These cultures are chosen into comparison, because Russia is growing to become the most important trading partner for Finland.

Culture is a broad concept. Kluckhohn in Hofstede (2001, 9) defines culture as patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts.

It is important to understand the existence of cultural differences in today's business occasions. Although the existence of the globalization, the businessmen find themselves in situations where business protocol, language, and value systems are different due to cultural backgrounds. (Graham, Mintu, 1997, 483).

The goal of this thesis is to take part into discussion of cultural differences in intercultural negotiation context and describe how these differences affect the negotiation process. The question is approached from various theories that define cultural aspects and clarify how these aspects appear in the chosen Finnish case company that makes trade with Russian partners.

1.1 Literature review

When the previous decades' literature of the cultural factors that affect cross-cultural business negotiations is examined, it is noticed that the amount of intra-cultural literature is rather rich when compared to inter-cultural or cross-cultural negotiation literature. Many researchers (Simintiras, 1997; Reynolds et al, 2003) have argued that the amount of international business negotiations literature has increased considerably in the present decade. Reynolds (2003, 249) has argued that empirical papers have outnumbered normative papers. Although the rise of interest is present in the field of cross-cultural business negotiations, Simintiras argues that the research is mostly fragmented and lacks of theoretical basis. Books that are published in the field of negotiation are mostly written for business practitioners and for training courses. (E.g. Accuf F.L, 1997; Salacuse J, 2003) It is also evident that a lack of general framework from the studies of international negotiation studies exists. (Reynolds 2003, 248)

Most of the research conducted on business negotiations has embodied the social psychology perspective. Graham, Alma and Rodgers (1994) have explored negotiation behaviors in ten foreign countries using problem-solving-approach (hereafter PSA). The PSA has its weaknesses, because it has been developed and examined within the context of American business negotiations. PSA assumes that negotiators are oriented towards co-operation, integration, and information exchange. The approach concentrates asking questions and exchanging information about negotiators' and their partners' preferences in order to achieve mutual outcomes.

Computer models that use mathematical game theory have been made to calculate optimal choices, or for instance, predict moves in negotiation situations. (Harborne 2004) However, Hofstede (2001, 435) criticizes that these models are based on assumptions about the values and objectives of the negotiators, and taken mainly from Western societies, in particular from the United States.

Gert Hofstede (2001) has made a foundational work in the field of culture dividing it into

five dimensions: individualism versus collectivism, power distance, masculinity versus femininity, uncertainty avoidance and long term orientation. Edward Hall (1981) is known for the two dimensions of communication: high-context versus low-context paradigm and the concept of time in national cultures. Brett, Adair et al. (1998, 63) have argued that cultural dimensions that most likely relate to negotiation processes include individualism versus collectivism, power distance and Hall's two dimensions of communication: high versus low context and mono versus polychronicity. Brett, Adair et al. (1998) found that cultures differ dramatically with respect to norms and expectations about negotiations. Hofstede's and Hall's dimensions are introduced more thoroughly in chapter 2.

Kwo Leung et al (2005, 374) have made a state-of-the-art review of current trends in the growing area of international business. Leung has argued that majority of the earlier research of culture emphasizes the static influence of a few cultural elements in isolation from other cultural variables. Leung has suggested that future research should move towards more complex conceptualizations of culture in order to get more complex view of its effects.

1.2 Research problem and limitations of the study

In this thesis the emphasis is on the differences between negotiating cultures. The main question is how the culture affects the negotiation process, goals, etc. in cross-cultural field of business in Finnish – Russian context. The reason why these two cultures are chosen in a comparison is that Russia is becoming Finland's most important trading partner in the 21st century. (Tilastokeskus, 2006) Due to this, it is important for the Finnish-Russian businessmen to know the counterpart's culture in order to succeed and secure business relationships. Finnish and Russian cultures differ considerably.

In this thesis the emphasis is on Russian and Finnish cultural differences, and discovering how the differences affect negotiation process. In the thesis cultures influence is examined from few cultural elements in isolation from others. This point of view is called as a simplistic view of culture. Leung (2005, 374)

The empirical part consists of interviews from Finnish negotiators; due to this, thesis is made completely from Finnish point of view. The amount of people interviewed is limited to selected group from one Finnish company, which is the seller in the negotiations. Therefore, generalizations cannot be made from the results and the aim is only to explain how the cultural differences affect negotiation process.

Finnish negotiating culture is quite homogenous and therefore it is reasonably easy to analyze. The problem in analyzing the Russian negotiating culture is that it is under a remarkable change. It is also a very big country and therefore the negotiators vary considerably. Some studies are made considering the emerging communication and negotiation styles in Russia, but majority of the studies are from the 20th century post-Soviet Union time. Therefore, generalizations have to be made about the Russians as negotiators. Due to the empirical material of the study, Russians are analyzed as negotiators, which are still on the Soviet style of negotiating, but getting more western customs to their core culture. In conclusion, there is a noticeable difference in the precise information between Finnish and Russian negotiation culture.

When empirical and theoretical limitations are on mind the research question can be presented:

“What are the roles of cultural factors in Finnish-Russian business negotiations?”

This research question above is divided to sub questions, which are a bit more general in order to help to find answers to it:

- What are the elements of negotiation process?
- What are the roles of cultural factors in international business negotiations?

1.3 Theoretical framework

The theoretical framework of this study is constructed from a four stage negotiation model that has been presented in Adair and Brett (2005, 35-38). The objective is to discover how the impact of culture affects four parts of the negotiation process and negotiation outcome. These parts are: relational positioning, identifying the problem, generating solutions, reaching agreement and finally concluding the negotiation.

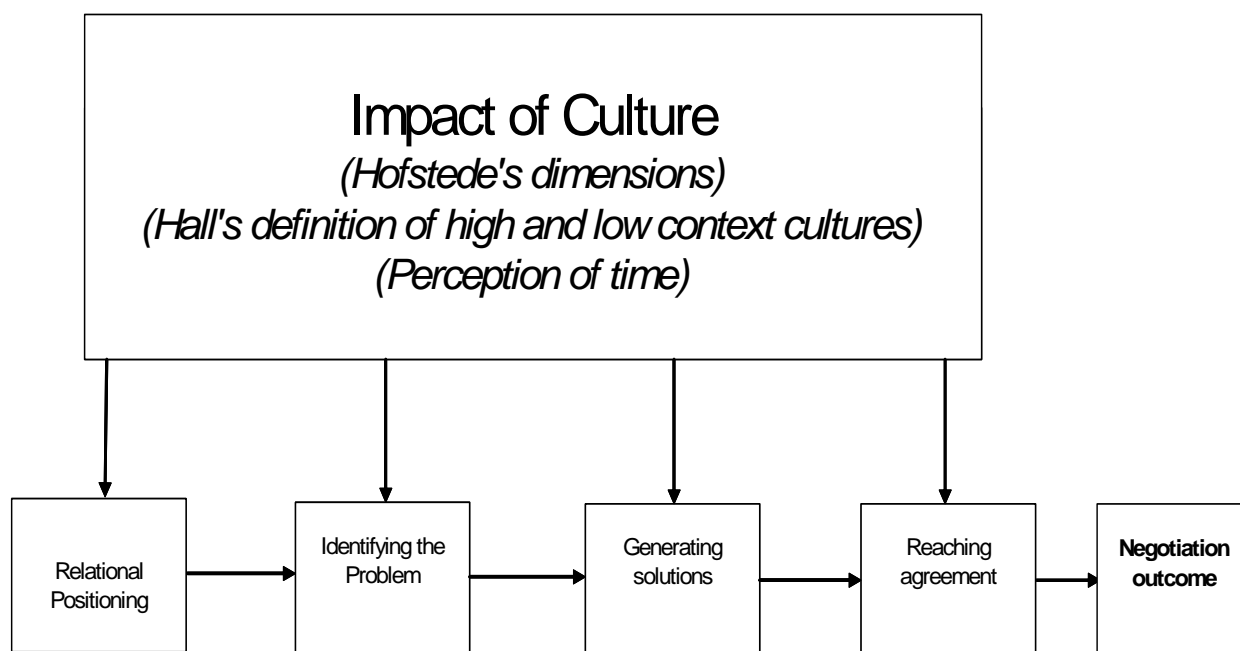


Figure 1. Theoretical framework (adapted from Adair and Brett 2005, 35-38)

Hofstede's efforts with dimensions of culture are included into this study as a background in order to understand and explain cultural differences better. Referring to Soares et al. (2006, 279) Hofstede created five dimensions in which cultures are comparable. These dimensions are: individualism/collectivism; uncertainty avoidance; power distance, masculinity/femininity and long term orientation. These dimensions are used in this study as a tool to narrow dimensions of this multidimensional construct. As Soares et al. 2006, 283) argue: "Hofstede's framework constitutes a simple, practical, and usable shortcut to the integration of culture into studies." Hofstede's dimensions are used in chapter 2 to define differences in national cultures.

Edward Hall has divided cultures into two groups that are high context and low context cultures. This division is made from the basis of fundamental differences in communication differences between people from high context cultures and low context cultures. (Adair 2003, 274) In this thesis the impact contextual differences to the negotiation process are present, because negotiators are in a mixed context mixed-culture negotiation. The concept of high/low context culture is defined in chapter 2 where the differences in national cultures are presented.

There has been discussion about perception of time in cross-cultural negotiations. Usunier (1999, 29) refers to Hall (1983) who has described two behaviors of time management, which are called monochronism and polychronism. The perception of time is also included into this study to find how Finnish and Russian use of time differs from each other. The concept of time is presented in chapter 2.

1.4 Methodology of the study

This is a descriptive study that aims to describe the phenomenon why Russian and Finnish negotiating cultures differ from each other and what are the differences in culture that affect the negotiation. The methodology used in this study is a qualitative structured interview with open answers. The empirical data in this study is collected by one group interview, where the majority of the company's project members participated. The qualitative research method and a group interview were selected in order to use time efficiently. The interview was recorded into a digital form. So called second level lettering was used in order to get examples that enrich the findings and make interpretation clearer.

2. DIFFERENCES IN NATIONAL CULTURES AND THE PROCESS OF NEGOTIATION

This chapter defines the chosen cultural dimensions that are used in this thesis. First, Hofstede's dimensions; second Hall's high-context versus low-context paradigm and third Hall's concept of time are introduced. Last, the concept of negotiation is defined.

2.1 Hofstede's value scale

Geert Hofstede (2001) has explored the cultural differences that exist in more than 50 modern nations and scaled them by their scores that were on a scale from 0 to 100. From the basis of his findings he has created five dimensions on which country cultures differ. He argues that people carry "mental programs" that are developed in the early childhood and reinforced in schools and organizations and that these mental programs contain a component of national culture. These mental programs are most clearly expressed in the different values that dominate among people from different cultures.

The first dimension is called Power distance. In organizations and institutions Power distance is revealed when less powerful members accept and expect that power is distributed unequally. Hofstede (2001)

The second dimension is Uncertainty avoidance that defines a culture, where its members feel either uncomfortable or comfortable in situations that are new, surprising and different from usual. Hofstede (2001)

Individualism versus Collectivism is the third dimension that Hofstede (2001) has found as a result from his research. In Bradley T.L (1999, 51) individualism is defined as a behavior in societies where the ties between individuals are loose, whereas collectivism

is linked to societies where people from birth have an urge to accumulate and integrate into strong cohesive groups.

The fourth Hofstede's (2001) dimension is Masculinity versus Femininity, which "refers to the distribution of emotional roles between the genders" Values in masculine societies are considered as tough, when in feminine cultures they are tender.

The fifth dimension is an addition to the first four ones. It is called Long-term versus short-term orientation. It indicates the level that culture programs its members to accept the delayed gratification of their material, social, and emotional needs.

2.2 The high and low context cultures

Edward Hall is widely known for the high-context versus low-context paradigm in national cultures. (Hall in Ripley et al, 2006, 45) Hall argues that in high-context culture majority of the information is not found in the words of actual transmitted communication, but is found in the context in which those words are used. (Gudykunst in Ripley, 2006, 46)

By contrast, in a low-context culture the information is transmitted through actual communication and the words themselves are important. (Gudykunst in Ripley 2006, 46) In general, cultures that are from Asia and Middle East are high context cultures and cultures such as Northern America, Scandinavia and other English speaking cultures have a tendency to be low context cultures. (Munter 1993, 72)

2.3 The concept of time

Time is used differently in different cultures. Hall has separated cultures in two behaviors by their use of time. These behaviors are: monochronism and polychronism. He argues that Monochronic cultures behave in a focused manner, concentrating on one thing at a time within a fixed time scale. Cultures such as Germans, Finnish and North Americans are considered as monochronic cultures. Monochronic people use time effectively and consider it as a scarce resource which has its opportunity cost. (Morden, 1999, 21)

In contrast, polychronic cultures are considered as flexible in their use of time. It has occurred that polychronic people have a tension to perform several tasks at once spontaneously. In polychronic cultures time is not seen as an important resource. Lewis argues that Indians, Polynesians, Latin Americans, and Arabs are considered as polychronic cultures. (Morden 1999, 23)

2.4 The concept and the process of negotiation

Negotiation can be defined as a process of joint decision making. Regardless of the context of the negotiation, whether it is international or not, the negotiations share universally common characteristics: first, there are two or more parties with conflicting interests; second, there is a common need for agreement, because expected gain from such agreement exists; third, the outcome of negotiation is initially undefined; fourth, it is a means of communication between parties; fifth, there is a control and decision-making structure on either side by which negotiators are linked to their superiors. Hofstede (2001, 435)

The part of negotiation process where buyer and seller congregate is perceived as an interactive part of the negotiation. (Simintiras, 1997, 13) This thesis concentrates on the interactive negotiation process. The interactive part of the negotiation is also a process, which Adair et al. (2005) has divided into four stages. These stages are used in this

thesis to describe the negotiation process, since Adair seems to be one of the most renowned researchers in this field of science.

The first stage of the negotiation process is called relational positioning. In the preparation stage of the negotiation both sides clarify their goals that they want from the negotiation. That is why it is not a surprise that the negotiators begin the negotiation by testing whether the other side is going to be competitive or co-operative before giving any information about their own goals that should move them towards the agreement. Co-operative approach occurs when a small amount of sensitive information is given to the other side as a sign of developing trust. Alternatively the sides can incline an influence to make a sign for a competitive negotiation. In this early stage negotiators should focus on influence with respect to status and power, because affective persuasion is influenced through status, relationships, and normative of other contextual factors. (Adair, 2005, 36)

The second stage is where the problem is identified. This and interest that affect substantially on the negotiation outcome. Besides issues stage is essential part of the negotiation, because in this part happens the exchange of issues and interests negotiators should build trust and begin to find possible solutions for an agreement. (Adair, 2005, 36)

When the understanding of the reciprocal interests, issues and options are claimed they have a sense whether it is possible to make an agreement with the counterpart. The third stage is for generating solutions and in this stage it is expected to begin making offers (Adair, 2005, 36). (Adair, 2005, 36) argues that this stage is a distinct, energetic and passionate stage where the negotiators place their offers a competitive state of mind, because the negotiators have a sufficient amount of information about the counterpart's interests.

When the negotiations reach to the fourth stage, which is reaching the agreement, it becomes clear, whether agreement or no agreement is in sight. In this stage negotiators

make more offers and concessions, because evidently deadline of the negotiation is close. The counter-offers made in this stage serve both to reach an agreement and are for making the contract oneself as good as possible. (Adair, 2005, 36)

3. INTRODUCTION TO FINNISH AND RUSSIAN NEGOTIATION CULTURES

This chapter introduces Finnish and Russian negotiation cultures briefly. The chapter is used as an insight about the cultures, before proceeding to the case study in the next chapter.

3.1 Finland

According to Accuf (1997, 135) Finnish negotiators and Finnish negotiation culture is very straightforward. After hand shakes Finnish negotiator is ready for business. It is said that Finnish people lack in small talk. If there is any small talk it is very limited. Vihakara (2006, 120) argues that Finns consider small talk as a waste of time and talking should always have a deeper meaning. In other words, Finnish businessmen understand that negotiation is only the actual negotiation situation where two people congregate, whereas in many other countries the word negotiation includes the whole situation, like becoming acquainted with the counterpart well before going to the actual negotiation situation.

One of the reasons for effectiveness in negotiations is that everything is prepared well in advance, and it is expected that a simple structure is made for the progress of the negotiation for example from the base of the supplementary material. (Heiska, 1986, 118) Of course it is obvious that Finnish negotiators have to develop their negotiation skills further to meet the standards in the international negotiating world. Risto

Pennanen (2006) argues that Finnish businessmen should pay attention to their use of sign language, articulacy and bring out their personality, rather than concentrate on avoiding spelling mistakes. However, Finnish negotiation culture has come closer to the European negotiation styles due to the internalization of the business. In other words, there is no space for quiet and shy negotiators from Finland.

Finnish culture is characterized as a low-context culture in which most of the information is carried by words. Finns are considered as honest, frank and sincere communicators who are not very good at diplomacy. Words are used sparingly and silence is considered equally comfortable. Finns think that what is said once should be enough. When two Finns are negotiating or just having a conversation they rarely interrupt the conversation, because interruptions are considered impolite and disrespectful. Talking simultaneously is considered even more disrespectful and arrogant. (Vihakara 2006, 120)

3.2 Russia

Russian culture is not the easiest one to understand and many experienced Finnish experts of Russian trade say that the best to succeed in Russia is to trust that problems will eventually be solved. Referring to Salo (2006/5), Russians make trade with a friend; therefore it is worthwhile to take time needed in building proper relationships with Russians. When a friendship is claimed with a Russian partner it elaborates trust and it will in most cases create a long-term business relationship. In order to succeed and build friendships and make business in Russia it is crucial to get inside networks where it is safe to act. A significant amount of work has to be done in order to get inside of a network as an insider. (Salo 2006/5)

The only way to succeed in Russian negotiations is to prepare thoroughly. The preparation is never exaggerated, because in negotiations the knowledge of market

experience, price awareness, negotiating skills, flexibility and ability to react are emphasized. The aim is that both parties are happy to the final result. Negotiation is like a chess game that ends even and victory is always a compromise, but negotiations without a game are boring. (Haapaniemi et al. 2005, 206)

Accuf (1997, 197) demonstrates some basic points in Russian negotiation. In the beginning of the negotiation hand shakes and introduction are welcome. Because of the Russian status-consciousness titles are used when speaking with colleagues. Bilingual business cards are given. Small talk is considered as a good manner before the actual negotiation. The most important thing is not to rush into the actual negotiation, because Russians like to take time to study the counterpart's gestures and the level of education before entering to the negotiation.

Russians do prefer their native language as the negotiation language especially then when they are the buyer part of the negotiation. In the 21st century younger Russian business men are becoming very fluent in English, but still Russian is the language when you are doing business in Russia. If the negotiator does not have a proper knowledge of Russian language it is crucial to get a very experienced translator. (Haapaniemi et al. 2005, 210)

When the Soviet Union existed, the importance of the correct form of procedure was high. Nowadays the importance of the protocol has become less important. Still, attention to the formality issues is noticed in an important negotiation. (Haapaniemi et al. 2005, 212)

If one is the selling advocate one has to know how to sell the product. One has to praise product and understand that adjectives like "normal" and "good" may have different meanings than in the Western cultures. For example "normal" means "not so good" and "good" means "okay". Also more important is to bring out the good sides and references of your own product than to criticize your competitor's products. Russians appreciate consultation where the best possible option for them is found. (Haapaniemi et al. 2005,

214) In order to see what the counterpart thinks about product, it has to be noticed, whether the Russian counterpart is interested or not during the presentation. Haapaniemi et al. (2005, 215) gives few good examples. One of the typical expressions of being interested is that the counterpart really listens what is said attentively and presentation may be suspended for a question or a counter argument. Then again, it is also easily recognized when a Russian is not interested; in most cases the lack of interest is noticed when no questions are made, facial expressions are dead and subject is changed to irrelevant issues.

Accuf (1997, 199) argues that patience is the way to succeed in Russia. They are relatively slow to make decisions and have to make several checks with headquarters. Russians take their time to make a response to proposal and it is more like a rule than an exception that they delay their response. (Accuf 1997, 199) Grigori Dudarev in Salo (2006/5) points out that Russians may change their opinion during the negotiation process. Russians appreciate negotiators that do not give up easily. A Russian buyer may try to test how experienced the selling negotiator is for example by testing how much there is room left in the propositional price. (Haapaniemi et al. 2005, 216) Accuf (1997, 199) emphasizes that before the final agreement, everything must be checked and rechecked to avoid misunderstandings. He also points out that last-minute demands are common even if it is agreed that all the details have been resolved. In other words, Russians are a very spontaneous nation and their minds may change over night. Therefore only what is unambiguously written in the contract is reliable.

4. THE CASE STUDY COMPANY X – EXPORT PROJECTS TO RUSSIA

The case study company (hereafter company X) is specialized on Nuclear power plant technology. The know-how of the technology originates from the construction of Loviisa Nuclear power plant. The time when the company X was constructing Loviisa power plant it had good relationships to Russia in the field of nuclear technology. At present, the relationships are less notable, but still some projects are left. Less than 10, sometimes 5 persons from the com work on the export projects towards Russia. The company X has outsourced engineering and designing firms that build the equipments for the Russians, although the company x has designers of its own. This arrangement is made, because project export business to Russia is exposed to irregular intermissions. (Interview)

The main partner of this project team of the company is the company Y in Siberia. The company X has operated as a subcontractor for Y in delivery of different equipment systems since the beginning of 20th century. The second customer is a military organization's docks for atom icebreakers and a propellant service of small submarines in Murmansk since 1995. X has delivered there a nuclear waste management system. The revenues of the projects vary from 1 to 5 MEUR. Revenues are kept small, because of risk management. On the other hand, trade volume stays small, because a pioneer aspect is noticeable in these projects. The reason why the projects are competitive in Russian energy business is, because Russian designing institutes are not able to an effective project designing. In conclusion, the export project team has a lot of experience from trade in Russia, where all the cases are situational and circumstantially orientated. (Interview)

“The company X’s main line of business is towards Loviisa and we’re just a small group that is let to function. We are not important for the whole concern. If the Russians want

to buy our know-how on nuclear technology we can make a deal, but if they don't, it doesn't make a difference, and we may move on to better jobs. It would be completely different situation if there was a factory that produced something, but because there is not, the trades can be canceled as well"

Senior advisor

4.1 Data collection

The thesis is made by using a qualitative research method. The background of the thesis was an interest towards understanding and defining Russian business and culture. The goal was to construct and perceive backgrounds for possible further research that concern Finnish-Russian business negotiations.

Alasuutari (1994, 28) argues that a qualitative research material is examined and researched often as whole. According to Alasuutari, subjects that are considered as reliable must be clarified so that they are not in a conflict with the presented interpretation. In the simplest form, qualitative research is composed of simplification of observations and solving a mystery.

The research material was gathered with one group interview. Three members from the company's project team participated to the interview: senior advisor, project manager and project secretary. All interviewees had a lot of experience and knowledge about the subject. Koskinen et al. (2005, 124) argue that, because of group dynamics, this kind of interview breaks the centered role of interviewer.

Referring to Koskinen et al. (2005, 124), the gains from the group interview can be condensed into three main points. First, due to the existence of group dynamics, the group interview may create richer data than individual interview, because the interviewees may make complements to what others say. Second, the material may be less distorted by the interviewer's questions and third, with a group interview it is

possible to save a lot of time, because it is possible to define several people's opinions about the researched subject with one two hour discussion.

The qualitative research was selected mainly in order to use time more efficiently. A qualitative method is excellent way to perceive a field, where the focus is on one project team where its members have a lot of knowledge and experience, which is scattered and unanalyzed. With a group interview it was possible to make the team members discuss with each other. Everyone brought at least partly their opinions and perspectives out.

According to Koskinen et al. (2005, 229) the worst mistake that one can make in the research is to collect materials and describe them without interpretation. One of the most important factors of the research is that research leads to a clear interpretation that can be compared to previous researches. In the end, interpretation can be considered as the factor that distinguishes it from common sense.

The material of the qualitative research must be modified into a form that helps its treatment as much as possible. Usually, this is done by lettering that is writing text formed files. There can be many levels of lettering, but often they are separated into five levels of accuracy. (Koskinen et al. 2005, 318-319)

1. The goal is to get a general picture from the material
2. Besides the general picture quotations are wanted
3. "word-for-word" lettering
4. Discussion analytic lettering
5. Lettering of a video: eye-contact, body language and technology as a research subject

In the most cases, it is useless even to try lettering everything from the material, because detailed lettering of the material may be very difficult. In the end not many

researches require detailed lettering. (Koskinen et al. 2005, 318-319)

The group interview took about 90 minutes. During this time about 8 sets of questions that were prepared beforehand, were gone through. The interview was recorded to a digital form. The interview material was lettered by the basis of second level lettering in order to get examples that enrich the findings and make interpretation clearer. In other words, the interview was extracted into a text form writing down the most important matters.

Themes were used in the process of lettering so that material could be interpreted better when the research questions are kept in mind. The most emphasized themes were: trust, age, negotiation situations and decision-making in the Russian negotiation process. By the basis of these themes, an answer tried to found to the question how cultural factors influence in Finnish-Russian negotiations.

Generalization suffers a bit, because only one project team's experiences were under examination. On the other hand, the purpose of this thesis was only to explain and understand the Russian negotiation culture.

4.2 The negotiation process between the company X and the company Y

The negotiation process between the company X Export Projects and Russian partner can be seen in the Figure 2. As the Adair et al. (2005, 35-38) suggest, the negotiation process is divided into four stages.

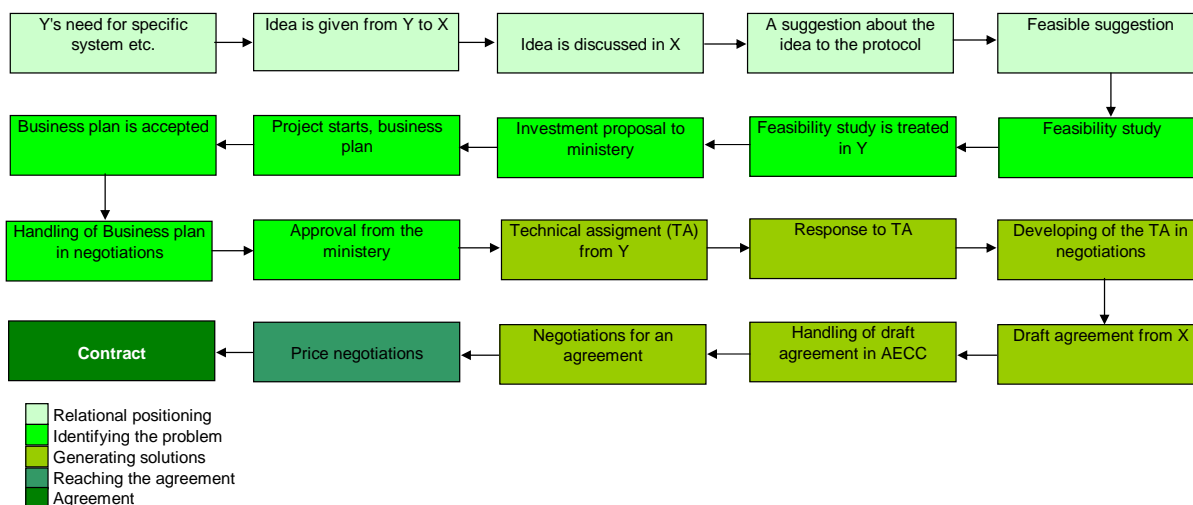


Figure 2: The negotiation process (Adair et al. 2005, 35-38; Interview)

The first stage begins from Y's need for specific system. Then, the idea of the need is given to X where it is debated. In other project negotiations a reference about the Finnish suggestion is mentioned in protocol. It takes about two years to handle the suggestion that made by X. If the suggestion is feasible, it is agreed that further development is made. As Adair (2005) suggest both sides prepare for the negotiation and clarify their goals. Due to the long partnership, Y's dependence on X's services and surrounding engineer basis, there is no need for distinct competitiveness and that is why a co-operative problem solving approach is prevailing. In addition, there is no need to focus on status and power, because from the beginning of the partnership a silent agreement has been made on the fact that everyone is on the same level and enjoys the same value. This kind of mutual respect takes a lot of time to elaborate in Finnish-Russian trade – in this case, almost 20 years.

In the second stage the problem is identified and a concept is developed. It is called feasibility study and sent to Y where it is handled and sent to the ministry as an investment proposal. Until now the process has been alive for 1-2 years. When the investment proposal is approved the actual process has started and the feasibility study is modified as a business plan that is handled in negotiations where it is improved; for example: what systems and machines are needed and a cost estimate. This stage follows the proposed theory in Adair (2005) well, because negotiators exchange issues and interests and build trust by doing tasks together.

In the third stage a technical assignment is made by Y and delivered to X. X answers to it and a pre-stage is made from it. Then, the technical assignment is improved and modified in the technical negotiations until it is found that the system is feasible. These negotiations are the most difficult ones, because the conclusions that are made there affect strongly on the final agreement. Finally, a draft agreement that was started to prepare year before, is presented to Y and negotiations for agreement begin where all technical features, terms of payments, schedules of delivery and width of delivery are agreed. The third stage follows the theory as well. This is a distinct, energetic passionate stage where negotiators strive into the best agreement possible.

In the fourth stage the price and the transcript of contract are the only ones left to negotiate. The senior advisor describes the price negotiations as *“a cat and a mouse play”*. In the X's Export Projects, the price is always told last to the partners in Russia, because the Russian managers always want to negotiate their own percentages off, from the total costs. When there is a consensus on the price, the agreement is reached. The fourth stage follows the presented theory in Adair et al. (2005) as well.

4.3 Hofstede's dimensions explaining cultural differences between Russia and Finland

As seen in the figure below Finland and Russia have similar scores only in the masculinity dimension. Other dimensions have quite significant differences. The dimension of long term orientation is left out of the figure, because it is the newest of the variables and therefore the scores are not available for all countries. In this case the long term orientation scores were not available for Russia. According to Geert Hofstede's web page Russia's scores are only estimated values. Presumably that is, because it was quite difficult to make scientific research in the former Soviet Union. (Bradley 1999, 52) Still, these scores seem to be relevant when comparing Finnish and Russian negotiation cultures.

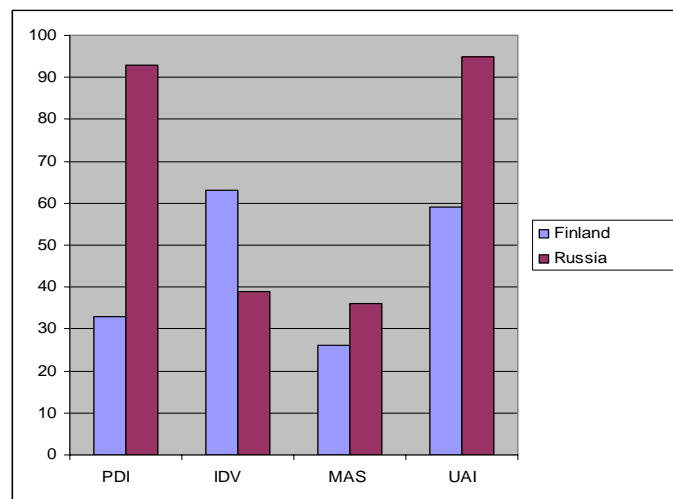


Figure 3. The 4D Model of Professor Geert Hofstede (Hofstede 2007, web document)

The biggest contrast seems to be in the power distance (PDI) Finland's 33 points against Russia's 93 points making Finland as a low PDI country and Russia high PDI country. Comparing these scores with the results from the interviews, can be said that in Russia the final decision is made by the administrator, whereas Finnish negotiators are quite independent and have distinct boundaries in what they can do and decisions can be made in a lower level as well. Then again, social status and position (titles) in the group are usually appreciated in Russia, whereas they are not so important in Finland.

Equality of men and women reflect to the Finnish negotiating culture, making everyone have equal rights and opportunity. (Lewis, 2005)

In the case interview the senior advisor did not find the titles or statuses important in the negotiation process, because from the beginning of the projects has been underlined that tasks are done with people who know how to do their jobs and the rest are useless. *“Everyone is on the same level and has the same value”* Project manager specified that: *“Even tough, Russians prefer that the counterpart had the same amount of authority as they do. Age brings authority.”* All interviewees did agree that age and experience brings authority, but formal authority is unnecessary.

Russians scored high in uncertainty avoidance (95 points), whereas Finns scored 59 points. This confirms the empirical information about the Russian eagerness to the specific information from the experts in a negotiation situation. Finns want also know all the information that is available, but they are more result-oriented, when Russians often consider the process more important than the results.

“Occasionally there is 18 Russians against 5 of Finnish and one interpreter in one table that is long as hell, where the negotiations are held. Then at some point some dismiss and some return. It is kind of rigmorole”

Project assistant

“When an interesting project is going on, it gathers all kinds of people to listen”

Senior advisor

One interesting custom in the Russian negotiation process is to group people into teams. This custom was used in technical negotiations, where teams are dealing with the subjects side by side. At the end of the day results are collected and a protocol is made. Interviewers considered this as a good custom, because there were always

specialists from mechanics and automation. This custom is considered as very Russian, because there is always one leader and when he is speaking others are quiet. This reinforces the concept of high PDI in Russia.

Russians enjoy the negotiation process and like to use lot of time test the counterpart's patience. As negotiators Finns are quite calm and so are experienced Russians, but still when negotiating with Russians often involve flared tempers and walkouts. In other words, Russian negotiating culture has a very high UAI, when Finnish negotiating culture has quite low UAI.

"In the last summer's price negotiations in Siberia one Russian chief made a showy walkout after he lost his temper. This happened just a day before we were supposed to make a contract; however, the next day the contract was made. The reason why he made such theatrical move remains unclear; probably he wanted to impress other Russians who were unhappy to the fact that contract is made with us."

Project Manager

As a collectivistic and high-PDI country Russia is also low-IDV country (39 points), like it is presumed with high-PDI countries. Hofstede (2001) Then again Finns are quite individualistic country with a relatively high-IDV (63 points). Russian collectivism occurs in their negotiation culture. Based on the findings from the interview, Russians cannot make decisions alone. There are always at least two Russians who are dealing with issues. For example, in technical negotiations at least three specialists are needed from the Russian side, when in the Finnish side there is only one. However, it is impossible to do business in Russia without connections and relationships. That is, because Russians have to trust the counterpart before making any business with them. As an individualist, a Finnish negotiator is not so dependent on others to make decisions in the negotiations, when Russians need always opinions from their social network.

“Trust is extremely important when trade is made with Russians. Building of trust is difficult, and reached trust cannot be lost, because it is very troublesome to get the trust back. The Russian director has said once that he makes trade only with them who he knows.”

Project assistant

“In the first appointment when handshakes are made and few words are given it is obvious that neither one trusts each other, but when things are done together the trust rises. The trust is maintained when schedules and the contract are followed.”

Senior advisor

According to Hofstede’s country scores, Finnish (26 points) and Russian (36 points) cultures are both feminine cultures. However, especially in the negotiations between X and Y masculinity is significant, because in the end, it is always about the money and the price of the contract. The reciprocal engineer background may also make the environment more masculine.

4.4 The role of context in Finnish-Russian negotiations

The interviewees argued that Russians use more non-verbal expressions than Finns and usually one can see from the body language how the negotiation is proceeding. Russians tend to be theatrical in the negotiations and show their emotions, whereas Finns are considered as frank and open and get to the point.

“In general you can read them (Russians) more easily than Finns, but there are often contradictions to what they say. “

Project manager

Lewis' (2005, 77) argues: "Finns have to be good "body watchers", as the verbal messages are kept at a minimum." The argument is in line with the interviewee's argument, because Finns can look for minimal signs in the Finnish culture, but if someone uses more demonstrative body language, it may produce a culture shock.

4.5 Perception of time in Finnish-Russian negotiations

Finns use time very efficiently. Therefore it is obvious that Finns use time almost exclusively in a monochronic way. Monochronic time users have a very strict schedule and they are not willing to change it. This is, because there are no unknown parts and they believe that everything will go as planned in advance. (Usunier, 2000, 24) This monochronic use of time leads to efficiency and the main goal is that things are done in time. Therefore Finns are good planners that set out their immediate tasks in order of priority and begin solving them pragmatically, one by one. (Lewis, 2005, 155) Finnish people are doing oriented, which occurs in the negotiations as an ambition to achieve all the tasks in time, which leads to informal and casual behavior as possible.

Referring to the Usunier (2000, 29) a generalization can be made that Russians use time in a polychronic way, because their schedule is exposed to constant changes. For example for a Russian a word "now" means "soon" and "tomorrow" may mean "the day after tomorrow" (Salo 2006/5) That is why it is important to be very flexible when making business with Russians. Brett et al. (1998, 7) argue that Russians are monochronic in business and polychronic in their other actions. The findings from the interview support the Russian polychronic use of time. All interviewees agreed that Russians use time ineffectively. The general perception of time is different. Reasons for it are historical.

"They (Russians) are not in a hurry and not interested to speed up when they are dealing with matters. All the matters must go through many persons inspection – the bureaucracy is severe. Russkij seitshas dlitsja tshas = Russian now equals an hour"

Project assistant

However, the senior advisor argued that due to the reciprocal engineer background both Finns and Russians, they tend to proceed immediately to the negotiations after the official greetings. The project assistant mentioned that after one hour of negotiation there will be so called time-out where people may chat casually.

5. CONCLUSIONS

It seems that the company X has long traditions of doing business in Russia. The project operatives on Export Projects have a lot of experience and knowledge on various projects with Russians. The members have worked on the projects for several years together and know each other well. Their knowledge about Russians and Russian culture is broad. All the conclusions that are made below are based on the findings from the interviews. That is why generalizations about Finnish-Russian business negotiations cannot be made. These conclusions relate more to the Finnish-Russian business negotiations in the Russian energy business in Siberia.

Finally, it is time to give an answer to the research question and sub questions, which are presented first.

What are the elements of negotiation process?

The negotiation process in the case consisted of four main stages, which were: relational positioning, identifying problem, generating solutions and reaching the agreement. The elements inside these stages were: a certain need for a product or service from the partner. Reacting to this need and finding solutions to supply the need to the partner and negotiate about the possible features that are included to the product

or service. Then when the features are found it is time to negotiate about the cost of the product or service, which may or may not lead to the mutual agreement.

What are the roles of cultural factors in international business negotiations?

Culture has a strong impact on intercultural business negotiations. The stronger the cultural differences between two nations, the stronger are the roles of cultural factors in the field of intercultural business negotiations. That is why the foreign customs have to be studied before entering to the negotiations. Otherwise, misconceptions are likely to happen.

What are the roles of cultural factors in Finnish-Russian business negotiations?

The cultural factors play a big role in the Finnish-Russian business negotiations. When negotiating as a Finn in Russia, it is not possible to negotiate there as a “boss” and be uncompromising – one has to be very patient with them. In Russia a lot of effort has to be placed on becoming acquainted with the partner and give enough time to the decision-making process. The Russian time concept differs a lot from Finnish, especially the old generation, is not as straightforward as Finnish. However, an interesting finding was that due to the reciprocal engineer background both Finns and Russians, they had a common tension to proceed immediately to the negotiations after the official greetings. In Russia, negotiations are like a game that consists of drinking tea, theatricality and sitting on the opposite side of the table. Then very clear factor of culture is the lack of women negotiators especially in the Russian energy business. All the negotiators were men and all the decisions were made by men. Women can only work as specialists or as an interpreter there. Power is distributed from top. There is still one strong leader who makes the final decisions on everything. Last, it has to be remembered that Russia is the biggest country in the world. That is why it has to be kept in mind that cultural factors in Russian business negotiations may vary a lot in different regions, e.g. negotiations in Siberia may vary a lot from the negotiations in St. Petersburg.

After working with this topic of cultural differences some thoughts about the further research in the field of culture and international business relationships came to mind. It would be worth studying how the role of culture affects in long-term cross-national business relationships. In other words, does the role of culture become less important when partners have known each others for several years? Other interesting topic for further research would be the impact of western business culture to other cultures. For example, how has the westernization affected the Russian business culture?

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APPENDIX

Appendix 1. The interview questions.

1. Neuvottelijat

Kuinka monta neuvottelijaa on yleensä neuvottelutilanteessa?

Millaisia rooleja neuvotteluryhmässä on neuvottelutilanteessa?

Onko neuvotteluissa selkeä johtaja?

Kokevatko venäläiset tittelit/asemat tärkeänä? Miten ilmenevät neuvotteluissa?

a. koulutus

b. ikä/senioriteetti

Onko sukupuolella väliä neuvotteluissa?

Pysyvätkö venäläiset aiheessa, vai vaihtavatko mielellään aihetta?

Mikä on suomalaisen tulkin rooli neuvotteluissa venäläisten kanssa?

Mitä tulee ottaa huomioon ruumiinkielessä?

a. Kättelyt? Kätelläänkö kaikkia?

b. Henkilökohtainen tila, pidetäänkö etäisyyttä vai ollaanko lähellä?

Vaikuttaako neuvottelijoiden asema henkilökohtaiseen tilaan? Esim. onko johtaja kauempana muista?

c. Vaikuttaako neuvottelijoiden yhteinen historia henkilökohtaiseen tilaan?

d. Ovatko ilmeet ja eleet tärkeä osa venäläisten viestinnässä? Millaisia havaintoja on venäläisten käyttämästä ruumiinkielestä?

- e. Voiko sanottuun asiaan uskoa, vai pitääkö totuus yhdistellä sanotusta ja ruumiinkielestä?

2. Luottamus

Mikä on luottamuksen asema, kun tehdään kauppaa venäläisten kanssa?

Mistä luottamus syntyy?

Puhutaanko jostain muusta ennen neuvottelua vai mennäänkö suoraan asiaa?

Mitkä ovat mielekkäitä keskustelun aiheita?

3. Tavoitteet

Kuinka selkeästi venäläiset ilmaisevat tavoitteensa neuvotteluissa?

Joutuuko tavoitteita selventämään?

4. Neuvottelutaktiikka

Onko teillä esimerkkiä venäläisten käyttämistä taktiikoista neuvotteluissa? Esim. viivyttely?

5. Konfliktit

Miten konfliktit selvitetään? Käytetäänkö ensin voimakeinoja, vai pyritäänkö heti kompromisseihin?

6. Päätöksenteko

Miten päätöksiä tehdään venäläisten kanssa?

Kuinka kauan päätöksentekoon menee aikaa?

Kenen kanssa sopimus allekirjoitetaan?

Pysyvätkö venäläiset sopimuksessa?

Laaditaanko sopimukset yksityiskohtaisesti vai yleiseltä pohjalta?

Kuinka suurta sinnikkyyttä vaaditaan, jotta päästään haluttuun lopputulokseen?

Mikä on "lahjusten" rooli venäläisessä neuvottelukulttuurissa?

7. Aikakonsepti

Ovatko venäläiset täsmällisiä?

Millä tavalla viivästymiseen suhtaudutaan?

Millaisia konflikteja voi syntyä viivästymisistä?

Millaisia kokemuksia on venäläisten järjestelmällisyydestä neuvottelutilanteessa?

Edetäänkö neuvotteluissa tietyn kaavan mukaan?

8. Uusi sukupolvi

Miten vanha ja uusi sukupolvi eroavat toisistaan?