



UNIVERSITETET I AGDER

# **Cultural Impacts on Business Negotiations in Emerging Markets**

Cases of Norwegian Enterprises in Indonesia

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ERLING TOBIAS SKALLEBERG

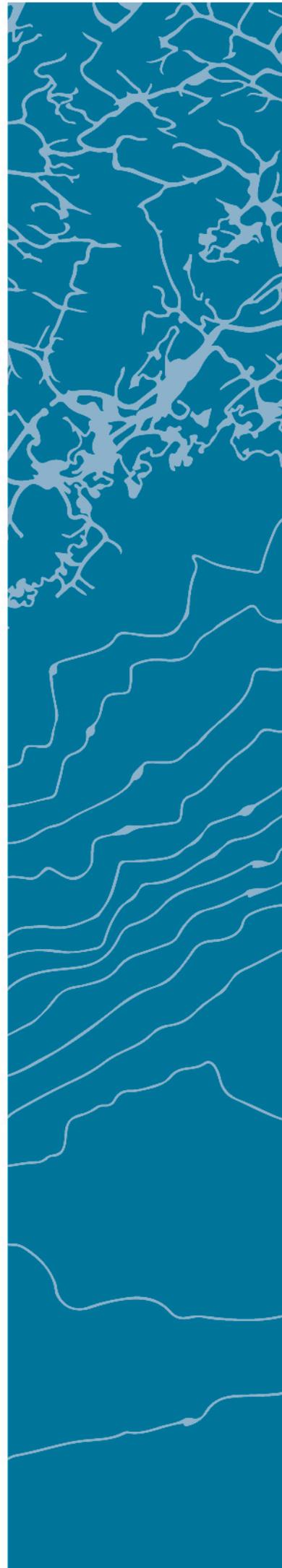
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## **Preface**

There were many factors that initially sparked our interest in the topic. One of the researchers was recently situated in Jakarta and received an authentic experience of how Norwegian business in Indonesia is conducted, through an internship position in a Norwegian enterprise. This led to a curiosity to further investigate what ensures successful operation in a cross-cultural environment. Furthermore, the researchers shared a genuine interest in cultural issues in business and started reviewing previous theory and literature on the topic. From this, a call for further research into the Norwegian-Indonesian negotiation situations was identified, followed by the creation of an agenda with an outline of research questions and preliminary drafts. This made the foundation for the thesis development.

*Christine Nathalie Abrahamsen & Erling Tobias Skalleberg  
Kristiansand, 20.05.18*

## Abstract

The main topic of this thesis is the cultural impact on successful business negotiations in emerging markets, with focus on Norwegian companies operating in the Indonesian market. The research problem is stated as: *How do cultural differences influence Norwegian managers' business negotiations in Indonesia?*

Historically, there have been several studies conducted on cross-cultural business negotiation. However, a study on what cultural factors impact Norwegian enterprises' negotiation with Indonesian actors has not previously been done. Therefore, this thesis seeks to contribute to explore the topic and provide a deeper understanding of the challenges Norwegian managers encounter in business negotiation processes in Indonesia. The findings could be of interest to other Norwegian enterprises operating in Indonesia, as well as to those planning on conducting business through negotiations there in the future.

The research method used in this thesis is a qualitative case study from a primary sample of four Norwegian companies with experience of operating in the Indonesian market. A secondary case study organisation was included to provide external viewpoints and relativity. Data was collected through in-depth interviews with people in current or previous managerial positions from each company. Finally, there are some personal observations from one of the researchers.

With a structural basis in the framework of international business negotiations by Ghauri and Usunier (2003) and Salacuse (1999), supported by other theory, the main findings in this thesis were that there indeed exist many cultural differences of impact. The business environment is arguably very complex, and culture is complicating the various types of negotiations among the participants. Findings suggest that the cultural impacts on negotiations must be viewed in the contexts of background, atmosphere, process and strategy, which are all dynamic and interrelated. Central results from the case study participants were differences in communication, collectivism versus individualism, power distance, hierarchical structures, time management and emotionalism. Above all, establishing trusted, personal relationships with the other negotiation party was found absolutely critical to business negotiation success. As negotiating in Norway might be an exercise in reasoning, negotiating with the Indonesians might be an exercise in harmony management.

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## 1. Introduction

The main topic for this master thesis is the cultural impacts on negotiations in emerging markets, with attention to cases of Norwegian enterprises operating in Indonesia. According to Salacuse (2010), negotiations are fundamental, critical, and ongoing processes happening in almost every international business situation. People working in international companies would have to engage in such activities on a regular basis and studies on intercultural business negotiations will have immense benefits for practitioners and researchers (Kumar & Bülow, 2011). Werner (2002) further stated that business negotiations in a cross-cultural environment are often overlooked and ranked it only 11/12 on the list of most researched topics in international business. Moreover, the situation of Norwegian enterprises negotiating in Indonesia remains unanswered, which is what this thesis seeks to explore. The aspiration is that central findings will provide a deep understanding and valuable insight for Norwegian enterprises currently operating in Indonesia and to those that will operate there in the future.

Markets are now emerging from new corners of the world. Asia is a continent dominating the list of countries that are experiencing explosive growth and are consequently areas of increasing interest to foreign investors (Bloomberg, 2016). The potential lies in the huge populations and growing middle classes with increased purchasing power. Despite the more dynamic business world and continuous globalisation, however, there still exist great cultural diversities. For a company to survive in this challenging marketplace, and especially in complex negotiation situations face to face with foreign actors, managers need to strengthen their cultural intelligence. As stated by Yeoh (2002, p. 16), *“from a management perspective, understanding cultural differences is essential for successful cross-cultural negotiations.”* Usunier (2003) supported this view and argued that the ignorance of the other party’s culture is one of the main obstacles to effective international business negotiations. Furthermore, Nixon (2012) stated that negotiating in Asia would be more difficult because of the unique cultural characteristics. In this thesis, the aim is to dig deep into the Indonesian culture and map out the specific cultural differences that may have an impact on the business negotiations.

An increasing number of Norwegian enterprises in various sectors are entering Indonesia, a vast country that is rich in natural resources. As of today, there are approximately 150 Norwegian companies operating in South-East Asia’s largest economy. The two countries are located on opposite sides of the world and are also culturally distant. According to Nixon

(2012), Indonesia can be considered as one of the most diverse countries in all of Asia, due to the many islands, ethnicities, languages, religions and traditions derived from its unique political history. The institutional context moreover involves high levels of corruption, which the national culture reflects. Doing business there is therefore not a straightforward process and it is necessary to build both awareness and competence. Meyer (2015) stressed the importance of first knowing your own culture and compare the relative differences with the foreign culture in order to find a successful approach. Because of this, the theoretical foundation in this thesis includes cultural perspectives from both countries. One of the researchers worked in Jakarta as an intern in Q-Free and experienced a Norwegian company's operation in Indonesia first-hand and attained many impressions of how business processes evolve. This sparked the interest for the thesis topic and led to the problem statement: *How do cultural differences influence Norwegian managers' business negotiations in Indonesia?*

This thesis follows a qualitative case study framework based on a sample of four Norwegian managers that are currently engaged or has been engaged in business operations in Indonesia. The managers all have a broad negotiation experience. A qualitative research method was chosen because it creates an understanding of the socio-cultural context with depth, detail and nuances (Sekaran & Bougie, 2013). Plakoyiannaki et. al (2017, p. 2) further argued that "*if we are to explain the uniqueness of management in emerging markets, qualitative research becomes critical.*" A case study maintained the interest of retaining a real, holistic perspective, which was also the main objective of the thesis. The data was collected through interviews of representatives from the case companies in addition to a representative from a secondary case company while reflecting on the researcher's own observations from the stay in Indonesia.

The thesis outline is organised in the way that the next two chapters are descriptive chapters, further explaining the Indonesian context, in addition to the challenges and opportunities that exist for Norwegian business operations in Indonesia. In Chapter 4, the theoretical framework and previous empirical findings are presented with four subsequent research questions related to the overall problem statement developed around appropriate theory. Afterwards, there is an explanation of the research method in chapter 5, followed by a presentation of the collected data in chapter 6. In chapter 7, the data is analysed, discussed and compared between cases in relation to the research questions and previous empirical findings. Finally, the thesis will accumulate in a conclusion in chapter 8, including any limitations to the study and recommendations for future research.

## **2. The Indonesian Context**

In this chapter, there will be an explanation of the Indonesian context and empirical setting. This will set the background of the theory regarding culture and negotiation, which will be discussed later. There will be a look at the broad term “emerging markets” before specific Indonesian aspects such as the political history, economic development, institutions and the island of Java are outlined. These are all central areas that have contributed to shaping the Indonesian culture and business landscape in which Norwegian managers negotiate.

### **2.1 Emerging Market**

“Progress, uplift and dynamism” are labels widely successful to define emerging markets (The Economist, 2017). However, emerging markets have traditionally featured defaults, crises and slumps and suffered from setbacks such as profligate Governments, fickle foreign capital and volatile commodity prices (The Economist, 2017). This has prevented long-term prospects and progress towards becoming mature markets, and due to the inability to grow steadily, they remain “emerging”. Rotting (2016) furthermore argued that formal and informal institutions have many effects and implications in emerging markets. Institutional voids, institutional pressures by local Governments and institutional change are examples of what shapes the economy. Khanna and Palepu (2010) stated that the term “emerging markets” was coined by the International Finance Corporation in 1981 and they are characterised as countries experiencing more fast-paced GDP growth rates than developed countries. Other emerging market criteria can be low to middle income, low standards of living and low industrialisation, but with openness to foreign investment, technology, economic liberalisation and economic growth (Khanna & Palepu, 2010).

Indonesia is a vast and tropical country with a population of approximately 260 million. There exist great diversities with more than 300 ethnic groups spread across 17508 islands, Java being the most populated, with the capital Jakarta as the economic centre (World Bank, 2016). Bahasa Indonesia is the main language, but there are in total approximately 250 regional languages and dialects (The Economist, 2018). According to Euromonitor International (2015), Indonesia is considered one of the “new emerging markets” along with Nigeria, Mexico, the Philippines and Turkey, which are predicted to become the new giants of the future.

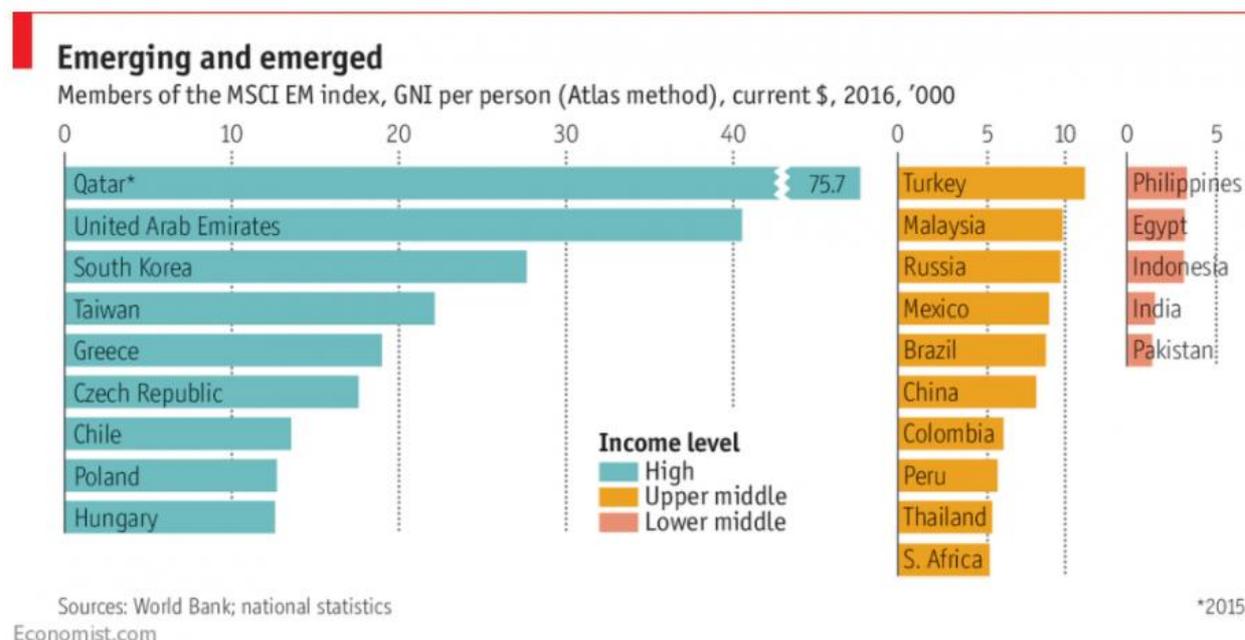


Figure 1: Emerging and Emerged Markets (The Economist, 2017).

From the figure above, one can see the 24 countries the Economist (2017) illustrated as “emerging” based on the MSCI Emerging Market Index, that measures equity market performance among global economies. Indonesia belongs to the lower-middle income level group, but is considered the 10<sup>th</sup> largest economy in the world, and the largest economy in South-East Asia in terms of purchasing power parity (World Bank, 2016). The GDP was 932.259 billion USD in 2016 and the country recently became a member of the Group of Twenty (G20), which is an international forum that comprises the most advanced and emerging economies (World Bank, 2016). Indonesia is also a member of the Association of South-East Asian Nations (ASEAN), along with Brunei, Cambodia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (ASEAN, 2015). The main purpose of ASEAN is to accelerate economic growth, cultural development and social progress through cooperative partnerships, joint endeavours and equality (ASEAN, 2015).

## 2.2 Indonesia’s Economic Development

Going deeper into what causes countries to emerge, economic growth happens when there is an increased national output of goods and services per capita over time (Nguyen, 2010). Developing countries are in a transitional phase characterised by fast-growing GDP. However, economic growth is just a small part of economic development, which is only effective when it

is sustainable, or when the growth rate can be maintained without causing economic problems for future generations (Nguyen, 2010).

Indonesia is part of the group of emerging economies; CIVETS, consisting of Colombia, Vietnam, Egypt, Turkey and South Africa and more often mentioned an appropriate candidate for the BRICs, along with Brazil, Russia, India and China (Indonesia Investments, 2015a). According to the World Bank (2016), Indonesia had a GDP growth rate of 5% in 2016, and from the figure below, one can tell that the GDP growth rate is continuously increasing (Trading Economics, 2018).



Figure 2: Indonesia GDP Annual Growth Rate (Trading Economics, 2018).

The political development has had a great impact on the Indonesian economy. The authoritarian regime “New Order” by the Suharto Government ensured rapid growth and Indonesia was called the “Asian Miracle” in the 1960s (Indonesia Investments, 2015a). However, the Asian financial crisis in 1997-1998 delayed trade performance and damaged the macroeconomic structure, which again damaged firms’ abilities to trade. Consequently, the Indonesian currency Rupiah depreciated, the inflation increased and much of the economic progress made under the new order regime was reversed (Indonesia Investments, 2015a).

The main industries contributing to the national economic growth and advanced potential in recent times are petroleum, natural gas, textiles, coal, food and tourism. Main drivers to this, are the foreign direct investments and the Government’s increased infrastructure focus, tax

incentives and capital inflows (Indonesia Investments, 2015a). The Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 20-year development plan focuses on infrastructure development and social assistance programs in health care and education to reduce poverty (World Bank, 2016). Other contributions are the diverse natural resources, a rapidly expanding middle class, prudent fiscal management, low labour costs and the strategic geographical location next to economic giants such as India and China (Indonesia Investments, 2015a).

### **2.3 Indonesia's Political History**

From the earlier discussion, it is clear that the political history has had an immense impact on the economic development in Indonesia. In this section, there will be a closer look at how it has evolved until today.

Throughout history, the geographic and ethnic diversity has favoured an authoritarian rule from individuals with skill and personal charisma (Indonesia Investments, 2015b). In the pre-colonial period, leaders and kings legitimised their power by acting as masters and godlike figures (Reid, 1998). Then, in the colonial period, Europeans arrived with more advanced technology and weaponry. The Portuguese and Dutch became influential powers that dominated the archipelago with their political framework and management style (Lindblad, 2008; Rowley & Warner, 2010). Their operation was later transferred back into the Netherland's rule because the management needed more financial and military support, before the first Indonesian president, Sukarno, arose against the colonisers (Nguyen, Nguyen, & Richter, 2003). At first, he faced challenges in guiding a new nation with inexperienced politicians, which resulted in some chaotic years. Suharto's new order in the 1960s, however, ensured economic development and poverty reduction, but with a cost of suppression (Fionna, 2013; Indonesia Investments, 2015b; Nguyen et al., 2003). Suharto's authoritarian regime ended in 1998 as he lost control of power, and the reformation period of Indonesia began (Aspinall, 2005). Constitutional amendments were made to reduce the power of the executive branch and prevent dictatorships (Fionna, 2013; Indonesia Investments, 2015b). Thereby, the Indonesian people were given more power in political decision-making through structural changes, but with continuities of poverty and social differences in the society.

Today, Indonesia has over 500 autonomous, local Governments with the potential to accelerate growth. The new initiation named the "Local Government Decentralised Project" aims to

ensure that money allocated by the central Government is well spent with improved transparency and accountability (World Bank, 2017). The current political system is furthermore characterised by free and fair presidential and parliamentary elections every five years and is doing steady progress towards developing the world's largest constitutional democracy (Rowley & Warner, 2010). The current President, Joko Widodo, will continue his first presidential term and is expected to run for re-election next year (The Economist, 2018). Although there is a separation of power (Trias Politica) between the executive, legislative and judicial branches, the Government is not free from corruption. There is still a lack of effective checks on arbitrary rulers, replacements to honest rulers and participation of ordinary people in rule-making (World Bank, 2003). Indonesia is therefore regarded as a "flawed democracy" according to the Economist Intelligence Unit's Democracy Index (The Economist, 2018).

## **2.4 Indonesian Institutions**

Indonesia is a complex country with many business risks due to a dynamic institutional environment. Therefore, it is essential to be aware of the legal, political, financial and social institutions determining the ease of foreign business negotiations and shaping the cultural characteristics.

Father of the field, Douglass North (1995), defined institutions as "the rules of the game", both formal and informal, followed by structured players, or organisations, about how to behave in various contexts. North (1995) claimed that institutions are created to serve the interests of those with the bargaining power to create new rules. The New Institutional Economics (NIE) focus attention on the fact that countries are affected by the institutional structure such as states, firms, and social norms (North, 1995).

Informal institutions, or the norms and behaviours, are created to fill the vacuum left by existing formal institutions (Scott, 2014). Indonesia is a vast country, religiously diverse and containing a variety of ethnicities. Moreover, Indonesia is plagued by extractive traditional social institutions with income poverty, gender inequalities and inadequate social safety nets (SIGI, 2014). Looking at the Gini ratio of 0,39 where 0 is perfect equality among inhabitants, and 1 is perfect inequality, there still exists wealth disparity (World Bank, 2016). The many local cultures that are more and more enriched by urban culture are consequently affected by the informal institutions.

The formal institutions are typically the judicial regulations, political laws and financial contracts, or the authorities the company operating in Indonesia may face (Peng, 2014). Indonesian laws are unclear and conflicting, which makes formal dispute settlement mechanisms quite ineffective. The Judicial Commission (Komisi Yudisial) moreover tend to oversee behaviour maintenance of Indonesian judges and there are many claims that the judiciary institution is not free from corruption (Indonesia Investments, 2015b). Chan (2014) argued that Indonesia lack a rule of law, which together with corruption, affects corporate governance, raises business costs and shatters the business environment.

In the political institutions, which are not entirely independent from the judicial branch, there is a lack of transparency and honesty. This means that there is corruption, collusion and nepotism where political positions in the Government can be bought (Indonesia Investments, 2015b). Islamic principles also play an important role in the political decision-making (Formichi, 2012). There has been a decentralisation of the state where power has shifted towards lower administrative units, influencing the state decision-making (Prasad, 2012). The new interplay between the state centre and the regions means that the state maintains the legal grip, but acts as a religious moral guard of national laws influenced by Islamic principles (Prasad, 2012). The years since Suharto's fall, therefore, involved a political transformation period but has now reached a relative stability.

As for the economic institutions, Indonesia is considered as a market economy where state-owned enterprises and conglomerates dominate the economy and concentrate wealth at the top of the society (Indonesia Investments, 2015a). However, the 99% small and medium enterprises are important too, standing for 60% of GDP and creating employment. There have been recent upgrades in the credit ratings by international financial services companies, prudent fiscal management and low Government debt that attract financial inflows (portfolio and FDI). These institutional enhancements have led to a steep increase in the economy since the Asian financial crisis in 1997-1998 and the global financial crisis in 2008 (Indonesia Investments, 2015a).

### **2.4.1 Corruption**

Corruption is perhaps the most central political institutional void in Indonesia. Corruption can be defined as "*the use of bribery to influence the actions of a public official to obtain private gains*" (Black, Hashimzade, & Myles, 2012 para. 1). The global coalition against corruption

also commonly characterise it as an abuse of entrusted power for private gain (Transparency International, n.d).

Corruption arguably makes it harder for foreign companies to operate in emerging markets because of regulations and increased transactional costs (Cintra, Cassol, Ribeiro, & de Carvalho, 2017). Central problems in Indonesia are the traditions of favours, secrecy and insufficient governance mechanisms to secure transparency (World Bank, 2003). Transparency refers to “*shedding light on rules, plans, processes and actions to know why, how, what and how much*” (Kaymak & Bektas, 2015, p. 15). This means that it ensures visible action of public officials, and consequently of managers and board members in organisations so that the general public can hold them accountable and increase trust (Transparency International, n.d). At the first transparency index measurement of the country, the headline was “New Zealand Best, Indonesia Worst in World Poll of International Corruption” (Lambsdorff, 1995). Transparency International’s (2017) Corruption Perception Index indicates that Indonesia now scores 37 on a scale from 0-100, where 100 is very clean. This is illustrated in the figure below.

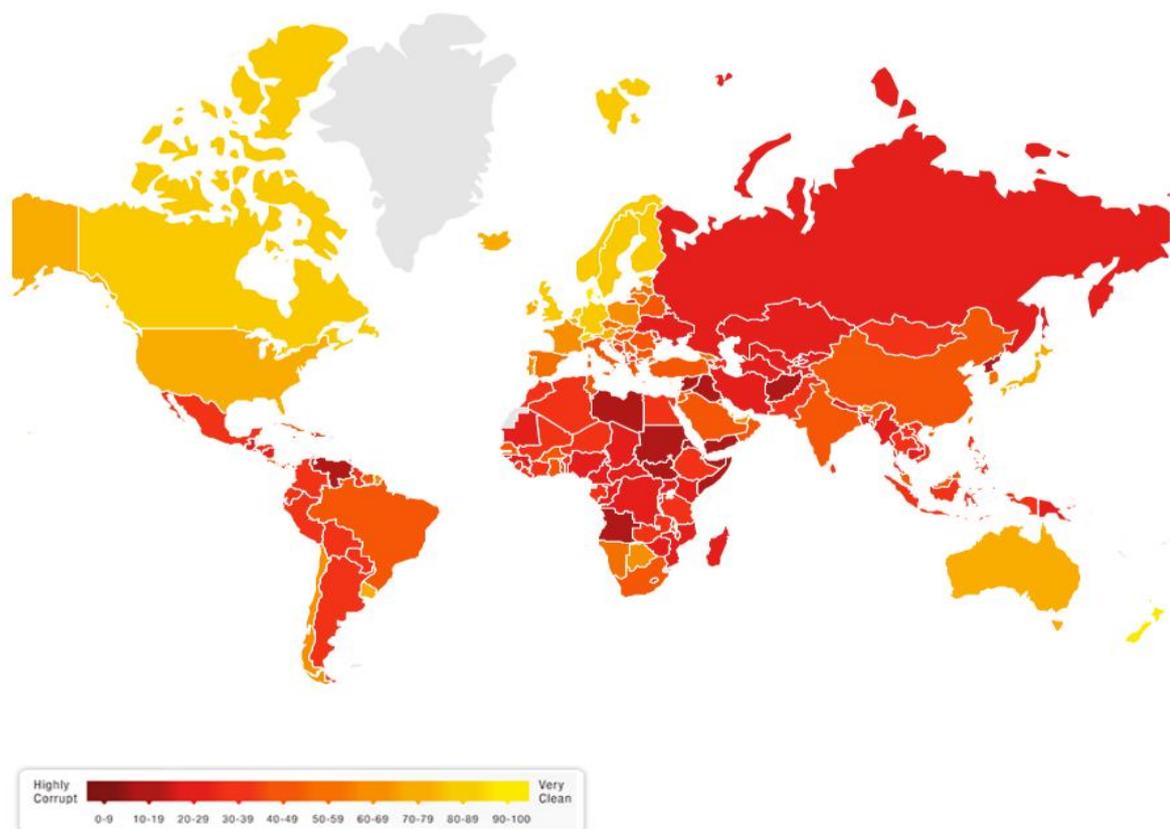


Figure 3: Corruption Perception Index 2016 (Transparency International, 2016).

The figure shows that corruption is still a problem, but the transparency report reveals that the level of transparency is increasing by the strengthening of free media (Transparency International, 2017). The positive trend is also due to the implementation of several initiatives, starting in the year 2000 with the Corruption Prevention and Eradication (CPE) and the enacted Law no. 7, which mandated the establishment of agencies and institutions in support of CPE. It also includes the Corruption Eradication Commission (KPK), Financial Transactional Analysis and Report Centre (PPATK) and the Witness and Victim Protection Agency (LPSK). Also, in 2015, Indonesia implemented the G20 principles of open data (Isra, Yuliandri, Amsari, & Tegnan, 2017; Maail, 2017).

When operating in Indonesia, one should be aware of corrupt systems that tend to increase transaction costs and time investments. The World Bank (2003), further stated that corruption largely affects business operation in such environments. A corrupt action normally consists of a small fee for a service, usually provided by a consultant (Gray, 2012b). Avoiding this can become costly as it may lead to budget losses, longer time for approvals and negative response from officials (Venkatesan, 2015). However, Brett (2014) argued that companies that face corruption should either publicize the corrupt activities, unite with other firms to resist corruption, promote non-governmental organisations (NGOs) working against corruption or choose to not invest at all. *“If people refuse to engage in corruption, the trust will be high, transaction cost will be low, and integrative potential should be realised”* (Brett, 2014, p. 201).

Corruption impacts business operations and briberies will likely impact the process and level of inventive and sustainable business negotiations (Graham, Lawrence, & Requejo, 2015). Here, briberies have mainly been exercised to save time in building trust. Gray (2012) stated that corruption is an essential part of the Indonesian business system, including the negotiating process, although it has changed over time and is less present in some industries today.

#### **2.4.2 Religion**

Religion and belief is perhaps the most central social institution in Indonesia because it is big a part of peoples' identity and the national culture (Colbran, 2010).

Indonesia is considered a secular democratic and religiously diverse country. The Government guarantees freedom of worship according to each inhabitant's own belief, as long as they belong to one of the six official religions and not atheism (Indonesia Investments, n.d-a). Yet,

Indonesia holds the world's largest population of Muslims, accounting for about 87% of the population (Colbran, 2010; Indonesia Investments, n.d-a). This constitution projects that the state is based on the belief "the one and only God", formed by Indonesia's first president, Sukarno, in 1945 (Indonesia Investments, n.d-a). The philosophy is also one of the five parts of the official, foundational state philosophy, "Pancasila", that also comprises civilised humanity, a unified Indonesia, democracy and social justice (Burdzik, 2017). Even though Indonesia is not an Islamic state ruled by Islamic law, Islamic principles often influence political decision-making and extremist Muslim groups have sometimes succeeded in influencing politicians with threats of violence (Indonesia Investments, n.d-a).

Religion is important for cross-cultural research because it occupies a substantial amount of people's lives and value sets. It is furthermore a predictor of important life domains among individuals and influence cultural dimensions such as attitudes, opinions, behaviours, beliefs and practices (Tarakeshwar, Stanton, & Pargament, 2003). Core Muslim values include good intentions, justice, respect for humanity, welfare, compassion and care of family members (Indonesia Investments, n.d-a).

## **2.5 The Island of Java**

Indonesia is a country of great diversity and generalising the national culture is probably not feasible. There are particularly visible differences in culture between the biggest islands of Java, Sumatra, Kalimantan, Bali and Sulawesi (Mangundjaya, 2012). However, many researchers have argued that the Island of Java is home to the main Indonesian culture (Selvarajah, Meyer, Roostika, & Sukunesan, 2017). Being the most populated island, it is commonly considered as "the main land", built on values, ideologies and religions developed throughout a unique history (World Bank, 2016).

In the pre-colonial era dated back to the late fourteenth century, the Majapahit and Mataram kingdoms ruled Java (Irawanto, Ramsey, & Ryan, 2011). These kingdoms were proponents of Hindu and Buddhist faiths, but merged with the Islamic faith that arrived with the first Muslim missionary from the Middle-East (Irawanto et al., 2011). During the colonial era with the Dutch settlement in 1596-1945, the Mataram kingdom was fragmented into two sub-kingdoms, creating four ruling empires that shaped the Indonesian legal structures (Irawanto et al., 2011). Indonesia gained independence in 1945 and after that, the country was ruled by the

nationalist party, which brought values such as representative democracy, nationalism and social justice based on Marxist ideology (Irawanto et al., 2011; Lindblad, 2008). Suharto's new order was adopted by the Government departments and the military, influencing the political, economic and social institutions (Anderson, 1983). Suharto was Muslim and created the Javanese-Islamic values, which stress peacefulness and the importance of respecting God, teachers, kings and parents (Irawanto et al., 2011). The value of "carry high, bury deep" was funded, and means that you shall not talk of a person's infamous deeds, but talk only of the good (Irawanto et al., 2011). Until today, the Javanese values are still present and visible in the national and organisational cultures. For example, patterns of dissatisfaction among the people might have roots from Suharto's Javanese-Islamic values. However, the tendency of suppressing dissatisfaction, shying conflicts and respecting hierarchies appear through the values of keeping harmony (Gray, 2012b; Irawanto et al., 2011; Sulistiyono & Ibnu, 2016).

The Javanese culture involves an ideology of peacefulness, politeness and calmness (Irawanto et al., 2011). Mangundjaya (2012) supported this view in his research, where 2025 Indonesian respondents from various ethnic backgrounds were surveyed to find the differences between them. The Javanese people scored particularly high on values of taking care of primary relatives and caring about other people's feelings and well beings (Mangundjaya, 2012). They moreover tend to avoid conflicts and enemies at any cost to maintain stable, predictable and harmonious conditions (Mangundjaya, 2012).

Innovation Norway (2017) argued that Indonesia possess one of the most traditional cultures in all of South-East Asia, which is rooted in traditional and conservative attitudes. The Javanese culture was defined as "*the main national culture which to the largest extent impact the overall society, bureaucracy, politics, and consequently business activities*" (Innovation Norway, 2017, pp. 7-9). Several studies have furthermore concluded that organisations in Indonesia tend to operate in accordance with Javanese values (Irawanto et al., 2011). It has therefore shaped the country's, social, political and organisational systems (Pruetipibultham, 2012; Sarsito, 2006). Based on this research, Javanese culture is referred to, and applied as, Indonesian culture later in this thesis.

The Indonesian context outlined in this chapter is of great importance to the opportunities and challenges Norwegian enterprises encounter in business operations in Indonesia. A more thorough discussion of the commercial establishment will follow.

### **3. Norwegian Business Operations in Indonesia**

In this chapter, there will be an outline of the past and current Norwegian commercial establishment in Indonesia, including opportunities and challenges. This will ensure further background knowledge and relevance of the topic of cross-cultural business negotiations.

#### **3.1 History**

Ties between Indonesia and Norway date all the way back to 1906, with the establishment of the Norwegian honorary consulate general, followed by the establishment of diplomatic relations (Rakhmat, 2016). The Norwegian ambassador was first stationed in the Bangkok and Manila offices, with diplomatic relations between Norway and Indonesia already in the 1950s (Norway, 2018). Since 1971, the Norwegian Embassy in Indonesia has been represented in the country, now located in Kuningan, Jakarta and has dual accreditation to East-Timor and ASEAN (Norwegian Embassy, n.d). The current ambassador in Indonesia is in charge of the continuous strengthening of relations between the countries in many fields (Norway, 2018). One key task of the foreign service at the Embassy is to promote Norwegian business interests abroad and act as a door-opener for Norwegian companies that wish to get in touch with relevant Indonesian stakeholders. The Embassy has also joined efforts with Innovation Norway, the Seafood Council and the Indonesia Norway Business Council, called “Team Norway” (Norway, 2018). Together, they arrange events and activities in venues where managers can network and promote Norwegian business in Indonesia. Innovation Norway opened its office in Jakarta in 2012 and has since then, cooperated closely with the Norwegian Embassy in the commercial sector (Innovation Norway, 2018a). Through assistance, Innovation Norway eased the establishment of the current Norwegian companies in the Indonesian market (Innovation Norway, 2018a). The initiative of establishing the “Joint Commission for Bilateral Cooperation” found place in 2013 (Rakhmat, 2016).

#### **3.2 Current Business Presence**

Today, there are approximately 150 Norwegian companies operating in Indonesia in some way (Norway, 2018). Almost 60 Norwegian companies are established in Indonesia with representative offices, direct establishment with a subsidiary, joint venture, agents or export, according to Innovation Norway (2018a). Primarily, this includes sectors of energy, oil and gas and aquaculture, but also increasingly renewable energy and green technologies, which is illustrated in the figure below.



Figure 4: Norwegian Companies in Indonesia (Innovation Norway, 2016).

### 3.3 Future Opportunities and Challenges

In a speech regarding the Norwegian industry in Indonesia, the Prime Minister of Norway said that “*there is a significant upgrade of the country’s infrastructure and energy sector and enhancement of Indonesia’s maritime potential. In other words, there are plenty of opportunities here for Norwegian companies*” (Solberg, 2015, para 3). Indonesia being a large country that is highly populated with a growing middle class, there exist excellent opportunities for future, foreign business. With the Indonesian Government’s development plan and implementation of reforms to improve the business climate, they aim to transit into an innovation-driven, developed country by 2025 with more foreign and domestic investment (Indonesia Investments, 2015b). The country is experiencing great economic growth that is supported by the demographic potential, geographical advantages and natural resources such as metal, gas, timber, fish and oil (Santander Trade, 2018). Most recently, Indonesia has been focusing on the deep-water oil field developments, which are said to boost oil production by 2022 (Innovation Norway, 2018b). This is a field where Norway has great exploitation potential, in addition to the maritime, energy, technology and shipping sectors (Norway, 2018). Cooperation on sustainable solutions, sharing of knowledge, expertise and effective implementation can lead to great value creation (Norway, 2018).

The challenges of doing business in Indonesia can be manifested in the development gap between the Western and Eastern parts of Indonesia, the poor infrastructure connectivity to the regions and climate threats such as rising sea levels, rising air temperatures and extreme weather. The quality of human resources also poses a challenge, as 50% of the workers have only primary school education and only eight percent have a diploma (Indonesia Investments, n.d-b). Although Indonesia climbed the rankings in The World Bank's "ease of doing business index" (2018) 19 positions in one year, the country is still ranked number 72 out of 190 countries, meaning the regulatory environment is only somewhat conducive to firm operation. On average, it takes approximately 23 days and a total of 11 procedures to start up a business here (World Bank, 2018).

Finally, yet importantly, a commonly overlooked obstacle in international business is the cultural aspect (Peng, 2014). According to Shenkar (2012), despite fast-moving globalisation, there exist different cultural characteristics between all countries in the world, and the cultural distance is closely linked to how successful foreign business investments are. Indonesian culture is very distant from Western cultures, making Indonesia a complex arena for business, also for negotiations. In a brief interview on 05.03.18 with Borgar Olsen Tormodsgard, Secretary of Political Trade at the Norwegian Embassy in Jakarta, he stated that there certainly are cultural differences that affect Norwegian company's business negotiations in Indonesia. *"Indonesian culture is diverse and very different from how we know it in Norway. If you do not pay attention to cultural differences in dialogue with foreign business partners, the likelihood of successful negotiations is slim."* Consequently, Tormodsgard considered it vital to not oversee cultural nuances and lose opportunities, but to rather *"understand each other and build trust between the negotiating parties."*

## 4. Theoretical Framework

In the following, an overview of the most central theoretical considerations to the topic is presented. There will first be an introduction to business negotiations and culture. The next part presents perspectives on cultural impacts on business negotiations and the relation between the topics. Lastly, the factors that will form a foundation for this thesis' research are outlined, followed by related research questions.

### 4.1 Business Negotiation

Ghauri (2003, p. 4) defined business negotiation as *“a critical, problem-solving approach, where the two or more parties involved perceive the negotiation as a process to find a mutually acceptable solution to their different needs.”* If business negotiations are properly handled, it may contribute significantly to business success, such as better business relationships, long-term solutions and less future problems (Ghauri & Usunier, 2003). The processes of negotiations usually begin with searching for opportunities and the best partners to develop trusting relationships with (Graham et al., 2015). Ehlich and Wagner (1995) furthermore argued that the process of negotiation requires a give and take. The aim should be to avoid arguing and to create constructive interactions regardless of interest differences. Moreover, an ideal business negotiation is when one party can make concessions that mean little to them while giving something that means a lot to the other party (Ehlich et al., 1995).

Previous research on the topic has focused on several different areas that impact the negotiation process. Graham et al. (2015, p. 36) considered negotiations as *“inventive”*, where *“there is a use of innovation processes to build long-term relationships and for finding and exploiting extraordinary opportunities.”* Other areas are the role of emotions (Barry, Fulmer, & Van Kleef, 2004), cognitive biases (Thompson, Neale, & Sinaceur, 2004), culture and emotions (Kumar, 2004), social and epistemic motivation (De Dreu, 2004), and communication (Weingart & Olekalns, 2004). A major theory regarding business negotiations however, is the *“best alternative to a negotiated agreement”* (BATNA) (Brett, 2014). BATNA can be regarded as a source of power in negotiations because when the BATNA is successful, the negotiator is likely to receive more from the other negotiator party. With a poor BATNA, and the counterpart is aware of it, the negotiator can still make high demands, but the counterpart will most likely not offer more than the alternative (Brett, 2014). There are consequently several important aspects to consider in the broad and complex topic of business negotiations.

## 4.2 Culture

Culture has been defined by many scholars and authors. Meyer (2015) stated that culture consists of value sets, belief systems, norms, behaviours and morals among people. Hall (2001) called it “the silent language”, which includes the language of time, space, things, friendship and agreements.

The arguably most famous researcher of culture, Geert Hofstede (1984, p. 82) defined culture as “*the collective programming of the mind which distinguishes the members of one group or society from those of another.*” Hofstede’s (1984) cultural dimension framework provides a basic insight into national culture and thereby cultural dimensions in management and planning. Originally, it consisted of five dimensions, before a sixth dimension was added (Hofstede, 1984). The research makes it possible to compare the relative differences between countries according to power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term orientation versus short-term orientation and indulgence versus constraint (Hofstede, 1984). Later, the “global leadership and organisational behaviour” (GLOBE) framework was developed, adding three more cultural dimensions. This was a result of a study including data from companies operating in 62 countries around the world (GLOBE, n.d).

The cultural dimensions of Hofstede that are most widely used by cross-cultural researchers are according to Kumar and Bülow (2011), individualism versus collectivism and power distance (Kumar & Bülow, 2011). Individualism versus collectivism is a social framework where individuals are either supposed to care for themselves and immediate family or where individuals can expect their relatives or other in-group members to look after them in exchange for loyalty. “*Generally, the dimension refers to peoples self-concept of I or we*” (Hofstede, 1984, p. 83 para. 2). The other construct from Hofstede (1984), power distance, refers to what extent the society accepts power to be unequally distributed. High power distance cultures are usually hierarchically structured, where everyone has their own position in the society. Cultures with low power distance usually demand justifications for power inequalities (Hofstede, 1984). Developed markets and emerging markets tend to have quite different scores regarding the two dimensions.

Norway is considered an individualistic country with low power distance (Hofstede, 2018a), and Indonesia as the complete opposite, as illustrated in the figure below (Hofstede, 2018b). Only power distance and individualism versus collectivism are included in this thesis because these illustrates the most significant differences between the countries that are investigated.

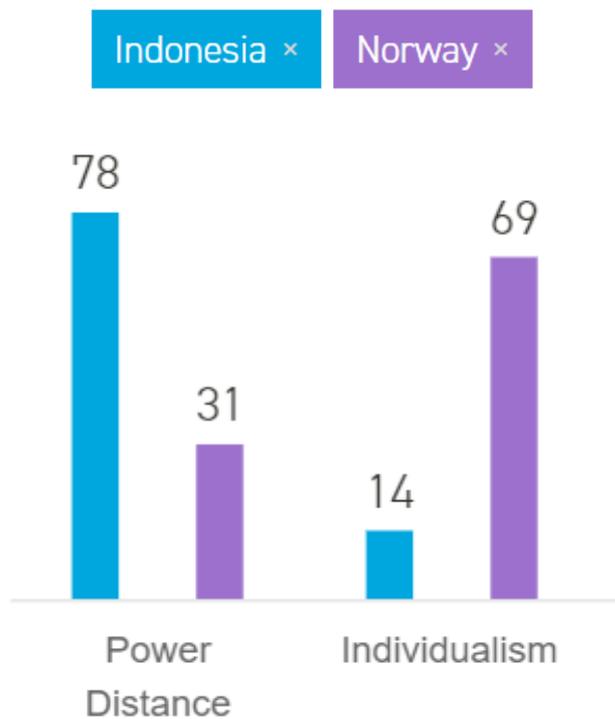


Figure 5: Hofstede's Cultural Dimensions of Indonesia and Norway (Hofstede, 2018b).

However, GLOBE and Hofstede's framework are criticised for generalising national cultures and several other cultural theories are therefore necessary to apply in discussions of culture. Hall (1979) created a widely famous cultural framework, known as the low-context versus high-context continuum. This refers to how communication can either be explicit (low-context) or implicit (high-context) (Hall as quoted in Manrai & Manrai, 2010). In low-context cultures, what is said is usually what is meant, whereas in high-context cultures, the emphasis is to a larger extent placed on nonverbal, contextual factors, such as who, when, how, where and why (Hall, as quoted in Manrai & Manrai, 2010). Additionally, high-context cultures focus on connections and relationships, whereas in low-context cultures, the relationships are more fragile and it is easier to withdraw from responsibility if things are not going well (Kim, Pan, & Park, 1998). Norway is commonly regarded as a low context society and Indonesia one of the highest context societies in the world (Meyer, 2015).

Brett (2014) mapped cultures according to “dignity” and “face”. East-Asian countries were considered face cultures and Western countries as dignity cultures. The characteristics of both cultures are illustrated in the table below.

Characteristic	Dignity	Face
Geographical location	Western Europe, North America	East-Asia
Self-worth	Self-determined variable	Socially conferred stable
Power and status	Egalitarian dynamic	Hierarchical stable
Sensitivity and response to insults	Low sensitivity	Medium sensitivity
Confrontation style	Direct, rational and unemotional	Indirect, control and emotions, refer to social superiors to punish
Trust	Swift trust of in-groups and out-groups	Distrust of out-groups and often also in-groups
Mindset	Analytic	Holistic

Table 1: Characteristics of Dignity and Face Cultures (Brett, 2014).

Face cultures tend to emphasise the collective society, whereas dignity cultures usually emphasise the individual (Brett, 2014). Common norms in dignity cultures are, according to Brett (2014), to act directly, rational and rather unemotional, similar to the low-context continuum by Hall (1979). In face cultures, however, the norm is to maintain harmony and stability by indirect confrontation and respect of authorities (Brett, 2014). This holistic mindset means that such cultures tend to focus on both the problem and the context, also similar to the high context continuum by Hall (1979).

### 4.3 Perspectives on Cultural Impacts on Business Negotiations

There has been some previous research on cultural impacts on business negotiations. For example, it has been said that “*negotiations are not only based on legal business matters (hard facts) but also the quality of human and social relations (soft facts)*” (Ghauri & Usunier, 2003, p. 98). Salacuse (2010, p. 197) stated that “*negotiation is a pervasive, ongoing process fundamental to any international business activity; consequently, those who would engage in*

*international business have to negotiate on a day-to-day basis.*” Meyer (2015) further stated that in order to succeed in international negotiations, it is important to know the relative difference in cultural values between the negotiators. Gesteland (2012, p. 22) supported this view and developed two “iron rules” of international business, where *“the visitor is expected to understand the local (host) culture and the seller is expected to adapt to the buyer.”* Olivia and Dedzo (2017) found that culture had a significant impact on strategies in international business negotiations, what concerns styles and behaviours, similar to Fletcher and Crawford (2013) whom found that international negotiations demanded advanced planning. *“Of particular importance is the development of a strategy, choosing the correct negotiating team and researching the context in which the negotiation will take place”* (Fletcher & Crawford, 2013, p. 146). Brett (2014) built on this and argued that in negotiations, people of different cultures tend to have conflicting interests and are interdependent. Therefore, it can be important to carefully observe and adapt to the other party. Miller (2014, p. 201) also stated that *“a successful negotiation process starts with a good look in the mirror,”* because not knowing own instincts, intuitions and responses will make it harder to develop strategies for successful negotiations.

When it comes to Western business negotiations in Asia, Nixon (2012) argued that this tend to be more challenging because of the unique socio-economic history and the cultural and linguistic diversity among the Asian people (Nixon, 2012). Other challenges relate to age differences because the new generation is found to adopt other cultural traits better than older generations (Vieregge & Quick, 2011). Culture is moreover a phenomenon usually varying between countries, whereas negotiations are content-specific, dynamic processes. Ghauri and Usunier (2003) therefore highlighted that cultural dimensions should not be used as isolated predictors on the negotiation process. On the contrary, *“it should be applied in conjunction with key aspects of the structure and the context of the negotiation”* (Hofstede & Usunier as quoted in Ghauri & Usunier, 2003, p. 153).

In a study conducted by Market Watch (Jensen, 2012), about international business negotiations among 1000 professionals with various backgrounds, only two out of three negotiators were able to reach an agreement. On average, the negotiators missed 40% of potential value in the transaction during the face-to-face negotiation around the table. Jensen (2012), an expert in the field, highlighted the importance of being prepared and increasing the negotiation skills.

Moreover, consideration of trust, cooperation and openness can, according to him, lead to more successful outcomes (Jensen, 2012).

Ghauri (1988) conducted three case studies on international business negotiations where the Swedish firms were sellers and the Indian and the Nigerian firms were buyers. The first case was about the negotiation between the Swedish supplier of Pulp Mill, Defibrator, and the Indian firm, Hindustan Paper Corporation (HPC). The second case study was about the negotiation process between two Swedish firms; ASSI, the buyer, and Sounds AB, the supplier. In the third negotiation case, the selling firm was Power, a supplier of electric power systems, and the buying firm was the state enterprise Tender Board (TB) in Nigeria. In all three case studies, the negotiations appeared cooperative. However, of particular interest, was that some conflicts were caused by geographical distances and contradictory environmental backgrounds (Ghauri, 1988). The selling firms generally attempted to take advantage of their relative power, but this annoyed the buying firms and the sessions usually ended in deadlock. This had a considerable impact on the atmosphere, as some issues created cooperative atmospheres, and some led to conflicts (Ghauri, 1988). The power versus dependence relationship was determined by the market position, as the firm with the best market position had more power. The study also revealed that the negotiating party in charge of developing the contract was in possession of more power. Third parties were involved in the Indian and Nigerian cases because the buying firm had to receive governmental approvals for many issues (Ghauri, 1988).

Conclusively, the case studies revealed that Western firms negotiating in developing countries should consider four main aspects (Ghauri, 1988). First, the time demand, because negotiation processes with unfamiliar counterparts took more than double the time as negotiating with familiar counterparts. It was due to unfamiliar counterparts found important to have patience when negotiating in developing countries (Ghauri, 1988). Second, the contents of the deal are essential to consider, meaning any political issues, restrictions and economic conditions between the countries. Third, understanding the other party's position and situation was important to avoid deadlock. This is because companies from developing countries are sometimes constrained by governmental rules and regulations. Finally, Western firms negotiating in developing markets should consider the relative power, as the negotiating party with more relative power are usually in a better position. Gathering information and having knowledgeable arguments might contribute to increase this relative power (Ghauri, 1988).

Findings from these case studies led to the creation of a theoretical model called “the process of international business negotiation” (Ghauri & Usunier, 2003). Because the model is based on solid previous research that successfully connects culture with negotiation, it constitutes a suitable framework for this thesis, which aims to research a similar topic. The framework contains five main variables; culture, background, atmosphere, process and strategy. All factors influence each other because international business negotiations are dynamic activities (Ghauri & Usunier, 2003). These dynamics make the model quite complex and it is illustrated below.

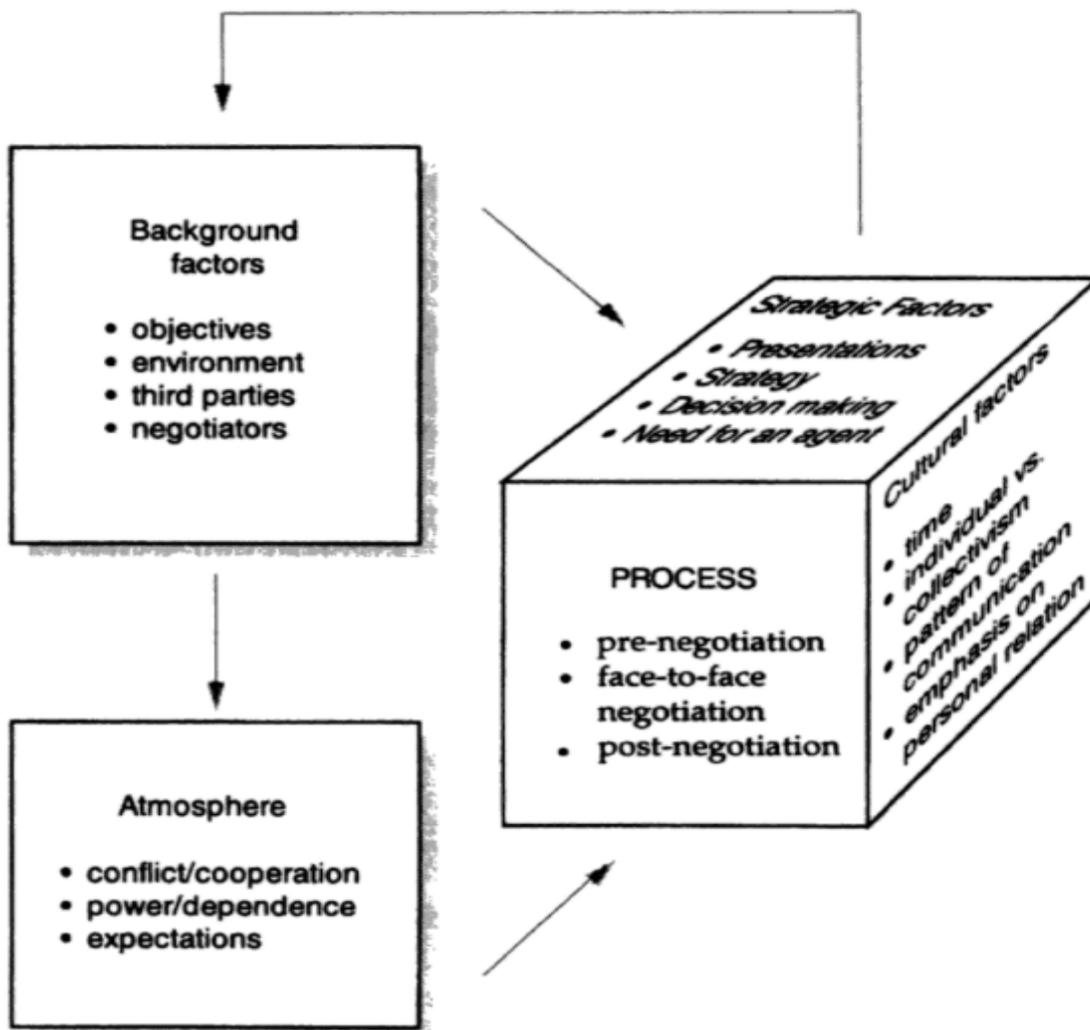


Figure 6: International Business Negotiation (Ghauri & Usunier, 2003).

The main purpose of this thesis is to investigate the cultural factors that impact the negotiations, including the background, atmosphere, process and strategy. Culture is therefore prevalent through the whole negotiation model as an independent variable and the framework has been adapted to the model below.

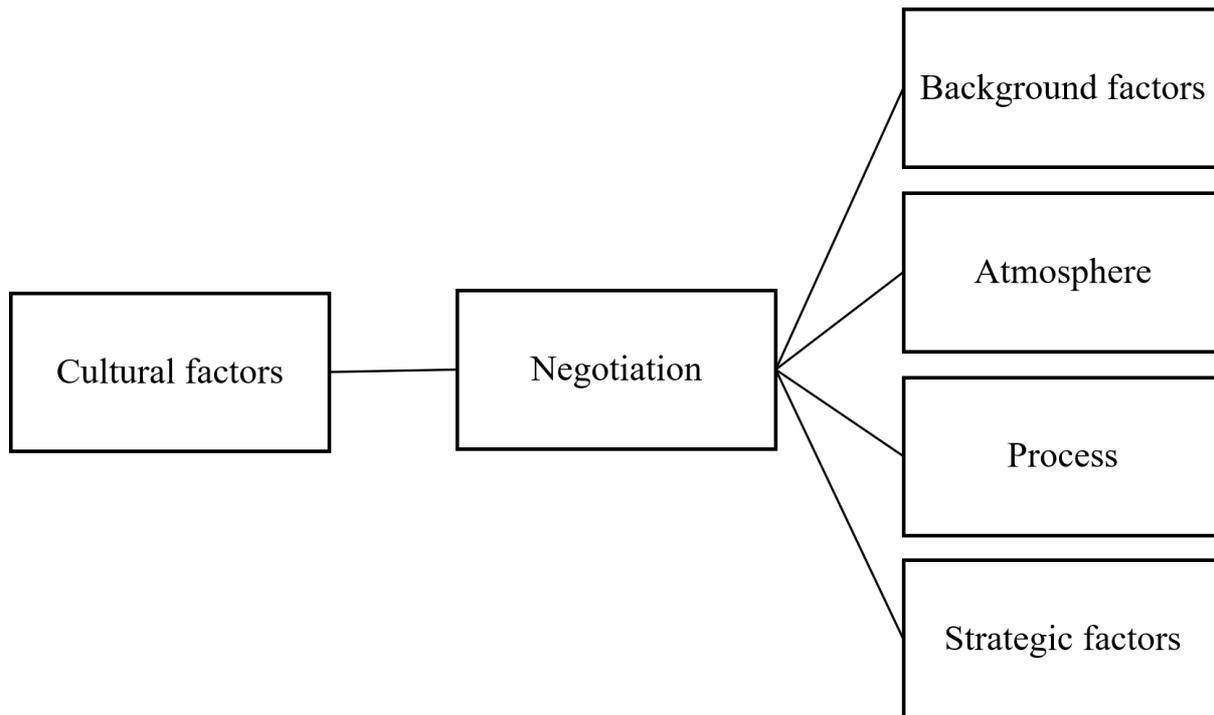


Figure 7: International Business Negotiation, Adapted from Ghauri & Usunier (2003).

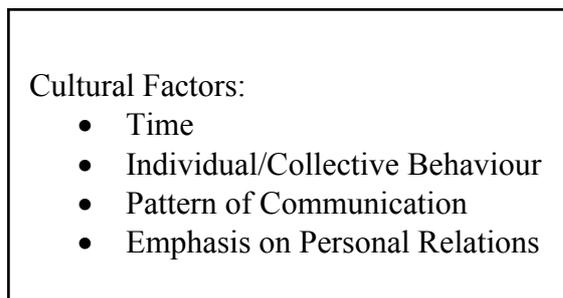


Figure 8: Cultural Factors (Ghauri & Usunier, 2003).

The cultural factors listed by Ghauri and Usunier (2003) in the figure above, contain four main factors; time, individual versus collectivist behaviour, pattern of communication and emphasis on personal relations. Salacuse (1999) argued that cultural differences among negotiators are a constant that influences the business negotiation style. Lewicki and Hiam (2011, p. 19) supported this argument and further stated that “*style flexibility is one of the hallmarks of the master negotiator.*” A negotiation style refers to how people from different cultures behave when negotiating and identifying such styles, or traits, can therefore, be helpful to achieve successful business negotiation outcomes (Salacuse, 1999). The cultural traits and their impact on negotiation are listed in the figure below.

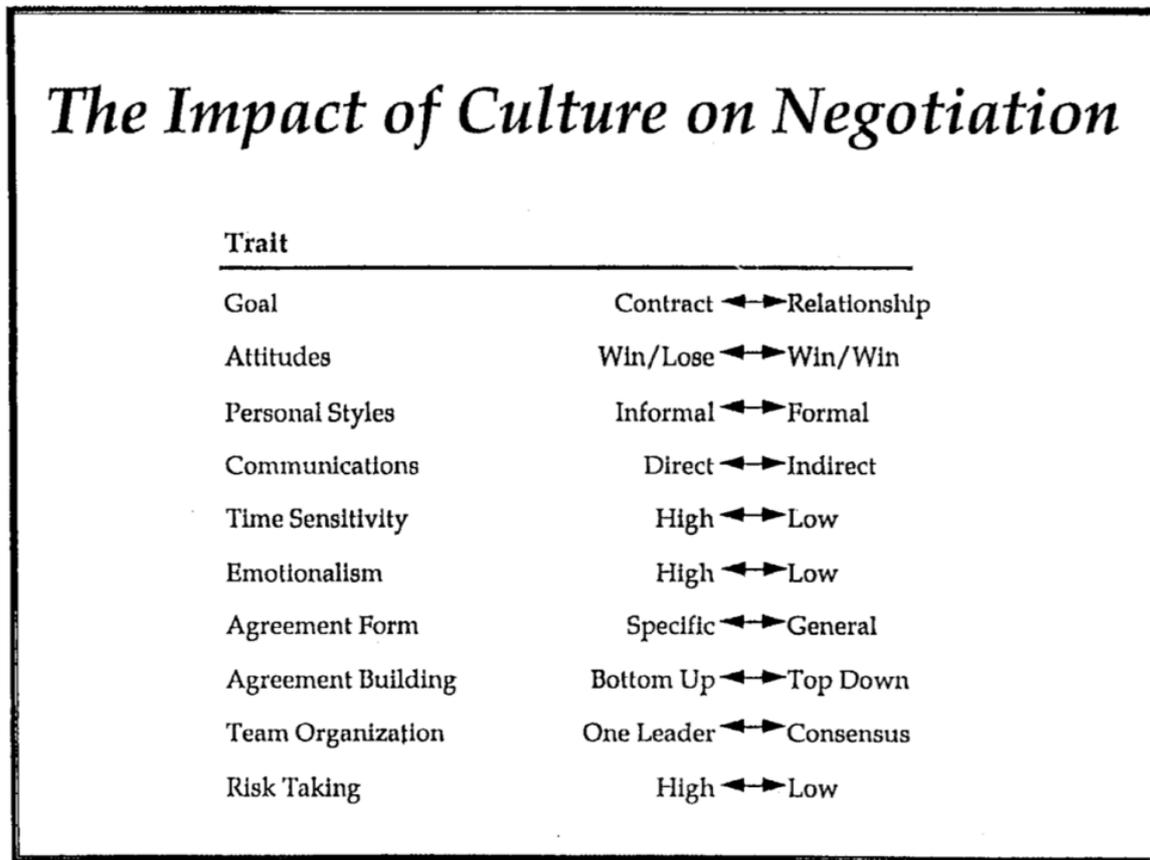


Figure 9: *Impact of Culture on Negotiation* (Salacuse, 1999).

The cultural factors by Ghauri & Usunier (2003) relate well to the cultural traits impacting business negotiations by Salacuse (1999). Ghauri and Usunier's (2003) framework will therefore, be interweaved with Salacuse's (1999) model in the following. Each cultural trait supported by the cultural factors and other relevant theory will be explained.

### ***Goal***

The first trait in the model by Salacuse (1999) refers to whether the negotiation parties perceive the goal of the negotiation a signed contract, or the personal relationship between them. Nixon (2012) also argued that business negotiations are divided into people and content. People refer to stakeholders and how they affect the outcome in terms of who they are, their styles, needs, cultures and roles (Nixon, 2012). The content of the deal refers to what the deal is about and the personal objectives, or organisational objectives such as market entry or poverty reduction (Nixon, 2012).











flexible and in accordance to “jam karet”, which translates into “rubber time” (Gesteland, 2012). Based on this discussion, the figure below illustrates the two countries’ sensitivity to time.

### Time Sensitivity



### ***Agreement Building***

The cultural trait “agreement building” is about whether decisions are made top-down or bottom-up in business negotiations (Salacuse, 1999). This relates to the theory of team organisation, but with an additional focus on how the agreements are built. According to Salacuse (1999), agreements are often reached through an inductive or deductive process. Inductive reasoning is commonly referred to as “application first” reasoning because general conclusions are reached from factual observations (Meyer, 2015). Deductive reasoning, however, is referred to as “principles first” reasoning, because conclusions are derived from general principles, or concepts (Meyer, 2015).

Agreements are moreover, usually made either at lower hierarchical levels in the organisation or by people of higher hierarchical status (Katz, 2008). Hierarchical cultures like Indonesia normally apply top-down decision-making where one leader makes the final decision (Katz, 2008). Decision-making in egalitarian cultures such as in Norway however, are characterised by decentralised power and reliance on other team members. Brett (2000, p. 7) also stated that “*the cultural value of egalitarianism versus hierarchy is linked to power in negotiation.*” This is reflected in the power distance dimension by Hofstede (2018b), where Indonesia has much higher power distance than Norway. In high power distance societies, there is usually more hierarchies than in low power distance societies. Hierarchical societies moreover tend to use status, BATNA and persuasion more than people from egalitarian societies and the social position becomes very important when negotiating (Brett, 2000). Ghauri and Usunier (2003) stated that buyers in emerging markets tend to have less power and Fletcher and Crawford (2013) further stressed that the one with the least power needs to make the most cultural adjustments. Building on this, the figure below illustrates the relative difference of top-down versus bottom-up agreement building between Indonesia and Norway.



Risk Taking



Conclusively, there are many perspectives on what cultural differences impact business negotiations in emerging markets. The following figure portrays Salacuse's (1999) model regarding the impact of culture on negotiations, adapted to the cultural differences between Norway and Indonesia identified in the theoretical discussion.

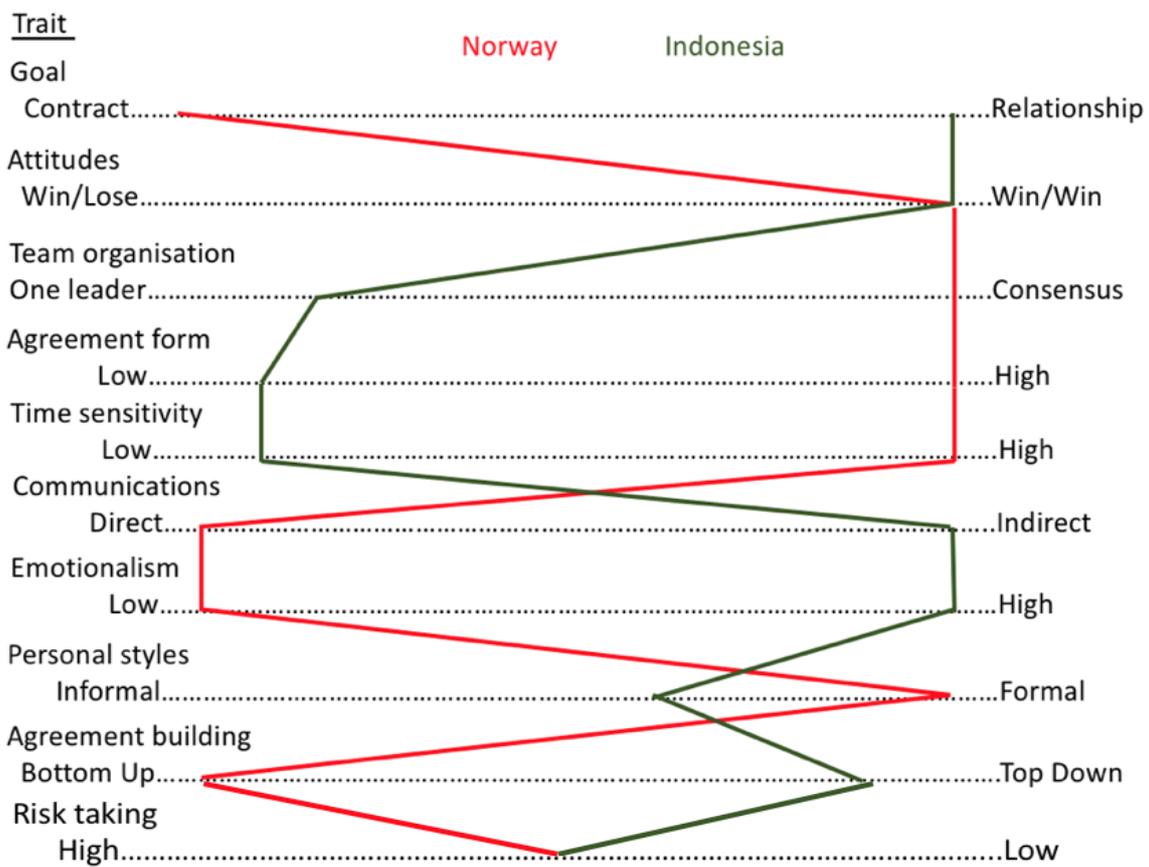


Figure 10: Impact of Culture on Negotiations, Adapted from Salacuse (1999).

**4.4 Business Negotiation Factors**

In this section, the four business negotiation factors; background, atmosphere, process and strategy by Ghauri and Usunier (2003) are outlined with subsequent research questions. The factors are all impacted by the cultural differences discussed in the previous section.

#### 4.4.1 Background



Figure 11: Background Factors (Ghauri & Usunier, 2003).

Cultural differences impact the background factors in business negotiations such as objectives, environment, third parties and negotiators (Ghauri & Usunier, 2003).

##### ***Objectives***

The first background factor in business negotiations is the objective. Objectives can be defined as the end stage each party want to achieve and they tend to be common, complimentary or conflicting (Ghauri & Usunier, 2003). This means that the parties in a business negotiation might either share an interest in a transaction or have conflicting background interests. For example, one party may want to enter a market whereas the other party want to access a technology. The different objectives affect the business negotiations in different ways, as a common objective might have a positive effect, whereas conflicting objectives tend to have negative effects (Ghauri & Usunier, 2003). Adair et al. (2004) also argued that there usually exist cooperative and competitive goals in business negotiations, which are affected by people's behaviours.

It may be more difficult to interpret competitive goals in indirect or high-context cultures because messages are often hidden between the lines (Adair et al., 2004). Indonesians normally try to avoid confrontation and conflict at any cost (Meyer, 2015), In Norway however, as an Anglo-Saxon society, any disagreements will likely depend on the context (Meyer, 2015).

##### ***Environment***

The environment surrounding the business negotiation refers to political, social, and other structural factors (Ghauri & Usunier, 2003). Such characteristics indirectly or directly influence the culture, and consequently the background of business negotiations. For example, political

institutional voids and social institutions such as religion may influence, or even hinder, the business negotiations (Ghauri & Usunier, 2003).

### ***Third Parties***

In most situations, there are other parties than the seller and buyer involved in business negotiations. That being governmental actors, consultants or subcontractors that might influence a business negotiation by having their own objectives. Governments, for example, often influence the buyers to have complementary objectives (Ghauri & Usunier, 2003).

### ***Negotiators***

Characteristics of the people engaged in business negotiations are of large importance. They might impact the business negotiations with their own negotiation experience and skill (Ghauri & Usunier, 2003). Their educational and professional backgrounds are sometimes different, as for instance some may emphasize the technical issues, whereas others emphasise the business issues (Ghauri & Usunier, 2003).

Sometimes, the negotiators aim to maximize own interest and achieve valuable agreements that benefit themselves. However, they usually attempt to cooperate and increase common interest (Ghauri & Usunier, 2003). Negotiator personality is particularly important when information about the other party is lacking (Ghauri & Usunier, 2003). The personalities may involve beliefs, attitudes and behaviours. How easily the other party understand their perception and how easily they approach and appreciate their perception will be crucial (Ghauri & Usunier, 2003).

### ***Research Question 1***

The first research question is based on the theoretical discussion outlined above about the background factors in business negotiations by Ghauri and Usunier (2003). It aims to identify what cultural differences from theory impact the objectives, environment, third parties and negotiators. The assumption is that cultural differences between Norway and Indonesia determine common, complementary or conflicting objectives, structures in the environment, third parties and negotiator characteristics. This led to the following research question:

***Q1: What cultural differences impact the background in negotiations?***

#### 4.4.2 Atmosphere

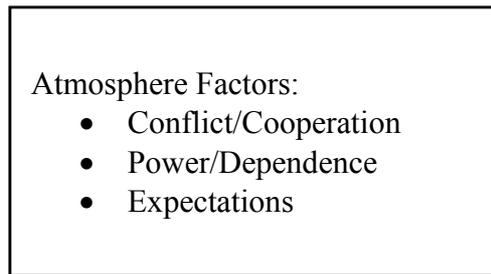


Figure 12: Atmosphere Factors (Ghauri & Usunier, 2003).

*“The atmosphere in business negotiations is defined as how the parties regard each other’s behaviour and include tendencies of conflicts versus cooperation, power versus dependence and expectations”* (Ghauri & Usunier, 2003, p. 7). The atmosphere constitutes the relationship between the parties in business negotiations and can be affected by very subtle indicators (Ghauri & Usunier, 2003).

##### ***Conflict/Cooperation***

A critical characteristic of the negotiation atmosphere is the tendency of conflicts and cooperation among the negotiators. This usually depends on the respective negotiation objectives and to what extent they are complementary, as discussed under the background factors (Ghauri & Usunier, 2003). Conflicts are generally caused by misunderstandings of the other party’s behaviour (Ghauri & Usunier, 2003).

Norwegians usually believe, in the same way as Indonesians, that negotiations are problem-solving processes where cooperation is important to success (Katz, 2007). Therefore, the more problem solving each team is, the fewer conflicts are likely to occur. Win-win outcomes, mutual agreements and harmony are prevalent in cooperative approaches (Fletcher & Crawford, 2013). However, the occurrence of some conflicts are almost unavoidable and therefore, it is important to know how to handle them properly (Ghauri & Usunier, 2003).

##### ***Power/Dependence***

*“Power versus dependence involves the ability to control a relationship based on the perceived power of two parties, their relative expertise and access to information”* (Ghauri & Usunier, 2003, p. 7). This means that the power is unbalanced if one of the parties experience the other having more power, or if one is dependent on the other (Ghauri & Usunier, 2003). Furthermore,

interdependence reflects a win-win perception and power is, therefore, a central attribute in the business negotiation atmosphere. If the negotiation parties' perception of the power versus dependence atmosphere diverges, reaching a fair deal will be challenging (Ghauri & Usunier, 2003). Power is moreover commonly divided into information power, expert power, legitimate power and personal power (Ghauri & Usunier, 2003).

Expert power is the type of power that is most prevalent among Western companies negotiating in emerging markets (Ghauri & Usunier, 2003). However, establishing business partnerships with Indonesians is often determined by the ability to leverage their position in a given social, political and business hierarchy (Gray, 2012b). Therefore, it is important that international managers make use of connections and establish networks in order to be trusted as an expert in business negotiations. However, building status, power and relationships takes time (Gray, 2012b).

### ***Expectations***

Expectations among the negotiators are usually either long-term, with wishes of possibilities for future business, or short-term, with prospects for the present deal only (Ghauri & Usunier, 2003). Different expectations can moreover influence the relationship in business negotiations, and lead to a conflictive atmosphere (Ghauri & Usunier, 2003). However, expectations are likely to develop and change during the different stages of the negotiation process (Ghauri & Usunier, 2003).

### ***Research Question 2***

Research question number two builds on the above discussion regarding atmosphere factors in business negotiations by Ghauri and Usunier (2003). The aim is to find what cultural differences from the theoretical discussion impact the conflict versus cooperation, power versus dependence and expectations. The cultural differences between Norway and Indonesia are estimated to determine the level of cooperation, the occurrence of conflicts, the balance of power and what expectations exist in the business negotiations. Therefore, the following research question was developed:

***Q2: What cultural differences impact the atmosphere in negotiations?***

#### 4.4.3 Process

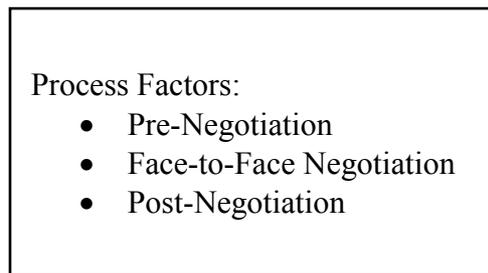


Figure 13: Process Factors (Ghauri & Usunier, 2003).

The business negotiation process can be divided into three main stages: pre-negotiation, face-to-face negotiation and post-negotiation (Ghauri & Usunier, 2003). Common to each stage, is that the parties communicate with each other to exchange information (Ghauri & Usunier, 2003). A stage usually ends when both parties have agreed to proceed or to abandon the current conversation (Ghauri & Usunier, 2003).

##### ***Pre-Negotiation***

The pre-negotiation stage in international business is often considered more important than the formal face-to-face negotiation stage itself. It is important to prepare for various outcomes in terms of gains or losses and to gather essential information (Ghauri & Usunier, 2003). This involves the identification of the contents of the deal, such as implications, its fit with the organisational objectives, or any restrictions. Information can, for example, be gathered by studying annual reports and interacting with stakeholders (Ghauri & Usunier, 2003).

Moreover, building informal relationships where the parties try to understand each-others interests and develop trust can be advantageous (Ghauri & Usunier, 2003). An understanding of the other party's position and being able to anticipate their reactions to arguments and actions is highly valuable (Ghauri & Usunier, 2003). For example, the consideration of cultural differences in terms of power balance, willingness of cooperation and reflection on how important the other party view the deal as opposed to the relationship (Ghauri & Usunier, 2003).

##### ***Face-to-Face Negotiation***

The phase where the actual negotiation takes place is commonly referred to as "face-to-face negotiation" and normally takes place in a formal setting, such as around a table, where both parties meet and present their alternatives (Ghauri & Usunier, 2003).

The speed of business negotiations is an important factor. While many Western countries have a “time is money” approach to business, many Asian countries value a slower pace (Ghauri & Usunier, 2003). In Asia, the negotiators tend to use a more indirect language, act carefully and take time in conversations. Therefore, the process usually takes more time and requires a dynamic, flexible approach (Ghauri & Usunier, 2003). Typical in many emerging market negotiations, is also that social contacts are more important than technical and economic specifications (Ghauri & Usunier, 2003).

### ***Post-Negotiation***

At the final business negotiation stage, all terms have been agreed upon and the contract is ready to be signed. However, writing the contract can be a demanding process itself because it is sometimes necessary to recode issues that were initially agreed upon. This is usually caused by differing meanings and values between Western firm managers and emerging market firm managers (Ghauri & Usunier, 2003). New trouble may arise and require a new face-to-face negotiation stage because of negative feedback and wrong contract focus (Ghauri & Usunier, 2003).

Reaching a final agreement can moreover be challenging in high-context countries where people do not prefer formal, written contracts and important points are missed out through indirect languages, implicit meanings and the need of saving face (Cavusgil et al., 2012; Fletcher & Crawford, 2013). Summarising the discussion and shaping a flexible contract agreement based on a long-term relationship can, therefore, be helpful to avoid misunderstandings and troubles in the future (Ghauri & Usunier, 2003).

### ***Research Question 3***

Based on the above discussion about Ghauri and Usunier’s (2003) process factors, the aim of the next research question is to find what cultural differences from the theoretical discussion impact the pre-, face-to-face- and post-negotiation stage. The assumption is that cultural differences between Norway and Indonesia are likely to determine how successful each stage of the business negotiation will be. This led to the following research question:

***Q3: What cultural differences impact the negotiation process?***

#### 4.4.4 Strategy

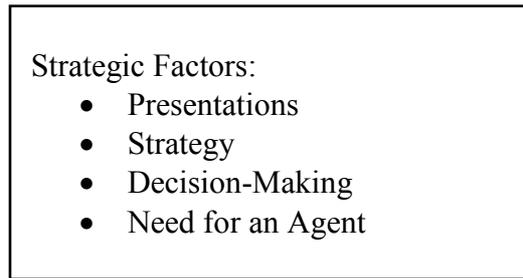


Figure 14: Strategic Factors (Ghuri & Usunier, 2003).

In cross-cultural business negotiations, the parties should consider their presentation, strategy and decision-making. In some cases, there might also be a need for employing an agent or consultant, as a strategic measure (Ghuri & Usunier, 2003).

##### ***Presentations***

Ghuri and Usunier's (2003) first strategic factor is presentations, or how the negotiators act, which can be argumentative or informative and in teams or individually. The presentation can also be formal or informal (Ghuri & Usunier, 2003). For example, the presentation is often informal in the pre-negotiation stage and more formal during the actual face-to-face negotiation. However, this tends to be very different in the different countries and if the presentation is not a good fit to the local culture, it may cause serious blunders at any negotiation stage (Ghuri & Usunier, 2003).

##### ***Strategy***

There are several types of strategies in international business negotiations according to Ghuri and Usunier (2003). The most central ones are tough, soft or intermediate strategies. Having a tough strategy could imply that the negotiator starts with a high offer and remain firm on this while expecting the other party to make the first concession. A soft strategy, however, is when no one starts with an initial offer or make the first concession in the hope that the other party will respond. An intermediate strategy could be that the negotiator starts with a reasonable initial offer that will be accepted if it is within the other party's expectations (Ghuri & Usunier, 2003).

The choice of strategy is likely impacted by culture, as an aggressive strategy can be met with negative reactions such as silence, changing of subjects or even withdrawal from the negotiation

in some cultures (Fletcher & Crawford, 2013). In Asian countries where there is a relationship-oriented culture, a tough strategy is probably disliked (Nixon, 2012). This is because promoting a tough strategy would disrupt the harmonious atmosphere that is desired in Indonesia (Gray, 2012b).

### ***Decision-Making***

Decision-making involves considerations of who will make final decisions and whether the decisions are rational or impulsive (Ghauri & Usunier, 2003). In many Asian cultures, decision-making is highly influenced by the people's need of saving face (Ghauri & Usunier, 2003). Brett (2014) also argued that in "face-saving cultures", decision-making normally happens at higher levels and from a group consensus (Brett, 2014).

### ***Need for an Agent***

In situations where the market is unfamiliar, it may be strategic to employ agents (Ghauri & Usunier, 2003). Gray (2012) argued that a "Perantara", meaning an intermediate person, or "the bridge" in Javanese, can help introduce the company in an appropriate manner and at the same time ease the company's business access in Indonesia. Moreover, building trust may take time and a Perantara can help to minimise time invested in this process. The fee is usually around 10-15% of the value of the project that is negotiated (Gray, 2012b). The Perantara however, is sometimes related to corrupt activities (Gray, 2012b).

### ***Research Question 4***

The final research question derives from the above theoretical discussion regarding strategy factors by Ghauri and Usunier (2003). The aim is to find what cultural differences from theory impact presentations, strategy, decision-making and need of an agent. Therefore, cultural differences between Norway and Indonesia are estimated to determine whether presentations are formal or informal, the choice of soft, intermediate or tough strategies and the rationality in decision-making. This led to the development of the following research question:

***Q4: What cultural differences impact the negotiation strategy?***

## 5. Methodology

In this chapter, there will be a presentation of this thesis' research method, in addition to an explanation of why the method was chosen.

### 5.1 Conceptual Framework

According to Sekaran and Bougie (2013, p. 78), *“a conceptual model helps to visualise the theorised relationships between the variables and thus, to obtain a quick idea about how the management problem can be solved.”* The conceptual framework is, therefore, a graphical explanation of the study including key concepts and factors (Miles & Huberman, 1994).

In this thesis, the main objective is to gain an understanding of the cultural factors that impact Norwegian managers' business negotiations in the Indonesian market. The background, atmosphere, process and strategy are considered. Because little is known about the situation and general conclusions are drawn from observing the phenomenon, the research followed an exploratory, inductive reasoning. The problem is stated as:

*“How do cultural differences influence Norwegian managers' business negotiations in Indonesia?”*

And based on this problem statement together with the empirical and theoretical framework presented in chapter 4, the following researchable questions were defined from the broad problem area of cross-cultural business negotiations in emerging markets:

***Q1: What cultural differences impact the background in negotiations?***

***Q2: What cultural differences impact the atmosphere in negotiations?***

***Q3: What cultural differences impact the negotiation process?***

***Q4: What cultural differences impact the negotiation strategy?***

The theoretical framework behind the research questions suggests that the independent variable, cultural differences, influence the dependent variables in negotiations: background, atmosphere, process and strategies. This will then determine what negotiation strategies are selected. The conceptual research model is similar to figure 7, but with a focus on the cultural

differences, rather than just culture. It is created to get an overview of the factors in addition to an understanding of the dynamic relationship between the concepts.

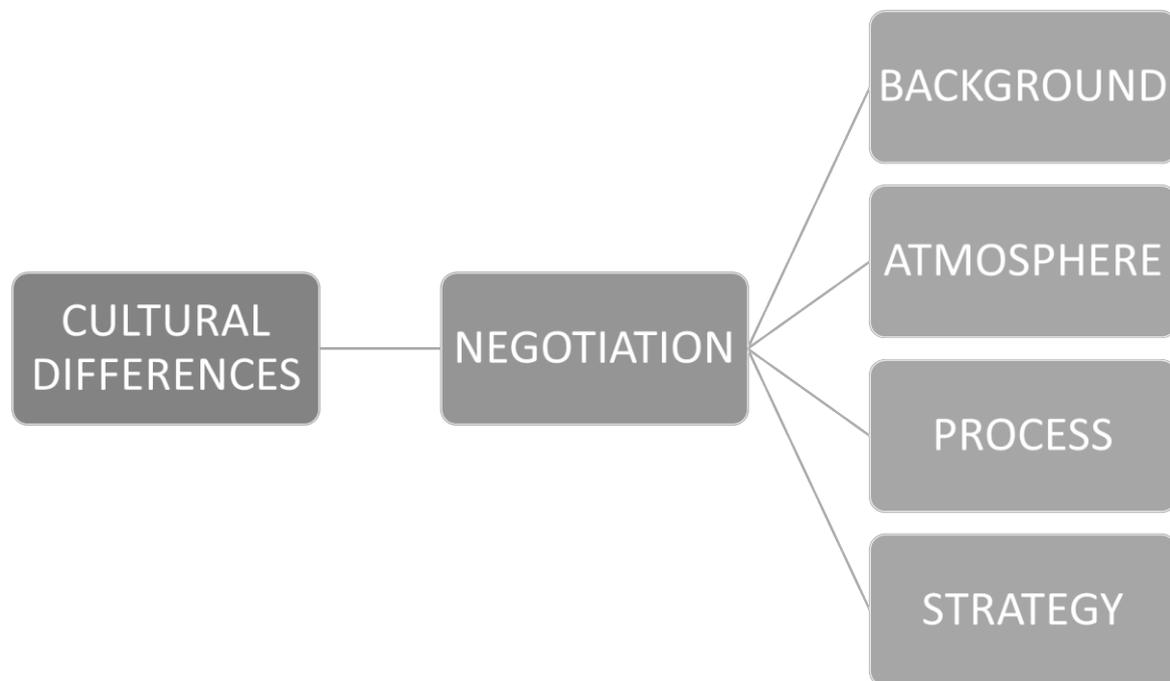


Figure 15: The Research Model.

The aim of this research is not necessarily to produce causal laws or generalisable results that can be applied by every Norwegian company in Indonesia, but rather to get a deep understanding of a complex and dynamic phenomenon. Subjective perspectives of the managers' experiences and beliefs compared with previous findings are of largest interest, and therefore, a qualitative research method was chosen.

## 5.2 Qualitative Research Method

Qualitative research has many benefits. Above all, this method is, according to Myers (2013, p. 5), "designed to help researchers understand the social and cultural contexts where decisions and actions take place." Unlike close, quantitative methods that focus on numbers and extensive data collection, this kind of research creates more depth, detail and nuances to the issue (Sekaran & Bougie, 2013). There are consequently many reasons for the choice of a qualitative approach in this master thesis. Above all, the method allowed a deeper understanding of the main objective, which is to understand cultural influences on business negotiations. The goal is to comprehend Norwegian managers' motivations, actions and reasons

to negotiate the way they do, as an effect of the cultural differences. This method is better at generating the empirical findings from the participants' point of view. To find out what people are thinking, conversations are arguably excellent ways of collecting data (Myers, 2013). Moreover, producing statistical data for generalisation of numbers was not the aim in this case. Plakoyiannaki (2017) further elaborated that in emerging markets, the research approach to business diverges from developed markets.

*“Management theories developed in Western countries may not adapt well to the emerging context. Therefore, context informed theory -building and -testing becomes an imperative if we are to explain the uniqueness of management in emerging markets, and so qualitative research becomes critical”* (Plakoyiannaki et al., 2017, p. 2).

Here, the aim is to advance the understanding and explain the uniqueness in the paradigm of management negotiation, in the emerging market of Indonesia.

When it comes to the characteristics of a qualitative method, Sekaran and Bougie (2013) argued that it is not a linear method due to the few rules regarding sequence and guidelines of analysis. It often involves a process of sampling, collection and analysis of data in a dynamic order. Data collected may be analysed right away, which again will generate new ideas throughout the process (Sekaran & Bougie, 2013). Myers (2013) illustrated that qualitative data sources tend to involve fieldwork, observations, questionnaires, documents and interviews, mostly in the format of recordings of information about the topic. Due to the large amount of data that is collected, data analysis often includes data reduction and display for drawing conclusions, which will be further discussed later (Miles & Huberman, 1994).

As previously mentioned, the motive of qualitative research is to gain an in-depth understanding of a phenomenon. A pragmatic approach that does not construct a specific viewpoint, but rather focus on both objective and subjective research, is therefore chosen. Useful and extensive knowledge can furthermore be produced through case study research, which is the qualitative research method this thesis follows.

### **5.2.1 Case Study Research**

Case studies are when researchers collect empirical evidence from real organisations (Myers, 2013). Sekaran and Bougie (2013, p. 391) further characterised a case study as *“the documented*

*history of noteworthy events that have taken place in a given institution.*” Case studies are therefore valuable when researchers aim to understand how, but more importantly why, decisions are made, and actions are taken (Myers, 2013). This includes a broad perspective on intentions, thinking and contextual influences. Generally, it provides insight into why business processes, such as negotiations, work the way they do.

According to Gerring (2007), a case study is particularly useful when the researcher wishes to observe a few cases more intensively. In-depth knowledge from an individual can sometimes be more helpful than generating limited knowledge from a large number of examples. A case study will allow the researcher to focus on one case and thereby sustain a real-world, holistic perspective (Yin, 2014). Relying on this, a case study is the preferred method when the research goal is to achieve an understanding of a phenomenon and the main research questions are formulated as “how”, “why” and “what”. Not to mention when the phenomenon is contemporary and the researcher has little or no control over the results generated (Yin, 2014). Because the aim of this thesis is to understand the cultural factors that affect the managerial business negotiations, a case study is arguably suitable. In addition to this, the phenomenon is very much contemporary and something that the researchers have little control over. This means that the case in this situation is a Norwegian organisation currently operating in Indonesia.

Building on the theory about case studies, Woodside (2010) argued that a comprehensive literature analysis must be carried out prior to the investigation. This is to fully understand the backbones of previously established theory from several perspectives. Only in that context will it be possible to formulate useful research questions. When aiming to explore established patterns, new theory development should be grounded in that empirical evidence (Gerring, 2007). Data in this research is analysed with regard to the theoretically grounded research questions presented above. These four research questions are a result of a focused theoretical framework relevant to the cases. Comparing data with the predicted results and checking if expected traits are present or absent is a good technique according to Yin (2014). The collected data in this thesis is therefore analysed with regard to each research question. Then, the findings are compared to previous theory to find answers to the research questions. Perhaps more research will be necessary to explain the subject. Moreover, Carnevale and Dreu (2006) in their book about methods of negotiation research, argued that there are issues attached to constructing case studies about negotiation practices. *“Gathering case study data about negotiations presents problems even beyond the usual, and that as a result, our teaching and*

*theory building may be working with some faulty materials*” (Carnevale et al., 2006). The researchers cannot know exactly how real the negotiations are, and they know much less than assumed. Therefore, it is important to carefully review the theory to see what the assumptions can be based on.

As previously stated, the units (or cases) of analysis consist of selected Norwegian companies. When more than one company is selected, it is called a multiple case study and means that the researcher can understand the phenomenon from different points of view and catch some differences and similarities between them (Myers, 2013). When it comes to the time horizon, the case study was conducted cross-sectionally. Sekaran and Bougie (2013, p. 392) defined cross-sectional studies as “*a research study for which data are gathered just once to answer the research question.*” In this research, gathering data once from each company is relevant because it is not of great importance to study the phenomenon over time to gain the preferred insight and answer to the research problem. Furthermore, as discussed by Gerring (2007), it is necessary to plan carefully and exploit the case company’s time in a smart way to ensure efficient data collection. Very often, collecting data takes a lot of time, and it is, therefore, essential to have sufficient background information, both regarding the theory but also about the specific companies. Such careful planning took place in this research.

Finally, Myers (2013) expressed that it can be challenging to access relevant people in the case companies. Reasons to this can be that they have little time available, are sceptical to sharing information, or do not see the value of the research. Therefore, to increase the probability of participation, the network one of the researchers attained when working in Indonesia has been taken advantage of. The former employer of the researcher, in addition to other connections attained from participating in the Indonesia Norway Business Council and connections to the supervisor of this thesis, were invited.

Myers (2013) elaborated on several data collection methods in case study research, such as interviews, records and documents. Boyce and Neale (2006) argued that interviewing is useful when the researchers seek detailed information about thoughts and behaviours and when exploring the issue in depth. Therefore, it constitutes the most common technique for data collection in a case study. “*Interviewing is an excellent window into an organisation*” (Myers, 2013, p. 81) and because a deep understanding is the goal, interviews are the data sources in this thesis.

### 5.2.2 In-Depth Interviews

*“To collect data and obtain information on the issues of interest, interviewing respondents is a useful method, especially during the exploratory stages of research”* (Sekaran & Bougie, 2013, p. 118). Boyce and Neale (2006) listed many advantages of conducting interviews in such cases. For example, that interviews provide a lot of detailed information on the topic and offer a complete picture of the context. They are favourable when there are few units and the aim is to gain an understanding of what the respondents have to say about a phenomenon (Boyce & Neale, 2006). In this case, only four main units and one additional unit are investigated, and in-depth interviews were suitable for the wanted understanding.

Boyce and Neale (2006) described the interview process to consist of several steps. First, the researchers must plan what stakeholders and information are to be included. Then, develop the instruments, such as a protocol with rules that explains how to act, speak and do during the interview, in addition to an interview guide including all questions the researcher plans on asking (Boyce & Neale, 2006). Finally, Boyce and Neale (2006) suggested that data collectors preferably should go through training before the data collection itself takes place. However, this measure was found too difficult to achieve within the time limit of this thesis.

Interviews can be either structured or unstructured, depending on the specification of data wanted (Sekaran & Bougie, 2013). In this case, the interview guide was semi-structured, that opens with broad questions and follows with sub-questions carefully generated from theory. This structure has been chosen due to the need of some specific knowledge, but mostly because the researchers know little about the phenomenon, which requires to bring preliminary questions up and see what factors need further investigation. In that way, it is also possible to collect the respondents' unique stories. According to Boyce and Neale (2006), approximately 15 open-ended questions should guide the interview, and opinion questions should follow factual questions, including probes where necessary. Here, the investigation on each case goes deeper, and there are consequently more than 15 questions included. The interview guide was created with regard to the listed research questions and by the goal of attaining information that answers the problem statement. It was also inspired by previous successful research conducted through interviews by Gray (2012b). The interview guide for the case study companies and for the secondary case company are found in the appendices.

Interviews are said to be time-consuming processes and prone to bias. Some tips listed by Sarantakos (2012), are therefore to be aware of various interview techniques. For example, it is important to establish trust, and that the respondent feels comfortable about sharing information and is informed about what will be done, how it will be done and why it will be done (Sarantakos, 2012). Patton (1980) in his research, also stressed the importance of attentive listening and that the interviewer must appear interested in what they are telling, keep personal opinions in check and establish credibility through sincerity and pleasantness to motivate quality response (Patton, 1980). This also involves clarifying issues and aid respondents in thinking thoroughly through each issue. All of this has been carefully taken into consideration and performed in this thesis' interview processes.

Choice of location, setting and context are moreover essential to obtain good primary data from interviews. Because it was necessary to reach people from other geographical locations in a short period of time, video conferencing was optimal (Myers, 2013). The video interviews took place at quiet rooms with good internet connections at University of Agder Kristiansand. It was also at a date and time of the respondents' choice, to ensure that they were available to spend the required time of approximately one and a half hour. In contrast to telephone interviews, video conferencing allows the researchers to pick up some non-verbal language from the respondent. That being any discomfort, stress, or nervous traits (Sekaran & Bougie, 2013).

### **5.2.3 Sampling**

When sampling relevant respondents to the in-depth interviews in this thesis, it was essential that they held great knowledge about the topic. Therefore, selected interviewees to the case study were people currently, or previously in managerial positions in Norwegian companies that are or have been, engaged in negotiation processes in Indonesia.

According to Sekaran and Bougie (2013, p. 270), a sample can be defined as "*a subset of the population.*" In qualitative studies, sampling begins with defining the population. In this case, the target population consisted of all Norwegian enterprises engaging in business negotiations when operating in Indonesia. Information on the total number of elements with operation in Indonesia was provided by Innovation Norway in Jakarta, which in 2018 counts 85 Norwegian companies (elements). A general rule presented by Boyce and Neale (2006), is that a sufficient sample size is reached when the same themes are emerging from the different interviews. However, because this qualitative sampling aims at collecting unique stories, the intent is not

to find statistical interference. A certain expertise in the subject is wanted and then, it is common to use nonprobability, or purposive, sampling (Sekaran & Bougie, 2013).

The researchers in this thesis began the sampling process with a few criteria. First, the company had to be/been engaged in business negotiations in Indonesia and to have/have had a Norwegian manager. This required some research, and e-mails with short test-interviews were distributed to various companies with an explanation of the research problem and possible contribution. In that way, the initial insight and a relevance of the study were obtained with regard to how the relevant managers could contribute with their experiences. This can be found in the appendices. Then, a group of companies were invited to the study, where a subgroup of four companies (subjects) wanted to participate:

- *Q-Free AS*
- *Statoil ASA*
- *Gexcon AS*
- *Wilhelmsen Ships Service AS (WSS)*

The interview invitation e-mail is also found in the appendices. An investigation into four companies was, in this case, ideal to obtain deep knowledge. It was sufficient to gain the wanted insight into their specific experiences of cultural differences with regard to the negotiation background, atmosphere, process and strategies. Additionally, Innovation Norway Jakarta was included as a secondary sample to secure external viewpoints and relativity.

#### **5.2.4 Data Analysis**

The purpose of the analytical framework is according to Yin (2014), to link data from the case study to concepts of interest, and give the researchers a direction to analyse it. This means that the researchers in this thesis sought to find evidence and to gain an understanding of business negotiations through theoretical research questions. The data was transcribed immediately after each interview to avoid that any essential information was left out.

Relevant data from the transcription will first be presented in a narrative format in order to catch the unique opinions and thoughts. Direct quotes from respondents are included to add credibility and give a realistic picture of the information (Myers, 2013). According to Boyce and Neale (2006), it is expedient to read through all interview responses to find patterns on

what factors repeat themselves among the participants. It could furthermore be a good idea to group the background information into tables and figures according to types of participants to get an overview, although the main goal of this research is not about generalisation based on variables. In these in-depth interviews, the researchers primarily look for qualitative descriptors rather than quantification of the findings, which are better presented as *“the prevalent feeling was that...”* or *“this participant strongly felt that...”* (Boyce & Neale, 2006, p. 8). Numbers and percentages that gives the impression that findings can be projected to the entire population are consequently not within the scope or capabilities of this qualitative research.

According to Sekaran and Bougie (2013), findings from the established research questions may then be somewhat compared to identify differences and similarities between cases. The data will first be reduced using categorisation. In that way, the data is arranged, organised and classified to find patterns leading to meaningful conclusions (Sekaran & Bougie, 2013). Categories in which data is presented are logically divided into perceptions of culture and factors of background, atmosphere, process and strategy. Results from the in-depth interviews conducted will then be analysed, discussed and concluded according to plausibility, validity and reliability.

### **5.2.5 Validity and Reliability**

Golafshani (2003, p. 599) referred to validity as *“whether the research truly measures what it was intended to measure and how truthful the results are”* and reliability as *“the extent to which results are an accurate representation of the total population under study”* (Golafshani, 2003, p. 598). However, Golafshani (2003) further argued that the latter has limited application to qualitative research despite the need for some quality checks. Patton (1980) supported this view and stated that generalisability in such research is not as simple because it depends on the case study and that this is rather a common test in quantitative research. As generating an understanding, rather than generalisation is the main purpose of qualitative research (Stenbacka, 2001), validity and reliability have different meanings. This difference in overall purposes is, therefore, according to Golafshani (2003, p. 601), *“one of the reasons why the concept of reliability is irrelevant in qualitative research.”* Sekaran and Bougie (2013) argued that reliability is more about the category and interjudge reliability. This means that trustworthiness can be determined from the researcher’s ability to classify data, as well-defined categories will lead to higher interjudge reliability (Sekaran & Bougie, 2013). Yet, the research instrument can be considered reliable if the results can be reproduced in another, similar study (Patton, 1980).

This implies that, if data from one case study subject correlates with data from another subject, some reliability does exist, but only as a consequence of validity (Patton, 1980). Validity is above all achieved when the results represent the data collected and any bias is eliminated by increasing researcher skill, ability and truthfulness (Golafshani, 2003). This includes any inaccuracies in the sampling, the situation, the data collection and the measurement.

Based on this discussion, testing reliability and validity will not be easy in this study that consists of four in-depth interviews. However, it may be useful to consider the authenticity to some extent. As stated by Ghauri (2004), analysing qualitative data is the most difficult task in case study research. The main purpose is the authenticity, or the ability to generate authentic views and experiences from individuals, understood in the unique context of the phenomena (Ghauri, 2004). Answers can therefore be misinterpreted. Miles and Huberman (1994) further stressed the importance of inter-weaving collection and analysis of data right from the first interview. Such method has been respected in this research, which allows for new theory development to occur alongside growing amounts of data. Finally, the overall goal of an analysis is to link data and pre-established research questions (Ghauri, 2004). Regarding the response rate in this thesis, the network of one of the researchers in Indonesia has been made use of to increase the probability of getting in touch. This includes, among other connections, the researcher's former employer. The interviews were somewhat prone to factors impacting the acquired data, for example slight delays. However, there were no troubles regarding the setting, understanding, positivity, knowledge, clarity or time availability. Ultimately, it was kept in mind that business negotiation is one of the fields most difficult to gain access to data due to "professional privacy", or lack of complete respondent honesty (Ehlich et al., 1995).

### **5.2.6 Ethical Considerations**

Codes of conduct in research are crucial to consider as researchers encounter new issues using modern tools to produce knowledge (Miller, Birch, Mauthner, & Jessop, 2012). Ethical considerations can, according to Miller et. al (2012) involve principles of research boundaries, informed consent, protection, data interpretation, anonymity and confidentiality. In this thesis, these areas were carefully considered and although participants were not anonymised, they were clearly informed prior to the interviews about how their contribution will be used and distributed. Prior to data collection, the researchers applied for approval from the Norwegian Centre for Research Data (NSD, 2018) and followed the research process closely according to the Norwegian Data Protection Authority's standards (Datatilsynet, 2018).

## **6. Presentation of Data**

In this section, the data collected from the four participating companies in the case study and Innovation Norway Jakarta will be presented. First, a short introduction of the companies, their operation in Indonesia and their negotiation experiences are discussed, followed by a narrative presentation of the most relevant interview responses from each company manager.

### **6.1 Q-Free**

Q-Free operates within the Intelligent Transport Systems (ITS) market and is a leading global supplier of solutions in tolling, traffic management, parking, infomobility and connected ITS (Q-Free, 2018a). Founded in 1984 and headquartered in Trondheim, Norway, Q-Free address road infrastructure operating, finance and condition-monitoring needs, in addition to service solutions in the infrastructure/technology sector (Q-Free, 2018a). Today, Q-Free (2018a) has 24 local offices in 18 countries in Europe, Asa-Pacific, North and South America, where it employs approximately 430 people in total. The company is moreover listed on the Oslo Stock Exchange (Q-Free, 2018a).

In 2012, Q-Free opened its representative office in Jakarta, Indonesia, where there are now 13 employees (Q-Free, 2018b). Here, Q-Free was the first to supply an operational Electronic Registration Identification (ERI) system and the Jakarta transportation authority elected to use their Dedicated Short-Range Communication (DSRC) based On Board Units (OBU) for ERI of public transport vehicles (Q-Free, 2018b). This means that Q-Free technology can increase road safety by ensuring that all vehicles pass appropriate checks through an automated vehicle inspection process and online payment facilities. This ERI project is considered a very important step towards the realisation of intelligent transport systems in Indonesia, in addition to the Electronic Tolling Collection (ETC) system that improves road funding, road safety and congestion charging (Q-Free, 2018b).

#### **6.1.1 Interview with Senior Vice President of Q-Free Indonesia**

In an interview on 19.02.18 with Per Fredrik Ecker, the Senior Vice President (SVP) of Q-Free in Indonesia, he elaborated on his negotiation experience. The main negotiations have been towards the governmentally owned road operator, Jasamarga, and the road authority in Jakarta, Daerah Khusus Ibukota (DKI). Ecker listed the main issues that have been addressed to include negotiations on law changes to implement an Electronic Road Pricing (ERP) system,

governmental standardisation of technical regulations and customer negotiations and lecturing while navigating a corrupt system. Moreover, Q-Free has negotiated towards other stakeholders involved, such as market competitors.

### ***Perception of Culture***

On interview questions about cultural differences, Ecker mentioned the history in Indonesia of colonialization, and that it, therefore, exists a tradition for scepticism towards foreign operation. *“No matter what, an Indonesian will never trust a European.”* The biggest cultural challenges according to him, lie in lack of trust, and misunderstandings of intentions and expectations from communication. *“You cannot act pushy, you need to get to know people, and gain reliance on what you do.”* Moreover, Ecker believed that the survival instinct derived from history, huge population, poverty and top-down regimes has shaped the culture. Indonesians are friendly but forward oriented because they are used to having to change and do not look back on past events, according to him. Ecker also believed that the shifts from dictatorship to democracy have moved responsibility to the people and makes them insecure in decision-making.

However, Ecker mentioned that the cultural aspect was more challenging in the beginning and that he considers culture less in the daily operation now, after his long international experience. Still, *“I often have to make sure there are no misunderstandings when I negotiate with end customers.”*

### ***Background***

Ecker clearly stated that the overall objective of the negotiations is about regulating traffic in Jakarta. The city faces tremendous challenges with infrastructure and Q-Free is there *“to solve the infrastructure issue over time.”* The participant’s vision is to achieve what has been achieved in Oslo regarding infrastructure development from tolling and draw several connections here. *“The intention is to create a motor that generates income for subsidies to public road development (including the future Mass Rapid Transit (MRT) system) in Jakarta and not just operating costs.”* Q-Free has even had to negotiate on law changes to be able to reach this goal. Ecker had a perception that the other negotiating party has the same, overall objective. *“News articles explain how the Governor and road authority want the generated income to be placed in road development and the MRT project.”* Q-Free’s customers have understood the purpose, although some actors try to control the project and manage the money stream differently. This is something both negotiator parties have found protective solutions to,

and the experience is that they fight the same battle. Additionally, there exists a perception that trust must be established before any suggestions can be brought up because Indonesians are afraid of taking risks and doing something wrong.

On how negotiator teams are composed, Ecker elaborated on the many stakeholders, or players involved, such as banks, finance ministry and national road authorities. However, the main, official negotiator party is the local road authority (DKI). To Q-Free, having a small negotiation group, it appeared to be more important to have a stable, loyal and local team with people negotiating to the various players based on their competencies. Ecker explained that *“there have been several shifts of people in charge in the other negotiating party which disturbs the process, but now seems to stabilise.”*

### ***Atmosphere***

Regarding the relationship establishments between the negotiation parties, Ecker said: *“as a foreigner, you must do it the Asian way.”* Relationship establishment is expected from the other party and trust building is perceived as a necessary objective because there are competitors with better price offers. Ecker therefore, considered close cooperation a necessary investment. Because the customer has little operation knowledge, they tend to trust Q-Free’s solutions and are now in a learning process called “assisted operation”. *“Trust is everything”* and therefore, Ecker experiences few conflicts, although *“disputes might arise when the customer gains more knowledge and develop own opinions.”*

At last, the Governor is the person of power and who signs the deal and is influenced by recommendations from DKI, to which Q-free has been negotiating. *“The authorities seem to listen to DKI now, but there is always a threat that someone in a higher position interrupts the process.”* Moreover, Q-Free’s main competitor is a major Indonesian state-owned enterprise that poses a threat of disrupting the power balance.

### ***Process***

Q-Free’s negotiation process, according to Ecker, began with solid relationship building. They established their office in Senayan, an attractive area with lots of cafés, as their customers like to discuss business matters in informal settings. *“Dinner meetings are normal, and mandatory for establishing relations.”* During face to face meetings, Ecker illustrated no significant challenges regarding language, but highlighted the importance for Western actors to consider

body language. Local competencies are favourable to understand the Indonesian's real intentions and what really happened during the meeting. Moreover, *"they are always late, will avoid any confrontations, always smile and say yes, and beat about the bush."* When contracts are signed, Ecker explained that there is little room for changes, although new challenges continuously arise, and contract management is important to avoid misunderstandings related to wrong expectations to the delivery. *"The implementation is critical, but the pre-phase is more time demanding."*

Further exploring the time demand, Ecker said that the overall negotiation process has taken seven years and is still ongoing. Several meetings occur throughout the process and *"you need the stamina to deal with political and legal processes in a greenfield market, customer changes in shifting environments and finding solutions along the way."*

### ***Strategy***

Regarding what strategies Q-Free follows to deal with cultural challenges, Ecker said that to them, it is essential to have a mix of local and international people with various cultural backgrounds that can address the customers in different ways. *"The key is to ensure Norwegians and Indonesians work well together by creating a multicultural winning team that bridges the cultural gap."* Ecker explained that having a soft negotiation style, being humble, having open standards and trying to understand the other party is essential to success. He further argued that they *"build the case bottom-up and go broad on several decision-makers,"* because they depend on reaching a group consensus. This is to him, arguably due to the collectivist mindsets, their fear of making mistakes as an individual, and the frequent changes in the Government. This is more frequently pushing towards a bottom-up business approach in Indonesia, according to Ecker.

When it comes to agents, Q-Free has negotiated by themselves, with some agents for assistance, but they do not interfere with the project. Moreover, Ecker explained that *"we have local partners to "survive" as a small company against big actors."* In addition to this, an important strategy was said to involve close cooperation with the Norwegian Embassy in Jakarta to highlight Norwegian values and build political visibility.

## 6.2 Statoil

Statoil is a Norwegian energy company that operates in more than 30 countries and is considered a leading player in the industry (Statoil, 2018). In May 2018, Statoil changed the name to Equinor, but will be referred to as Statoil here. For 46 years, Statoil has had experience with oil and gas on the Norwegian continental shelf and is now the world's largest offshore operator (Statoil, 2018). Headquartered in Stavanger, Norway, the company holds approximately 20500 employees and is listed on the Oslo and New York stock exchange (Statoil, 2018).

Statoil has built a global business and today, they operate in Europe, North and South America, Asia, Oceania and Africa (Statoil, 2018). The subsidiary Statoil Asia Pacific is located in Singapore and is responsible for all business activities in Asia (Statoil, 2018). In 2007, Statoil opened its office in Indonesia and has since then, systematically built an offshore exploration portfolio (Statoil, 2018). In the later years, the oil and gas exploration has moved towards the Eastern country region and have ownership in the Kuma and Karama deep-water blocks located off the coast (Statoil, 2018). Statoil recently acquired 3D Seismic data in Eastern Indonesia together with OPHIR energy, and there are now approximately 20 employees in the Jakarta office (Statoil, 2018).

### 6.2.1 Interview with Former Country Director of Statoil Indonesia

From the interview on 20.02.18 with Tor Fjæran, now president of the World Petroleum Council, but the former director of Statoil Indonesia, he explained his experience of negotiating in Indonesia. The type of negotiations began with the establishment of the representative office, but they also involved rent of equipment, agreements with the Ministry of Energy and Mineral Resources, cooperation agreements with Pertamina Gas and operational agreements and permits with BP Migas.

#### *Perception of Culture*

*“Coming to Indonesia, the biggest challenge was to understand that corruption is a part of the culture what openness concerns. Secondly, it was challenging understanding the context. It is a diverse and populated country with a long history where it is important to be humble and realize that we do not know everything.”*

Fjæran continued to highlight that there was a clear cultural distinction between people coming from Java and Sumatra in for example openness and directness. It was also important to Indonesians that Statoil contributed to local communities and that they got something in return for Statoil's business there. Therefore, they had projects that created a local understanding and trust through health and education projects as well.

According to Fjæran, the cultural factors were important to understand and take into consideration to be able to show respect and interest and be informed and involved. Only then, they could gain acceptance for what they were trying to achieve as foreigners.

### ***Background***

Fjæran explained that their negotiations mainly took place to establish agreements tied to concessions for searching for oil and gas on the continental shelf and everything attached to it. Furthermore, Fjæran said that *"there exists an expectation from the Indonesians that we must do more than paying taxes and fees. One must contribute to the society."* Other than this, the commercial negotiations are by the principle: what is in it for me? The outcome must be important for both parties.

When it comes to the Statoil team composition, this is relative to the issue, according to Fjæran. *"We were only 5 people, but it was more important to have people with competence and involve the same people in all processes to secure continuity."* Moreover, they involved a department with Government relations consisting of experienced and culturally aware Indonesians. There were many parties involved, and the other main negotiating party varied according to how high up in the system the negotiations happened, and it was common to negotiate directly with the principal manager. The feeling was that the Indonesians had a lot of knowledge, and the Statoil team needed to match this.

### ***Atmosphere***

Fjæran explained that establishing relationships was an important part of the negotiations. *"Indeed, we had to invest time and resources to understand and develop relationships with Indonesians."* Fjæran told that they had close communication with the Indonesians, who were always available on the phone and did not hesitate to make a call. To Fjæran, the impression was that they needed to know each other well enough to gain trust because this was rooted in the Indonesian's expectations, although he did not believe this goes for Indonesians only. Minor

conflicts tended to happen, but not related to the overall, common understanding. *“Indonesians don’t like conflicts, so everything had to be handled in a harmonious way.”*

On the question regarding power balance, Fjæran argued that *“resource owners and concessions had the power, which had to be respected, as we wanted something from them.”* He experienced that if Statoil were perceived as “greedy”, they would find someone else. However, there was still a sense of cooperation towards finding common solutions.

### ***Process***

Statoil’s negotiation processes have typically involved solid preparations in terms of information gathering to understand the Indonesian environment, conducting a stakeholder analysis and *“finding out who we could talk to and not.”* It was also important to meet with people in informal settings, get to know who they were dealing with, break barriers and show interest in their culture. Additionally, Fjæran explained that *“we had assistance from a Norwegian expert and had local culture courses, workshops, seminars and ice-breaking activities that involved things like karaoke, trips, learning the language and eating local food.”* During meetings, Fjæran mentioned that there were clear agendas and well-defined conditions to contract agreements, but unpunctuality and informal small talk was common. Regarding the contract, it contained well-defined conditions based on global standards with little room for misunderstandings.

Regarding Fjæran’s perception of the length of processes, Indonesians were not always punctual, and the number of meetings could vary. They could take weeks, months or sometimes even longer, although Fjæran believed this is not unique to Indonesia. However, managing the political environment with corrupt systems took extra time. Fjæran further considered the Indonesian culture as being consensus-oriented, but decisions usually have to be made by the person at the top of the hierarchy even though they could have been made at lower levels.

### ***Strategy***

In addition to solid preparations, Fjæran said that *“the most important thing is to be honest. Then, they will acknowledge you over time.”* It was essential to contribute to development and CSR projects so that the local people could trust them as guests in their country and having good intentions. Statoil communicated this message to the media as well. Moreover, issues could differ from place to place and their negotiation styles had to be in accordance with that.

At what hierarchical level decision-making happened depended on who the project was negotiated with, although some people at lower levels were reluctant to make decisions. Overall, there was according to Fjæran, a consensus orientation, but with hierarchical limits that required a bottom-up approach.

To Fjæran, it was important to have knowledge of the people they met and therefore, they used a local NGO in order to better follow certain procedures in negotiations. However, on the question whether Statoil utilised agents in negotiations, the answer was clearly no. This was due to the risk of losing control and the perceived value of establishing own relations.

### **6.3 Gexcon**

Gexcon operates in the software development consultancy industry, and is a world-leading explosion safety and risk management, advances dispersion and fire modelling company (Gexcon, 2018). Their knowledge and experience come from 35 years of extensive research projects, safety assessments, accident investigations and physical testing in the parent company, Christian Michelsen Research. This has resulted in a leading position in the field (Gexcon, 2018). Gexcon uses industry standard software modelling called FLACS and DESC. Headquartered in Bergen, Norway, the company now employs approximately 40 engineers (Gexcon, 2018).

In total, Gexcon operates in over 100 countries with more than 300 employees. The first of the 25 overseas offices was established ten years ago and there are now eight employees in the Jakarta office (Gexcon, 2018). This subsidiary generally delivers services ranging from risk analysis, explosion modelling and worldwide calamity ratings (Gexcon, 2018).

#### **6.3.1 Interview with Chief Executive Officer of Gexcon**

In the interview on 26.02.18 with the Chief Executive Officer (CEO) of Gexcon, Sturle Harald Pedersen, their negotiations in Indonesia are mainly concerning price, quality and delivery of services. According to Pedersen, there are often expectations exceeding contract content, and therefore, the contract agreement itself and business development are often negotiated on. Generally, there are negotiations on sales of software, training, support and maintenance attached. ” *These are simple negotiations for example about the time of payment. The challenge is when there is corruption involved in public purchases,*” according to Pedersen.

### ***Perception of Culture***

When it comes to what Pedersen perceived as the largest cultural challenges negotiating in Indonesia, this is related to misunderstandings in communication. *“They make promises, but do not walk the talk.”* Pedersen also mentioned that they are often so concerned about maintaining a harmonious atmosphere, that they sometimes distort the truth. Moreover, Indonesians are, according to him, quite apathetic unless there is an emergency or a crisis that pushes them to act. The impression is that things take time because they must feel comfortable in decision-making, and be sure that Gexcon, as a foreign corporation, adds value to the local community.

Pedersen furthermore said that he tried to interpret the cultural aspects in daily work but admitted that this was more often considered earlier and that *“culture is easy to underestimate.”*

### ***Background***

To Pedersen, the negotiation objective in Indonesia is to sell Gexcon software services, in addition to purchase of services, where the goal is to establish partnerships with local consultancy and engineering companies. The experience is that Gexcon positions themselves in the market as a world leading, quality service provider to which cooperation is attractive. Pedersen believed their methods and openness to technology projects values and margins that lead to local recognition.

On how Gexcon’s negotiating team is composed, Pedersen himself often negotiated alone. *“We are very concerned about having the right competencies and human resources,”* and thereby, someone with commercial skill, rather than scientists and engineers is preferable. Gexcon being a small company, a small negotiating team with substantial knowledge and experience in long-term projects is more important. The Indonesian party commonly consisted of the CEO, before the case was delegated further down to project managers and to the right people with competencies and knowledge. Generally, few parties are involved.

### ***Atmosphere***

Pedersen argued that *“when operating in an Asian country, there is a greater need of establishing long-term, trusted relationships than in Western countries.”* This means that the parties needed to get to know each other well, “break the ice” and “become friends” in order to cooperate and solve emerging problems. Moreover, choosing the right people, establishing core

values and give and take during the process is essential, as this is an expected practice when operating in their market. In that way, Gexcon has managed to navigate around most conflicts.

Pedersen argued that the power balance is in their favour, as Gexcon is positioned in a well differentiated, monopoly situation. *“Usually, the buyer has the power, but we have a great position what product and resource qualities concern.”*

### ***Process***

The typical buying negotiating process for Gexcon usually first involves a demand, a claim, a discussion of price and delivery period and finally, an evaluation. When selling, Gexcon gives an offer on a tender for a possible assignment. In this phase, no personal contact is allowed, so prior to this, many presentations and market research need to be carried out. During meetings, Pedersen explained that:

*“you must know the normal etiquette on how to approach people, where to sit, respect who is in charge and the Indonesian meeting structure in general. It is also important to bring a person of sufficient status when we attend business meetings. We cannot bring with us a person from a lower hierarchical level, we need to bring the CEO.”*

To Pedersen, the after-work appeared to be more time-consuming. Here, the deal is usually closed, but new challenges tend to arise, requiring a lot of follow-ups to perform above customer expectations.

According to Pedersen, the negotiation process takes a lot of time, especially against public actors due to frequent replacements of people in charge. Customer need is also a factor affecting the time perspective and number of meetings. Yet, Pedersen stated that they follow a standard procedure with quite similar processes in most countries.

### ***Strategy***

Regarding the negotiation strategy, Pedersen explained that there are no variations in quality and content of the service itself, however, there is a need of adapting to the specific customer when it comes to the personal aspect. *“We make sure we act respectful, honest and spend time understanding each other to avoid misunderstandings.”* Seeking cultural knowledge is also perceived as important. Pedersen believed that the other party will “make room for them” after

they have projected a history of good intentions. There is moreover a culture for consensus in decision-making, but there exists an authority matrix for who can approve what in contracts, according to Pedersen.

As for the use of agents, Pedersen said: *“agents equal corruption, so we stay away from that.”*

## **6.4 Wilhelmsen Ships Service**

Being part of the Wilhelmsen Group, Wilhelmsen Ships Service (WSS) support non-stop operations in 2200 port locations across the world (Wilhelmsen, 2018). With more than 4500 specialised employees and offices in 125 countries, WSS has the largest maritime service network worldwide. WSS furthermore supply a wide portfolio of products and services in port, on board or offshore to many vessel types in various regions. That is mainly in Europe, America, Africa, Middle-East, Asia Pacific and the Black sea (Wilhelmsen, 2018).

Wilhelmsen Ships Service’s operation in Indonesia started 28 years ago with the partnership with PT Tirta Samudere Caraka. However, since 2015, WSS has been operating without its partner but has maintained the small, representative office in Jakarta (Wilhelmsen, 2018).

### **6.4.1 Interview with Former General Manager of WSS Indonesia**

From an interview on 01.03.18 with Lennart Stockmann, he was typically involved in operational negotiations, shipping rate negotiations and sales negotiations as the former General Manager in WSS. Stockmann managed shipping units for Samudera Sukses Makmur and navigated through what he perceived as a highly corrupt market in Indonesia.

#### ***Perception of Culture***

Stockmann’s perception of the Indonesian culture in negotiation settings was characterised by long agreement processes. Harmony was appreciated and so was “blending in” to the group by acting nice and polite. An example of Stockmann’s experience with the Indonesian fear of losing face is that they often say yes even though they do not know. He further stated that it was challenging approaching people with different religions in the country and not insult anyone.

Despite the cultural differences, Stockmann did not believe they had a significant impact on negotiations, much due to his long experience. *“Now, the culture is very easy to understand and to love. Consequently, it has become easy to do business!”* Once there are an understanding of Indonesia and the Indonesian people, many opportunities will emerge, according to him.

### ***Background***

On what background objectives were present under the negotiations, Stockmann argued that it was essential to achieve a long-term partnership.

*“We wanted a sustainable relationship, not to do business with a short-term commitment. Shipping is about the long-term business where sticking together is mandatory. I think the Indonesians wanted the same, they preferred a sustainable business model and to be kept happy throughout the process.”*

The negotiation team composition has varied for WSS. *“Sometimes, we started negotiating one to one and later invited to their office where more people were involved.”* Stockmann further explained that finding the right people depended on language skills, the hierarchical position and how they got along. *“We cannot change partners every week, so we need someone as reliable as possible.”* Very often, younger family members with educational backgrounds from Western countries, such as Australia, participated in negotiation meetings. Stockmann believed this was very positive for bringing in new and productive business skill.

### ***Atmosphere***

In Stockmann’s experience, *“long-term relationship establishments are extremely important to secure long-term agreements in this industry.”* This includes substantial trust building to avoid conflicts. However, Stockmann said that to the Indonesians, the relationship-establishment also depended a lot on what experience and quality of services they could provide. *“They had the money but needed the know-how.”*

As for power balance, Stockmann explained that this is quite diffuse, but generally depend on what you could bring to the table. *“Although they admired our quality, we were foreigners in their market and they could at any time find another service provider with similar equipment. They are rich and therefore, possess the strongest cards at hand.”* Moreover, finding the best

alternative to negotiations and having open contracts was more normal, according to Stockmann.

### ***Process***

Regarding the pre-negotiation process for WSS, this did normally not involve any substantial preparations. *“They will work their way down from the top of the list and find you,”* so the Indonesians contacted people from the knowledge and technology they wanted. After that, the trusted relationship establishments began by making friendships through daily contact. Meetings tended to start off quite formal, followed by more informal activities. Around the negotiating table, there was a lot of poor English small-talk. However, there were few areas of misunderstandings in contracts and agreement making was easy.

Time demand in negotiations therefore varied, but Stockmann argued that it was difficult to get something constructive out of the several meetings that tended to last for days. *“Indonesians do not rush to finish contracts, it takes time due to the many people involved. However, the Government has now constructed a better environment for foreign business processes.”*

### ***Strategy***

On the question regarding what strategies Stockmann employed in negotiations, he said that *“you need to listen to their needs and take it from there. You cannot be tough in negotiations.”* Furthermore, establishing friendships was considered essential for further process. There were clear role divisions in decision-making and they were normally made by people high up in the system, such as managers. Another key strategy for WSS was to ensure sufficient cultural knowledge through seminars held by experienced Norwegian sailors. Language challenges were handled through translators during business meetings.

When it comes to agents, Stockmann claimed he never used that. *“I did not need agents to deal with linguistic issues. In that case, I would search for a local person through the Norwegian Embassy or Innovation Norway. However, I did not trust someone else to promote our intention and not being on the other party’s side.”*

## 6.5 Summary of Data - Case Study Companies



Company sector	Intelligent Transport Systems (ITS)	Oil and gas	Software Development Consultancy	Shipping
Company size	430 employees, Operation in 19 countries	20500 employees, Operation in more than 30 countries	300 employees, Operation in 100 countries	4500 employees, Operation in 125 countries
Company's length of operation in Indonesia	6 years (Since 2012)	11 years (Since 2007)	6 years (Since 2012)	25 years (since 1993)
Respondent's name	Per Fredrik Ecker	Tor Fjæran	Sturle Harald Pedersen	Lennart Stockman
Respondent's background	Educated in Electronics, Sales and Managerial positions	Educated in Geology, Presidential, Director and Managerial positions	Educated in Economics, Presidential, Chairman and Managerial positions	Educated in Maritime Industry, Managerial and Chief representative positions
Respondent's position	Senior Vice President	Former Country Director	Chief Executive Officer	Former General Manager
Respondent's years in position	6 years	6 years	7 years	4 years
Respondent's international business experience	Approx. 25 years	Approx. 25 years	Approx. 35 years	Approx. 35 years
Respondent's experience with Indonesian business culture	Approx. 20 years	Approx. 6 years	Approx. 5 years	Approx. 10 years
Key culture findings	Time pace, collectivism, Indirect, high-context communication,	Diversity of direct/indirect, high-context communication, trust, personal relations	Collectivism, Indirect, high-context communication, emotionalism, trust	Time pace, collectivism, indirect, high-context communication, emotionalism,

	trust, personal relations			trust, personal relations
<b>Key background findings</b>	Complimentary objectives, shifting environment, governmental /organisational third parties, skilled negotiators	Complimentary objectives, social environment, governmental third parties, skilled negotiators	Common objectives, stable environment, few third parties, experienced negotiators	Common objectives, social environment, consulting third parties, skilled negotiators
<b>Key atmosphere findings</b>	Contract and relationship goal, currently close cooperation, win/win attitudes, hierarchical power balance, long-term expectation	Relationship goal, close cooperation and harmony, win/win attitudes, hierarchical power balance, long-term expectation	Relationship goal, cooperation and few conflicts, win/win attitudes, power, medium-term expectation	Contract and relationship goal, harmony and few conflicts, win/win attitude, hierarchical power balance, long-term expectation
<b>Key process findings</b>	Pre: relationship establishment, Face-to-face: body language, behaviours, unpunctuality, indirect communication Post: critical stage, specific agreement, misunderstandings, new challenges, high time demand	Pre: critical stage, preparations, relationship establishment, Face-to-face: clear agenda, unpunctuality, informal communication Post: specific, top-down agreement, high time demand	Pre: preparations, Face-to-face: formal, behaviours, body language, Post: critical phase, specific agreement, new challenges, high time demand	Pre: critical phase, establish trusted relationships Face-to-face: formal and informal, language issues Post: few misunderstandings, specific agreement, high time demand
<b>Key strategy findings</b>	Informal presentations, soft strategy, teams with fitting personal styles, bottom-up agreement building, agents	Soft strategy, informal personal styles, rational decision-making, bottom-up agreement building	Informal, individual presentations, soft strategy, bottom-up agreement building, authoritative decision-making	Individual presentations, soft strategy, informal personal styles, top-down agreement building and decision-making

Table 2: Case Study Company Data

## 6.6 Innovation Norway Jakarta

Innovation Norway is a global, Norwegian enterprise with a mission of contributing to the business environment by developing competitive and innovative organisations (Innovation Norway, 2018c). Services also include promotion and interaction between Norwegian Enterprises and Norway as a tourist destination, securing development in rural areas and transforming new ideas into successful business cases (Innovation Norway, 2018c). Innovation Norway is a public company established in 2003 and is owned 50-50 by the Ministries of trade and fisheries and the country state authorities (Innovation Norway, 2018c).

Indonesia contains a myriad of operation opportunities for Norwegian companies, which Innovation Norway provide assistance to (Innovation Norway, 2018c). Innovation Norway also operates in close cooperation with the Norwegian Embassy in Jakarta with market opportunities in aquaculture, fisheries, shipping, infrastructure and general trade (Innovation Norway, 2018c).

### 6.6.1 Interview with Director of Innovation Norway Jakarta

In a short interview 05.03.18 with Fredrik Bjerke Abdelmaguid, he provided his perspective on what cultural challenges Norwegian managers usually encounter in negotiation situations. First, Abdelmaguid explained that *“Norwegians, in general, have a very direct approach to business and would like to conduct business as efficiently as possible. In Indonesia, business and personal relationships are very intertwined.”* Abdelmaguid highlighted the importance of “chit-chat” to not be perceived rude and become “friends” and build trust before doing business. Moreover, *“in Norway, all employees are expected to be fairly autonomous. This mindset may collide with the hierarchical approach in Indonesia. Titles, status and positions are very important in Indonesia in terms of who is making the decision.”* According to Abdelmaguid, it is very important to consider culture in business negotiations. Otherwise, parties will probably end up with different expectations and perceptions of what has been agreed upon, and most, unfortunately, conflicts might arise.

On questions about what strategies Norwegian managers should have to cope with the cultural differences, Abdelmaguid argued that, above all, measures must be undertaken to ensure that employees engage in the society and have cultural awareness. This should, according to him, be handled as a specific, equally important strategy like everything else. Furthermore, one of

Innovation Norway's major reasons why they operate in emerging markets is to help Norwegian companies succeed with mapping of potential partners. Abdelmaguid listed examples of aids such as booklets and guides on how to do business in Indonesia and briefings on what cultural challenges the companies might encounter and how to deal with them. *"We urge all companies that want to do business in Indonesia to visit and build relations with their clients face to face."* Abdelmaguid has actively assisted in some business negotiations by being present in meetings and provide language support. However, Innovation Norway would never perform the actual negotiations for the companies.

## 6.7 Summary of Data - Secondary Case Study Company

Company	 Innovation Norway
Respondent's name	Fredrik Bjerke Abdelmaguid
Respondent's position	Director Indonesia
Perception on cultural issues	<ul style="list-style-type: none"> <li>- Contract/relationship</li> <li>- Trust establishment</li> <li>- Collective mindsets</li> <li>- Informal/formal communication</li> <li>- Hierarchical decision-making</li> </ul>
Perception on strategic issues	<ul style="list-style-type: none"> <li>- Obtain knowledge from guiding and briefing</li> <li>- Build face-to-face relations</li> <li>- Get language support</li> <li>- Seek advice, identify trusted partners</li> <li>- Engage in society</li> <li>- Have skilled employees</li> </ul>

Table 3: Secondary Case Study Company Data

## **7. Analysis and Discussion**

This chapter gives a thorough analysis and discussion of the research conducted on basis of the theoretical framework previously outlined. Central data will be compared between the cases of Norwegian enterprises in Indonesia to get a deeper understanding of the cultural impacts on business negotiations in emerging markets. There will be a discussion of the perceptions of cultural differences before the relationship between the negotiation factors are discussed with regard to each of the four research questions. Then, findings will be related to previous empirical findings to determine whether the conducted research is theoretically grounded and what areas need further investigation. There is a possibility that some of the data is misinterpreted in relation to the theory because the analysis is based on assumptions from the respondents' responses. There are risks of both researcher and respondent misinterpretations of what is perceived as cultural differences compared to what the theoretical framework portrays as cultural differences. For example, in questions about the other party's objectives, or negotiation style. Regardless, the choice of research method is perceived suitable for the goal of this thesis of obtaining an understanding of the cultural impacts on business negotiations in emerging markets.

### **7.1 Perceptions of Cultural Differences**

Perceptions of what specific cultural differences are prevalent between Norway and Indonesia according to the case study participants, can be identified in the collected data. These are then related to the central cultural differences found by authors and researchers such as Brett (2014), Ghauri and Usunier (2003) and Salacuse (1999).

The first interesting finding was that the respondent from Q-Free mentioned that Indonesia's political history has shaped the Indonesian culture. This supports the discussion in chapter 2.3 and the theories of several authoritarian regimes and recent power shifts to lower levels in the society. The power shifts were there discussed to make people reluctant to direct communication and insecure in decision-making. To the Q-Free respondent, the cultural challenges were particularly related to the tendency of misunderstandings derived from communication and the lack of trust in foreign actors derived from colonialization. Indirect communication, vague statements and distortion of truth also relates to the high-context and face culture by Hall (1979) and Brett (2014). Misunderstandings in communication were prevalent in the Gexcon respondent's perception as well, who argued that this is a fundamental

cultural difference. The respondent from Gexcon felt that promises were made to “save face”, and not kept. This can be linked to the Javanese values and Indonesian culture of maintaining harmony by Gray (2012) and Mangundjaya (2012). Another example from WSS was that the respondent experienced Indonesians to nod and say yes even though they did not understand. The WSS respondent perceived harmony, politeness and group adherence a requirement, which reflects the highly collectivist Indonesian culture as of Hofstede (2018). The respondent from Statoil mentioned that showing interest and engaging in the Indonesian culture was a successful way to establish trust and gain acceptance as a foreign actor. Other than the environmental context and corruption, which the Statoil respondent argued were highly reflected in the Indonesian culture, there was also a perception that the country diversity posed a challenge. The Statoil respondent experienced great cultural distinctions between Java and Sumatra, which is also outlined in chapter 2.5, although the Javanese culture was proposed as the main culture in Indonesia in this section. Furthermore, the respondent from WSS highlighted another cultural difference that stems from the Indonesian institutions; the social institution of religion. Approaching different religions was considered challenging and in chapter 2.4.2, religion is also regarded as a big impactor on the culture because it determines attitudes and behaviours.

From the interview with the secondary respondent from Innovation Norway, it appeared important to consider the fact that the Indonesian business culture is different from Norwegian business culture. Their experience was that conflicts might arise with lack of consideration and consequently lead to unsuccessful business operations in the Indonesian market. The feeling from the case study respondents was also that cultural differences are important to consider. The respondent from Statoil even stated that the only way to succeed was to interpret the Indonesian culture. However, this was not commonly thought of in daily operation, perhaps due to the length of international experience among the Norwegian managers. One can discuss if they have received an “Indonesia mindset” after many years of doing business in Indonesia. Conflicts did not appear as a substantial issue among the case study respondents, perhaps due to the overall need and objective of business cooperation. Generally, the Innovation Norway respondent listed cultural differences such as informal communication, collectivist mindsets, hierarchical decision-making and trust, all of which were found in the case study data as well.

The respondents’ answers appeared to match the theory and previous research of culture in Indonesia and Norway well. That includes the specific cultural differences such as harmony, time, collectivism versus individualism, communication, emotionalism, “face saving” and trust.

The respondent from WSS expressed that, once there are an understanding and appreciation of the Indonesian people, many business opportunities will emerge. Therefore, by understanding factors in the Indonesian culture and dealing with them in the right way over time, cultural differences can become a manageable challenge.

## **7.2 Impacts on Background**

### ***Research question 1: What cultural differences impact the background in negotiations?***

Case study data will in the following be compared and related to relevant theory regarding cultural differences in background factors in business negotiations by Ghauri and Usunier (2003). That includes factors such as objectives, environment, third parties and negotiators.

The prevalent perception of the four respondents' background objectives was that they had a shared vision of a preferred outcome with their respective negotiation counterparts. Examples to this could be the Q-Free respondent's argument that the other party had the same overall objective of enhancing the Jakarta infrastructure, although other minor objectives seemed to differ. In addition to this, the respondent appeared to aim at establishing a trusted, personal relationship with the other party and not just a business relationship. This relates to theory by Salacuse (1999) regarding contract versus relationship. It is also supported by literature from Verhezen (2016) and Gesteland (2012), whom stated that the relationship is more important than the contract in Indonesia. In the Statoil respondent's view, there existed expectations from the other party beyond the negotiation objective, that Statoil should contribute to the society. This could imply that the objectives are complimentary. However, relationship building appeared to be a key, common investment for both parts. The Gexcon and WSS respondent moreover valued cooperative business negotiations and also experienced a need of establishing long-term trusted relationships with the other negotiating party. There was a belief that the Indonesians had the same objectives of partnerships and sustainable relationships to conduct long-term business. In addition to the cultural trait "goal" by Salacuse (1999) where relationship building is found to be the way of doing business in Indonesia, theory by Brett (2000) is also relevant. Here, it is said that cooperative behaviours and collectivism generates goals of mutual agreements. Having common or complementary objectives in negotiations was according to Ghauri and Usunier (2003), fundamental to achieve successful outcomes. The same effects were expressed by Gray (2012) and Meyer (2015). Because the Indonesian culture values

cooperation and harmony and it is closely linked to the occurrence of common or complementary objectives, one can argue that these cultural traits impact the objectives.

The characteristics of the environment discussed in chapter 2 are found to shape the Indonesian culture in many ways. From the case study, especially political institutional voids and social institutions such as religion was mentioned by every respondent. Above all, the challenges of navigating around corruption, bribery and the frequent changes of governmental actors were prevalent. The governmental third-party actors seemed to somewhat influence the business negotiations by having their own objectives. An example in the case of Q-Free is that many stakeholders were involved where the negotiation parties sometimes attempted to manage the project incomes differently. The respondent from Statoil also claimed there were many parties involved in the business negotiations. However, this did not appear from the Gexcon and WSS respondents' answers.

Regarding the composition of negotiation teams and the characteristics of negotiators, the respondents from Q-Free and Statoil tended to involve people whom they perceived as having cultural competences. Both stated that that the negotiation team needed to be stable and involved in the same processes to secure continuity and long-term relationship establishments. This is in accordance with the statement by Cavusgil et al. (2012) that the highly collectivistic orientation in Indonesia favours stable and consistent teams in negotiations. Respondents from Gexcon and WSS however, also focused on long-term relations and appropriate skills and experiences, but they mostly met the other party in negotiations alone. Perhaps the reason why respondents from Gexcon and WSS usually negotiated with the other party's CEO relates to the power distance that exists in the society according to Katz (2008) and Meyer (2015). Also, theory by Katz (2008) and Salacuse's (1999) agreement building trait, highlighted that the power distance and hierarchical structure contributes to top-down decision-making. Therefore, the CEO is often present even though the negotiations could happen at lower levels.

The most relevant contribution from the secondary respondent from Innovation Norway was the perceived importance of having skilled employees, or negotiators. Identifying trusted partners and building relationships was a common finding among both the case study respondents and the secondary case study respondent. Additionally, the respondent from Innovation Norway proposed that Norwegian managers attempting to negotiate with Indonesian

actors should have an objective of engaging in the society. This was found quite important among many, especially to the Statoil respondent.

Reflecting on what cultural differences impact background factors in business negotiations, there are some prevalent findings. There was a relatively consistent opinion among all respondents that the background objectives of the negotiations are common or complementary, due to the cultural factors of establishing trusted, long-term relationships and maintaining harmony and cooperation. The objectives appeared to be closely attached to the negotiation atmosphere, which is discussed more thoroughly in the next research question. It was furthermore prevalent among the respondents that conflicts are not sizable issues. Environmental and third-party findings seemed to be affected by a culture shaped by Indonesia's political history and the institutional characteristics. Regarding negotiator teams, this appeared to be affected by the knowledge and experience of the Indonesian culture of collectivism, hierarchy and power distance.

### **7.3 Impacts on Atmosphere**

#### ***Research question 2: What cultural differences impact the atmosphere in negotiations?***

All relevant cultural differences found in the case study will now be compared and related to the theoretical discussion about atmosphere factors in business negotiations presented by Ghauri and Usunier (2003). This includes factors such as conflict versus cooperation, power versus dependence and expectations.

The background factors discussed in the previous section arguably impact the atmosphere. The collected data projected that common and complementary objectives led to cooperative atmospheres, which is also prevalent in previous theory. Salacuse (1999), Verhezen (2016), Gesteland (2012) and Gray (2012) stated that Indonesians value personal relationships in business to a much larger extent than the Norwegian counterpart. The Norwegian respondents demonstrated that they recognised these cultural differences. Trusted relationship establishment in business appeared to be important and applied among all the case study respondents. The respondent from Q-Free stated that a cooperative atmosphere was necessary and that this was achieved through building trust. Statoil's respondent moreover expressed that the Indonesian counterpart expected personal relations beyond just doing business and that they needed to

handle issues carefully to maintain harmony and avoid conflicts. This seemed to be the situation for the Gexcon respondent as well, because of the need of becoming friends with the other party, cooperate well and deal with emerging conflicts. The respondent from WSS also appeared to find trusted relationships a way to avoid conflicts and of particular importance to secure long-term agreements in their industry. However, the importance tended to correlate with the level of own business experience and quality of services. From these findings, theory by Ertel (2001), Gulati (2003) and Fletcher and Crawford (2013) about how the existence of the personal relationship is closely linked to a cooperative and harmonious negotiation atmosphere, appears to be supported.

In the case of Gexcon, the respondent stated that they, as a Norwegian company, was in a possession of more power because they were perceived as an industry expert with quality products and services. The power versus dependence relationship among the negotiation parties can have an impact on the negotiation atmosphere (Ghauri & Usunier, 2003). This also relates to the theory about how there is usually more power among Western companies of knowledge and expertise in emerging markets and that buyers in such markets tend to have less power (Ghauri and Usunier, 2003). The prevalent feeling from the Q-Free respondent, however, was that the other negotiating party, the Governor, had more power because of the authority of signing the deal. This can be related to the hierarchical culture in Indonesia with high power distance, where people are found to use status and persuasion more than people from egalitarian societies (Brett, 2014). The Statoil respondent also appeared to be in a position of dependence, because they wanted something from the Indonesian party. This was unclear to the WSS's respondent who said that it generally depended on what could be offered. However, BATNA seemed to be quite normal in their business negotiations, which can be a source of power according to Brett (2014). Although the perception of power balance among the four respondents tended to differ, there was no prevalent feeling that power was a factor leading to conflicts or having a negative impact on the personal relationships and atmosphere.

The overall perception among all respondents is furthermore, that long-term commitment is important and expected in business negotiations. Any significant issues of divergent expectations between the negotiation parties are not evident from the case study and that is also reflected in the findings from research question 1. According to Ghauri and Usunier (2003), differences in long-term and short-term expectations might influence the relationship and result in a conflicting atmosphere, but this is not prominent here.

The secondary case study respondent from Innovation Norway appeared to indirectly support some of the notions about the atmosphere. The respondent argued that conflicts might arise as a consequence of not building face-to-face relations and trust, reflecting the case study data. Power distance and hierarchies that exist in the Indonesian market was also highlighted as important considerations.

From the respondents' answers, establishing personal relationships, trust, cooperation and long-term commitment without conflicts was perceived as expected by the other party. Relationship building is therefore found to be considered particularly important among the Norwegian managers negotiating in Indonesia because it helps to maintain a cooperative atmosphere. The power versus dependence relationship impacted by cultural factors of power distance and hierarchy is not found significant.

## **7.4 Impacts on Process**

### ***Research question 3: What cultural differences impact the negotiation process?***

What cultural differences from theory between Indonesia and Norway impact the various stages in the business negotiation processes will be found and compared between the case study respondents. The process is, according to Ghauri and Usunier (2003), divided into three stages; pre-negotiation, face-to-face negotiation and post-negotiation.

From the interview with the Q-Free respondent, there was a clear focus on the pre-negotiation stage, where solid relationship building takes place. This is evident in their strategical office location in an area with places to meet with the other negotiation party for informal discussions. The respondent from Statoil also addressed the importance of starting out with informal meetings to get to know the people of the other party. To WSS, relationship establishment also appeared to begin at this stage, but that was not evident in the case of Gexcon. This is because the Gexcon respondent was not allowed to have any contact with the counterpart in the pre-negotiation stage. Theory from Ghauri and Usunier (2003) about the advantages of building an informal relationship at this stage and theory about time demanding relationship and trust building from Bahaudin (2013) and Salacuse (1999), therefore seems relevant in three out of four cases. Moreover, to spend time on preparations such as market research and information gathering was found important in the pre-negotiation stage to the Statoil and Gexcon

respondent. The Q-Free respondent also mentioned stakeholder analyses, which fits well to Nixon's (2012) argument that in this stage, it is important to investigate how various stakeholders affect the business negotiation outcome in terms of styles, needs, roles and cultures. However, the respondent from WSS was not found to engage in any particular preparations.

The respondents from Gexcon and Q-Free appeared to experience misunderstandings in communication as the biggest cultural challenge in face-to-face negotiations. They explained that the Indonesians' wish to keep harmonious atmospheres could lead to false statements. Harmony and fear of losing face were also brought up by the WSS respondent, supported by theory from Cavusgil et al. (2012) that communication largely influence the face-to-face negotiation stage. Fletcher and Crawford (2013) argued that "saving face" involves an indirect and implicit language, which is a factor that could complicate and prolong the negotiation process. This also relates to theory from Hall (1979) about how the use of implicit or explicit communication methods depend on high or low-context cultures. This is furthermore an important consideration for Western managers in Asia, as discussed by Brett (2014/2004) and Adair (2004). The Q-Free respondent highlighted the importance of understanding body language to interpret the actual intentions, which is related to Salacuse's (1999) communication trait. Here, gestures and expressions were stated to be as important as the spoken language. Nixon's (2012) theory about how agreement and acceptance are related to engagement and enthusiasm, and how silence, withdrawal and absence of enthusiasm are related to disagreement, can also appear valid.

Moreover, all respondents, and particularly those from Q-Free and Statoil, stated that the Indonesians tended to be late and unpunctual. This confirms the theory regarding time sensitivity by Salacuse (1999) and Meyer (2015). Silkenat et. al (2000) also stated that Indonesians are different to Norwegians in terms of flexible schedules and so-called polychronic time orientation. Warburton (2018) connected slow-moving bureaucracies to cultural aspects of hierarchical structures and increased time demand. Respondents from Q-Free, Statoil and Gexcon negotiated with the public sector and their perception of hierarchical structures and slow processes is reflected in the Javanese characteristics of business. Another central issue among all of the respondents appeared to be how corruption lead to higher time demand. According to theory by Nixon (2012) and Venkatesan (2015), corruption and bribery in the public environment are indeed additional factors that can increase the time demand in

business negotiations. Also, Ghauri (1988), in his case study, stated that there is an increased time demand at all stages of the negotiation process in developing countries because of the unfamiliarity between the parties.

The post-negotiation stage is when the contract is signed and the implementation and after work begins (Ghauri & Usunier, 2003). Both the Statoil and WSS respondent appeared to experience that contracts were very specific and without misunderstandings. This reflects the Norwegian, specific way of managing contracts and cultural differences appear to have little impact upon their agreement form. This contradicts the arguments from Salacuse (1999), Gesteland (2012) and Katz (2007/2008), that agreement forms are usually general and flexible in Indonesia. Despite specific agreement forms, problems might evolve in high-context countries because of the indirectness. The Gexcon and Q-Free respondent mentioned the need of follow-ups because of the likeliness of misunderstandings in communication. One can relate this to literature by Hall (1979), that final agreements can be challenging in high-context countries, as important points are missed out through indirect language and implicit meanings.

Innovation Norway's respondent highlighted a few aspects that are in line with the previous discussion regarding the negotiation process. Above all, this includes the importance of establishing trust in order to be able to do successful business later. This relates to the pre-negotiation stage characteristics. Moreover, the respondent argued that cultural differences are manifested in personal relations and informal communication methods, similar to the previous discussion.

Summarising the discussion of case study data and previous empirical evidence of the business negotiation process, harmony and hierarchy are heavy impactors. The pre-negotiation stage appeared to be critical and time-consuming due to the need for preparations such as information gathering and relationship building. During the face-to-face negotiations, issues were mostly related to communication, which is influenced by the cultural differences of high-context and interpretations of both the verbal and non-verbal language. Time demand is also found to be impacted by environmental issues and cultural differences in punctuality and schedule adherence. The post-negotiation agreement forms appeared to be somewhat specific, which contradicts theory about the Indonesian general and flexible agreement form. One can therefore argue that the respondents use a Norwegian agreement form standard.

## 7.5 Impacts on Strategy

### *Research question 4: What cultural differences impact the negotiation strategy?*

The case study data is in the following related to theoretical cultural differences and compared between the cases. The discussion is separated into the strategic factors in business negotiations according to Ghauri and Usunier (2003). This includes conflict versus cooperation, power versus dependence and expectations.

The feeling from the Gexcon respondent's answers was that there existed a requirement of following certain etiquettes and showing respect. Regarding presentations, Katz (2008) argued that Indonesians tend to have some formal business etiquette such as when entering a meeting room, exchanging business cards, shaking hands with the right arm and including the right people around the negotiation table. The respondent from Gexcon also said that it was important to match the Indonesian team composition in accordance to their hierarchical status in presentations. This relates to the theory of hierarchy, which exists in the face cultures outlined by Brett (2014) and power distance by Hofstede (2018). Brett (2000) stated that the hierarchical position is important during negotiations in hierarchical societies. The WSS respondent moreover expressed that meetings tended to start off quite formal but usually followed by more informal activities later. This relates to Salacuse's (1999) informal presentation styles. However, from the Statoil and Q-Free respondent's answers, it seemed like the negotiation presentations were adapted to the situation, which varied a lot.

In the case study, respondents from both Q-Free and WSS argued that acting tough in negotiations does not work well. For example, the WSS respondent said that it was important to listen to the other party's needs and be careful not to overrun anyone and maintain friendships. From theory, there are many strategies in business negotiations. Ghauri and Usunier (2003) distinguished between tough, intermediate and soft strategies, and Gray (2012) stated that promoting a soft strategy leads to harmonious atmospheres, which are valued in Indonesia. The feeling was that the respondents from Statoil and Gexcon also found it important to negotiate in a harmonious way because this was preferred by the Indonesian counterpart. All of the respondents mentioned the importance of having good relationships without conflicts and this fits well with the theory of excluding tough strategies. Nixon (2005), Fletcher and Crawford (2013) and Gray (2012) also stated that a tough strategy should be avoided in Indonesia, which appears to apply in every case. So, does the calm, positive and persistent win-

win attitude trait by Salacuse (1999) and conflict aversion and face-saving theory by Katz (2008).

Prevalent from the Q-Free respondent's answers, and to some extent from the Statoil respondent's answers, was that they utilised a bottom-up approach in decision-making. Decisions seemed to be made by people of high hierarchical status, but from a group consensus, as the respondents elaborated on how they have built their projects from the bottom and informed all levels in the hierarchy. Regarding the theory of decision-making and decision-makers however, this is an approach more common in the egalitarian way of business. As previously elaborated by Meyer (2015), Katz (2008) and Brett (2014), "face-saving" cultures normally follow procedures of hierarchical decision-making. On the contrary, the respondent from Q-Free explained that the structural changes in the Indonesian society have moved power towards people at lower hierarchical levels, also in organisational matters. The respondent from Gexcon however, experienced decision-making to be based on an authority matrix with clear role divisions, similar to the case of WSS, where decisions usually were made by managers. This relates to theory by Irawanto et al. (2011), that respect is rooted in the Javanese values, which Gray (2012) later named the "Javanese way of doing business". It appears evident that approaching people at similar hierarchical levels is an important decision-making strategy, which is in accordance to Katz's (2008) theory of hierarchical decisions in international business negotiations.

Ghuri and Usunier (2003) presented the strategy of employing a third-party agent in business negotiations. The respondent from Q-Free was found to employ a local partner for assistance, and both Q-Free and Statoil respondents mentioned the Norwegian Embassy and Innovation Norway as useful partners. Respondents from WSS and Gexcon clearly projected that agents could be associated with corruption, and therefore, it did not appear as a successful strategy to them. This is supported by Gray (2012), who argued that third-party agents in Indonesia, called "perantaras" are sometimes related to corrupt activities.

The respondent from Innovation Norway highlighted that, although they sometimes assist Norwegian enterprises in the Indonesian market as a third party, they are never directly involved in any of their business negotiations. Areas of assistance could be, for example, advice, language support or help to build political visibility by projecting Norwegian values and qualities. Moreover, important strategies mentioned by the respondent from Innovation Norway

was that the Norwegian organisations should have culturally aware employees, engage in the society and build relations with trusted partners. This is very much in line with the case study findings. The Innovation Norway respondent did also point out the tendency of hierarchical decision-making, similar to some of the case study respondents.

Conclusively, from the analysis and comparison between theory and case study data, there appeared to be strategic presentations in the business negotiations more successful than others. The presentation should involve an informal negotiation style but follow certain business etiquette. Moreover, a soft or intermediate strategy was found to be a successful strategic consideration, in addition to a consensus-oriented approach to decision-making, even though final decisions were normally made at higher hierarchical levels. Third-parties appeared to be successful as assistance only, because direct involvement in business negotiations may be linked to corruption. It is therefore clear that several cultural factors impact the negotiation strategy and there are many important considerations for a Norwegian manager who conduct business negotiations in Indonesia.

## 8. Conclusions and Recommendations

This thesis has followed a qualitative case study research of Norwegian enterprises in Indonesia to find the cultural impacts on business negotiations in emerging markets. The most prominent remark was that negotiators must be flexible in their thinking. Considering, interpreting and approaching culture was essential to the case organisations' success, or as one of the respondents put it; *“after some experience, the culture of the Indonesian people is easy to understand and to love. Then, many opportunities will emerge.”*

The dynamic processes of international business negotiations appeared to be complicated by several cultural differences. Above all, that included differences in values of harmony, management of time, collectivism versus individualism, power distance, communication, emotionalism, “face saving” and trust. However, the previous theory suggested that the cultural factors must be viewed in the contexts of background, atmosphere, process and strategy. Research questions were, therefore, derived from the main framework by Ghauri and Usunier (2003) and Salacuse (1999), in addition to theory from several other authors and researchers.

Central findings were that the background objectives of business negotiations tend to be common or complementary, due to the need of establishing trusted, long-term relationships and maintaining harmonious and cooperative atmospheres. The environment and culture are shaped by Indonesia's political history and the institutional characteristics of collectivism, hierarchy and power distance, which are also reflected in the negotiation team composition. The power versus dependence relation between the parties tended to be quite unbalanced but did not cause conflicts because of the values of harmony and expectations of long-term business. The different stages of the negotiation process were influenced by the high-context culture, requiring careful interpretation of verbal and non-verbal messages. Polychronic time orientation and time invested in relationship building could also contribute to prolonging the negotiation process. Agreement forms in the post-negotiation stage however, appeared to be quite specific, in contrast to the general and flexible agreement form that the theory suggested to be common in Indonesia. The negotiation strategies were found to mostly include soft styles, informal communication and approaching people of similar hierarchical status. Finally, third-party partnerships were found beneficial, but employing agents to participate in business negotiations could be associated with corruption.

Even though findings from the research questions appeared to relate well to the empirical framework about cross-cultural business negotiations, there are still some limitations in the study. A generalisation of the Indonesian culture is risky, as Indonesia is a very culturally diverse country. The research was also conducted on companies that for the most part is doing business on Java, the Island of the “main” Indonesian culture. Perhaps the greatest limitation lies in the narrow sample in the case study, which is not sufficient to create a generalised picture of the situation among Norwegian enterprises’ negotiations with Indonesian actors. More companies should, therefore, have been interviewed and preferably companies operating at various places in Indonesia. Still, for the few companies involved, the case study managed to dig deep into their specific situation, which was the main intention. However, this thesis only served to graze the theoretical surface of the topic of international business negotiations, which is very broad. Negotiation is a tricky and classified topic, where more valuable and sensitive information could have been included if the thesis was made confidential. Findings are also subject to variations in the type of sector, type of negotiation and type of negotiation counterpart. Moreover, conducting interviews in person, rather than through online video calls and e-mails to go deeper into the company’s actual negotiation, could have increased the credibility and trustworthiness. The relativity would also be improved if the Indonesian point of view and their experiences of negotiating cross-culturally with Norwegians was included.

Given the time and capacity, interesting aspects for future research would be to conduct an observational research method of actual business negotiation situations, or to look at how companies from other countries than Norway experience business negotiations in Indonesia. In that way, one could identify similarities and differences in the perception of cultural challenges and make comparisons between countries. Another idea for future research is to look even further into topics such as corruption and corporate social responsibility (CSR). From investigating business negotiations, these are arguably other important dependent variables that appeared to have a significant influence on the issue. Indonesia’s institutions contain a high level of corruption, and this is also reflected in the respondent’s answers on what factors make negotiations challenging. Each participant also mentioned CSR and the importance for a foreign company operating in the Indonesian market to contribute to the society beyond the value of their primary services. It is therefore recommended to investigate how CSR can contribute to stronger business relationships and more successful negotiation processes.

Culture is indeed an important topic. Erin Meyer (2015, p. 158) once said: *“try seeing, feeling, and tasting the water you swim in the way a land animal might perceive it. You may find the experience mind-expanding.”* We are all part of a global network, where success requires navigating through different cultural realities, so it is alfa omega to decode these cultures. Indonesia’s growing economy is increasingly becoming an arena for foreign investment and there are several business opportunities for Norwegian companies that are brave enough and able to do substantial mapping of the background and atmosphere characteristics. Through strategies based on a solid understanding and a consideration of cultural differences regarding personal relationships, communication and time management, the negotiation processes will run smoothly. Then, not only operation in Indonesia will become a success, but it may also ensure a contribution to further development of the emerging market.

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## 10. Appendices

### 10.1 Interview Guide Case Companies

#### Interview Guide Case Companies

*Interview date, time and location:*

*Interview length:*

*Company:*

*Sector:*

*Size (employees, countries):*

*Company's length of operation in Indonesia:*

*Name:*

*Educational and Professional Background:*

*Position:*

*Years in position:*

*Manager's international business experience:*

*Manager's experience with Indonesian culture:*

*Please describe your experience of negotiating in Indonesia. (What, how many, how, with who)*

#### CULTURE

- *Do you think cultural differences have an effect on international business negotiations?*
- *If so, how and why is there an effect?*
- *If not, how and why do you think there is no effect?*
- *What are, in your opinion, the largest cultural challenges in Indonesia? (time perception/punctuality, individualism/collectivism, indirect/direct communication, emotions)*
- *In your experience, to what extent do you consider the cultural differences?*

## BACKGROUND

- *Why did the negotiations find place, what was the objective?*
- *What do you think was the other negotiation party's objective?  
(common/complementary/contradictory)*
- *In your experience of negotiating in Indonesia, how many negotiation parties are normally involved in the negotiations?*
- *How is the composition of your negotiation team when you negotiate in Indonesia?  
(How many, continuity, background, experience, interest)*
- *In your experience negotiating in Indonesia, what is the composition of the other negotiation party? (position, continuity)*

## ATMOSPHERE

- *How would you describe the relationship establishments with Indonesians? (contract/relationship)*
- *To what extent are long-term relationships expected from the other party?*
- *How is the collaborative environment in the negotiations? (attitudes, win/win vs win/lose)*
- *What is the tendency of conflicts? (misunderstandings)*
- *How would you describe the power balance in the negotiations? (relative power)*

## PROCESS

- *How is the typical negotiation process?*
- *Before (preparations, relationship building, information gathering, mapping, content)*
- *Under (agenda, setting, communication)*
- *After (individual/group consensus, decision-making, specific/general agreement)*
- *In your experience negotiating in Indonesia, how long does the whole negotiation process take?*
- *In your opinion, what negotiation stage takes more time?*
- *How many meetings generally occur throughout the negotiation process?*
- *Is there such a thing as a normal negotiation process in Indonesia? (time)*

## STRATEGY

- *What sort of strategies to deal with culture in negotiations do you normally employ?*
- *What rules or procedures regarding the negotiations normally take place when negotiating in Indonesia? (formal/informal)*
- *Do you need to adapt your negotiation style when negotiating in Indonesia? If so, how? (tough/soft/intermediate)*
- *Do you think the other party adapts their negotiation style? If so, how?*
- *How does decision-making happen? (top-down/bottom-up)*
- *To achieve successful negotiation outcomes in Indonesia, do you need to employ an 'agent' as a negotiator or mediator or for any other purpose? If so, what role do they play?*

*Anything to add to this interview?*

## 10.2 Interview Guide Secondary Case Company

### Interview Guide Innovation Norway Jakarta

***Interview date, time and location:***

***Name:***

***Position:***

- *Do you think cultural differences have an effect on Norwegian company's business negotiations in Indonesia?*
  - *If so, how and why is there an effect?*
  - *If not, how and why do you think there is no effect?*
- *In your opinion, how important is it for Norwegian managers to consider culture when negotiating in Indonesia?*
- *What can they do (strategies) to cope with cultural differences?*
- *Do you aid Norwegian companies to succeed in a cultural environment?*
  - *If so, how?*
- *Have you at any time actively assisted in a Norwegian company's business negotiations? Please explain and give examples.*
- *Anything else you wish to add?*

### **10.3 Check of Company Interest and Usefulness of the Thesis' Research**

#### Forhøring om Interesse og Relevanse om Tema til Masteroppgave

Hei,

Vi er to studenter som skal skrive masteroppgave denne våren ved Handelshøyskolen på Universitetet i Agder. Så langt har vi lyst til å undersøke kulturelle utfordringer for organisasjoner i fremvoksende markeder, og hvordan norske ledere i norske bedrifter forholder seg til indonesisk kultur i forretninger. Derfor sender vi nå ut en kort undersøkelse til det vi tror er relevante organisasjoner, og vil forhåpentligvis foreta grundigere intervjuer av et utvalg av dem senere.

Vi vil aller først forhøre oss med dere om selve relevansen for det vi undersøker, om dette er noe dere synes er interessant og om dere tror det kan være nyttig for andre norske bedrifter som er, eller skal bli etablert i Indonesia senere. Da dere antakeligvis har god kjennskap og erfaring med temaet, hadde det vært kjempefint om dere kunne gi oss deres mening og tanker og gjerne hva annet dere spesielt synes det kan være viktig for oss å se på omkring dette temaet.

Vennlig hilsen,

Christine N. Abrahamsen og Erling T. Skalleberg

## 10.4 Example of Interview Invitation

### Invitasjon til Intervju i Forbindelse med Masteroppgave

Hei,

Jeg var i høst intern i Q-Free Jakarta gjennom masterprogrammet i økonomi og administrasjon ved Universitetet i Agder, hvor jeg ble veldig interessert i hvordan det er å gjøre business i et land med fremmed kultur. Nå er jeg og en medstudent, Erling Tobias Skalleberg, i gang med masteroppgaven vår om "Cultural Impacts on Business Negotiations in Emerging Markets" som skal leveres 1/6-18. Stein Kristiansen er vår veileder til dette.

Vi ønsker dermed å se på hvilke kulturelle faktorer som spiller inn i norske lederes forhandlingsprosesser med indonesere og hvilke kulturelle utfordringer dere har møtt i deres spesifikke forhandlingssituasjoner. Det er interessant for oss å inkludere kun et fåtall bedrifter i undersøkelsen for å få den dybdeforståelsen vi er ute etter. Det er nyttig å høre om eksempel-situasjoner, og at dere gir så mye informasjon som dere kan. Om dere likevel foretrekker at dette behandles konfidensielt har vi muligheten til det. Da vil ikke oppgaven bli publisert, men kun bli delt med oss og sensorer.

Vi vil gjerne vil ha med Statoil pga. deres lange erfaring i Indonesia. Jeg var også heldig å komme i kontakt med Helge Håland fra Statoil da jeg engasjerte meg i den Indonesisk-Norske bedriftsklyngen i Jakarta. Vi vil særlig snakke med deg, som har mye erfaring som tidligere President Director i Indonesia og Vice President for Middle-East og Asia.

I første omgang ønsker vi svar på om du kunne tenke deg å være frivillig som en av våre intervjuobjekter. Videointervjuet vil foregå en gang det passer for deg i uke 7 eller 8 og du kan når som helst trekke deg.

Vi håper dere vil være del av vår forskning. Gi oss gjerne tilbakemelding på om dere vil delta i intervju så fort dere har mulighet.

Tusen takk, vi hører fra deg!

Vennlig hilsen Christine N. Abrahamsen

## 10.5 Letter of Approval from NSD



Stein Oluf Kristiansen  
Gimlemoen 19  
4604 KRISTIANSAND S

Vår dato: 09.02.2018

Vår ref: 58914 / 3 / EPA

Deres dato:

Deres ref:

### Vurdering fra NSD Personvernombudet for forskning § 31

Personvernombudet for forskning viser til meldeskjema mottatt 08.02.2018 for prosjektet:

58914

*Cultural Impact on Negotiation Strategies in Emerging Markets - Cases of Norwegian Enterprises in Indonesia.*

Behandlingsansvarlig

Universitetet i Agder, ved institusjonens øverste leder

Daglig ansvarlig

Stein Oluf Kristiansen

Student

Erling Tobias Skalleberg

#### Vurdering

Etter gjennomgang av opplysningene i meldeskjemaet og øvrig dokumentasjon finner vi at prosjektet er meldepliktig og at personopplysningene som blir samlet inn i dette prosjektet er regulert av personopplysningsloven § 31. På den neste siden er vår vurdering av prosjektopplegget slik det er meldt til oss. Du kan nå gå i gang med å behandle personopplysninger.

#### Vilkår for vår anbefaling

Vår anbefaling forutsetter at du gjennomfører prosjektet i tråd med:

- opplysningene gitt i meldeskjemaet og øvrig dokumentasjon
- vår prosjektvurdering, se side 2
- eventuell korrespondanse med oss

Vi forutsetter at du ikke innhenter sensitive personopplysninger.

#### Meld fra hvis du gjør vesentlige endringer i prosjektet

Dersom prosjektet endrer seg, kan det være nødvendig å sende inn endringsmelding. På våre nettsider finner du svar på hvilke [endringer](#) du må melde, samt endringsskjema.

#### Opplysninger om prosjektet blir lagt ut på våre nettsider og i Meldingsarkivet

Vi har lagt ut opplysninger om prosjektet på nettsidene våre. Alle våre institusjoner har også tilgang til egne prosjekter i [Meldingsarkivet](#).

#### VI tar kontakt om status for behandling av personopplysninger ved prosjektslutt

*Dokumentet er elektronisk produsert og godkjent ved NSDs rutiner for elektronisk godkjenning.*

Ved prosjektslutt 30.06.2018 vil vi ta kontakt for å avklare status for behandlingen av personopplysninger.

Se våre nettsider eller ta kontakt dersom du har spørsmål. Vi ønsker lykke til med prosjektet!

Marianne Høgetveit Myhren

Eva J. B. Payne

Kontaktperson: Eva J. B. Payne tlf: 55 58 27 97 / [eva.payne@nsd.no](mailto:eva.payne@nsd.no)

Vedlegg: Prosjektvurdering

Kopi: Erling Tobias Skalleberg, [erlingtob1@hotmail.com](mailto:erlingtob1@hotmail.com)

## Personvernombudet for forskning



### Prosjektvurdering - Kommentar

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Prosjektnr: 58914

#### INFORMASJON OG SAMTYKKE

Du har opplyst i meldeskjema at utvalget (bedriftsledere) vil motta skriftlig informasjon om prosjektet, og samtykke skriftlig til å delta.

Vi gjør oppmerksom på at for å innhente et gyldig samtykke må utvalget minst motta følgende informasjon:

- hva som er formålet med prosjektet og hva personopplysningene vil bli brukt til
- hvilke opplysninger som samles inn og hvordan opplysningene samles inn
- at deltakelse i prosjektet er frivillig, og at man kan trekke seg uten begrunnelse
- hvem som vil få tilgang til opplysningene
- dato for prosjektslutt, 30.06.2018, og hva som vil skje med personopplysningene ved prosjektslutt (at datamaterialet anonymiseres).
- navn og kontaktopplysninger til behandlingsansvarlig institusjon, Universitetet i Agder
- navn og kontaktopplysninger til den daglig ansvarlige for prosjektet, Stein Oluf Kristiansen, samt til studenten

Vi anbefaler at du bruker vår veiledende mal for informasjonsskriv:

[http://www.nsd.uib.no/personvernombud/hjelp/informasjon\\_samtykke/](http://www.nsd.uib.no/personvernombud/hjelp/informasjon_samtykke/)

Vi ber om at informasjonsskriv sendes til [personvernombudet@nsd.no](mailto:personvernombudet@nsd.no). Husk å oppgi prosjektnummer. Prosjektet kan deretter starte.

#### INFORMASJONSSIKKERHET

Personvernombudet forutsetter at du behandler alle data i tråd med Universitetet i Agder sine retningslinjer for datahåndtering og informasjonssikkerhet. Vi legger til grunn at bruk av privat pc/mobil lagringsenhet/skylagring er i samsvar med institusjonens retningslinjer.

#### DATABEHANDLER

Du har opplyst i meldeskjema at Skype skal brukes for å gjennomføre intervju. Skype vil da fungere som databehandler i prosjektet. Vi anbefaler at man vurderer andre metoder, ettersom innsamling av data via Skype ikke er optimalt med tanke på konfidensialitet og informasjonssikkerhet. Bruk av eventuell databehandler må avklares med behandlingsansvarlig institusjon, Universitetet i Agder. Institusjonen er ansvarlig for at personopplysningene behandles på en sikker måte gjennom hele prosessen.

#### PUBLISERING

Du har opplyst i meldeskjema at personopplysninger publiseres. Personvernombudet har lagt til grunn at du innhenter samtykke fra den enkelte informanten til publiseringen. Vi anbefaler at hver enkelt informant får anledning til å lese og godkjenne sine opplysninger før publisering.

**PROSJEKTLUTT OG ANONYMISERING**

På bakgrunn av telefonsamtale 09.02.2018, er prosjektlutt 30.06.2018 og du vil anonymisere datamaterialet ved prosjektlutt.

Anonymisering innebærer vanligvis å:

- slette direkte identifiserbare opplysninger som navn, fødselsnummer, koblingsnøkkel
- slette eller omskrive/gruppere indirekte identifiserbare opplysninger som bosted/arbeidssted, alder, kjønn
- slette lydopptak

For en utdypende beskrivelse av anonymisering av personopplysninger, se Datatilsynets veileder:

<https://www.datatilsynet.no/globalassets/global/regelverk-skjema/veiledere/anonymisering-veileder-041115.pdf>

## 10.6 Reflection

### 10.6.1 Reflective Note 1 - Christine Nathalie Abrahamsen

#### *The Thesis Topic and Main Findings*

To me, the topic of our master thesis; *cultural impacts on business negotiations in emerging markets*, with a focus on Norwegian enterprises in Indonesia, is very interesting. The topic is also highly relevant, as Indonesia is becoming an increasingly important marketplace for Norwegian business operation. Indonesia is experiencing an annual GDP growth rate of around 5% and is emerging as one of the largest economies in the world. By growing middle classes, increased purchasing power and abundance of natural resources comes great business opportunities. However, there are many obstacles to success, one of them being the cultural distance between Norway and Indonesia. In business negotiation situations, which are frequent, intricate and critical, culture can pose an even bigger challenge.

Several researchers have studied the impact of culture in organisational operations, proving that this is one of the most important fields in international business. There are also many theories of business negotiations. However, a research gap was identified in the cases of some of the approximately 60 Norwegian companies that have established themselves physically in the emerging market of Indonesia. We chose a qualitative case study research method with a sample of four Norwegian companies from the population, in addition to Innovation Norway. The data was collected from in-depth interviews with people in current or previous managerial positions in each company.

A prevalent finding from our research was that cultural differences indeed complicate business negotiations between the two countries. Above all, that was manifested in the differences of how people perceive time, their verbal and non-verbal communications, power distance and use of emotions. However, most prominent was the Indonesian value of harmony, informality, trust, personal relationships and group orientation, in contrast to the Norwegian focus on business, efficiency and individual gains. The Norwegian managers' abilities to cope with such cultural differences in business negotiations appeared to largely depend on to what extent the managers understood, acknowledged and interpreted culture as an integrated part of their daily operation. Their openness, knowledge and appreciation, in addition to their international experience, seemed to have much impact on this ability.

### ***The Thesis Topic and International Forces***

The companies included in our case study are Q-Free, Statoil, Gexcon and Wilhelmsen Ships Service. Each company operates in different industries and the international forces affecting their operation will vary somewhat. However, they are all established in a culturally distant environment, in which they conduct business negotiations to secure profitable deals.

One can discuss whether the continuous globalisation is creating a single world culture. The world is becoming more interconnected and interdependent than ever before, much due to technology and internet. The force of English as a common language moreover enables people to connect like never before. In the capital of Indonesia, Jakarta, there is a more frequent immigration of people from all corners of the world, many of whom are there for business purposes. Not only does immigration lead to an exposure to a variety of cultures, it may also lead to the creation of one unified culture. This could imply that cultural differences will be a smaller issue in future business negotiation situations. However, the homogenising forces might be as strong as the heterogenising forces. A connected world also allows us to explore local culture such as religion, cuisines and languages that were previously out of reach. Therefore, globalisation is at the same time giving a voice to people from various cultures and there are limitations to how uni-cultural we are going to get. As for right now, challenges related to cultural differences are difficult to safeguard and still on the agenda in business negotiations.

Indonesian institutional characteristics and voids are furthermore of a large impact on the thesis topic. Although the social institution of culture appears to shape negotiation outcomes to the largest extent, there are many other variables in the institutional context. That is simply because some institutions at a certain point of time might leave the negotiator with very few options. While a culturally skilled negotiator that chooses the right strategies might be able to overcome the normative barriers, there are regulatory barriers representing challenges on a completely different level. The regulatory environment can involve any restraints from the bureaucracy such as inertia, instability and lack of incentives. Respondents in the case study all reported high levels of corruption, which is for sure a force of international implications. For a foreign company to succeed in an international market, is important to adapt to local business procedures. However, a Norwegian company will have to follow Norwegian laws even when operating aboard. This creates substantial challenges that may result in either success or failure in business negotiation situations. Choosing to avoid any corrupt activities may, for instance, increase the length of processes.

***The Thesis Topic and Innovation***

With the digital revolution, it is reasonable to assume that business negotiations will become more digitalised and more frequently happen over video conferencing or internet chat platforms. The cultural differences might therefore have fewer implications or become prevalent in new ways.

Another assumption is that being a Western company in an emerging market, there is an abundance of improvement opportunities in the society that can be made through innovative business negotiations. That may be a creation of employment or exchange of technologies and other capabilities the Norwegian enterprises possess. Executing corporate social responsibility beyond just doing business can therefore help to solve issues related to poverty, health, safety and natural environments. Mentioned by some of the case study respondents, was the competitive advantage they received by contributing to the Indonesian society. The Statoil respondent explained that their engagement, respect and creation of wealth in the society was expected, being a guest in their country. For example, Statoil had small CSR projects on the side involving educational incentives and renovation of local schools. From working as an intern in Q-Free, I acknowledge that their intelligent transport systems are technologies that fill gaps and needs in the market-place that is not sufficiently covered by existing public practices. For example, organising the service of electronic tolling systems not only generates incomes to Q-Free, it also contributes to improving the infrastructure safety and efficiency. The developed, tested and approved technology with many years of previous success in Norway can quite easily be transferred to Indonesia. Well-functioning, sustainable transportation systems connect the society and are considered crucial for a country's economic development.

I attended the ITS Indonesia International Conference 2017 in Jakarta where I gained much insight on the transportation issue. As expressed in a speech by Ibu Noni Purnomo, President of ITS Indonesia, they now learn and seek inspiration from experience and technologies from other countries, and the Indonesian Government has developed ambitious infrastructure plans for the coming years (Innovation Norway, 2017). This will enhance the modern citizens' lives, characterised by a growing population size, a changing population structure and rapid urbanisation. Better mobility may reduce traffic accidents, traffic jams and air pollution. The latter is one of the main challenges for large cities such as Jakarta. An article in The Jakarta Post (2015), stated that 58% of Jakarta's residents suffered from diseases such as asthma and lung obstructions generated from air pollution in 2010. It also caused respiratory infections

among one out of ten people, cough, cold and fever among 95% of children and 16000 premature deaths (Keisha, 2015). Having lived in this city myself, I quickly learned that most people travel by motorcycles. This is mainly because it is the fastest way to navigate around traffic jams and because there does not exist any other well-functioning public transit system. Consequently, the innovative, technological solutions from Q-Free and also the fire and explosion safety products of Gexcon, will be highly competitive in emerging markets as they contribute to community value beyond the value of money.

### ***The Thesis Topic and Responsibility***

Regarding what ethical considerations might arise for the case study respondents, there are many challenges. Above all, this might be manifested in the weaker institutional frameworks existing in emerging markets such as Indonesia. As previously mentioned, there is a high level of corruption deeply grounded in the political environment in Indonesia. This makes facilitation and the use of bribes a natural part of business negotiations and it leads to quicker success than going several rounds of honest convincing. However, there are many severe consequences associated with such shortcuts. Fortunately, the current President of Indonesia, Joko Widodo, is determined to decrease opportunities for corrupt activities. Conducting sustainable and transparent business negotiations might therefore become a competitive advantage when it becomes visible that other actors are not completely clean. Regardless of this, however, the foreign companies should always conduct thorough analyses of every institution and stakeholder to strengthen their preparation responsibility.

Cultural considerations, which is the topic of the thesis, might also be one of the most useful risk mitigations in Indonesia. Indonesians were in our research found to value harmony and personal relationships, implying that a highly responsible management practice involves to first obtain knowledge of these cultural characteristics, then respect them and finally perform them. This can be further enhanced by the use of corporate social responsibility, where interest in the society is projected through activities that increases welfare. Such activities could be related to education, worker wages or environmental sustainability. A shared value is created as relationships to the local community improve, and hence the operating profits for the Norwegian company.

*Christine Nathalie Abrahamsen*

*28.05.2018*

### **10.6.2 Reflective Note 2 - Erling Tobias Skalleberg**

#### ***The Thesis Topic and Main Findings***

The main topic of this thesis was the cultural impact on business negotiations in emerging markets with cases of Norwegian enterprises in Indonesia. I feel that this topic is highly relevant in today's globalised world. Also, more and more negotiations are made across countries. The choice of using Indonesia as an example relates to the opportunities that lie within the country, which have had a great growth in GDP, growing middle class, increased PPP as well as institutional changes towards better transparency. It is predicted greater growth the next 10-15 years and one can expect improved institutions with new generations emerging. Norway has the relevant competence to help Indonesia in the energy sector both within renewable and oil. Also, Indonesia has a big opportunity within aquaculture, where again Norwegians have the extensive competence and innovative solutions.

Internationalisation has become a necessary step for many companies to survive as businesses. By entering markets such as Indonesia there exist great opportunities, not only for the Norwegian companies but also for the Indonesian people. Creating employment, fight against corruption, exchanging knowledge and implementing new technologies.

Because of globalisation and internationalisation, people working in these companies now need to navigate through different cultures, geographies, institutions, languages and so on. It is hard to master everything and even more difficult when dealing with multiple countries. The culture which is heavily discussed in this thesis to have an immense impact on business practices. Managers now need to employ people that are willing to understand, learn and appreciate the cultures they are going to work with. In this thesis, culture seems to have big importance on negotiations and it is evident that cultural traits that are grounded in cultures for centuries still are visible in today's negotiation processes.

Indonesia is a country with many different ethnicities, cultures and languages. It would seem like an impossible task to try mapping out the cultural traits affecting the negotiation process. However, there are significant differences between Norway and Indonesia which we at least need to consider. One of the main ones relates to high vs. low-context by Edward T. Hall. As Norway and Indonesia are on opposite sides of the scale there exist great differences between these countries. It is reflected in how we communicate and behave, and it impacts the whole negotiation process from start to end. Indonesians seem to value harmony and relationship and

by the importance of that, they try to avoid conflicts and often say yes, even that they mean no just to save themselves, or as it is called, in theory, save face. Norwegians have a much more direct style, we usually say words that carry the full meaning. The theoretical contribution has built a lot on the high vs. low-context continuum. It is also visible in the Javanese way of business valuing hierarchies, harmony and relationships. By the vast amount of theory that exist on these cultures, we inserted it into the negotiation process model to look at how it affects the negotiations. By using the method of interviewing relevant companies with much experience of the Indonesian culture and negotiations we tried to catch up the cultural traits that exist today. Are the Javanese values still relevant to consider in the future? Or will the new generations move away from these? These are relevant questions for future consideration of the Indonesian culture.

### ***The Thesis Topic and Innovation***

Negotiations are a broad theme, and new research states that innovative negotiations are the future. It is mentioned in this thesis as a way of negotiating that includes more cooperation and relationship building as well as co-creation. One should not only value the isolated deal; however, one should think of it as a future partnership with benefits such as co-creation and creating great synergies. Also, a more and less new theme is the electronic negotiations. As we in today's world have access to internet almost everywhere we go, more and more negotiations are carried via the internet. Such as Skype, emails or other communication engines. To look at how culture affect these types of communication will be a new way because much of the negotiations would be written. To identify cultural traits in written communication, could perhaps be more difficult to estimate. Currently, there is limited research into this field and is particularly interesting to investigate more. Erin Meyer (2015) in her book wrote one example where one American and one Spanish negotiated via. Email. She pointed out that the Spanish is not so fast at responding as the Americans, after a while they thought the deal was broken or something wrong had happened because the Americans are used to get an immediate response within one hour with messages such as "I come back to you". This was not common in Spain and therefore they waited to reply until they had managed to discuss and consider the deal before giving a thorough reply.

### ***The Thesis Topic and Responsibility***

Negotiations and responsibility are going hand in hand. As was prevalent through the empirical findings in this thesis, some of the firms had a response to give to the society while operating

in Indonesia. Such as contributing to employment, building schools, hospitals and such. The respondents highlighted that “as guests, we needed to contribute to the society”. One relates this to corporate social responsibility (CSR) which are becoming more and more important for companies in order to behave responsible and ethical. Other areas of responsibility related to the risk of engaging in corrupt practices. Negotiations are also found to be largely impacted by corruption, meaning that stakeholder analysis and constant monitoring of the environment is important. It is also important to promote transparent business practices and by stating this early on and having a cooperation with Innovation Norway and the Embassy could help to avoid corruption. Future negotiators, as well as current negotiators in Indonesia, are responsible for carrying out transparent practices and to not engage in corruption even that it may oppose as the easiest solution. A clever advice from one of the respondents “take time and be patient”.

### ***The Thesis Topic and International Forces***

Indonesia is truly a land of opportunities; however, it still has its problems. However, based on the public transparency plans, anti-corruption policies and practices I forecast a future with better transparency and less corruption. This, along with increased growth and improvement of the countries institutions I would recommend any company that has considered Indonesia to act. Get down to business and many opportunities lie there waiting. In a world where it is more and more important to internationalise, Indonesia is a huge opportunity. For the one that is planning to do business and negotiate in Indonesia, I would recommend to first do thorough stakeholder analysis, establish connections with the Norwegian Embassy and Innovation Norway. Second, start relationship building with the connections, promote transparent practices and state that you come from Norway and work with the Embassy. Third, when negotiating, take your time, establish relations, know their culture, live their culture, and show interest in their culture. Lastly, be patient, you may be rewarded in the end...

*Erling Tobias Skalleberg*

*28.05.2018*

