

Negotiating International Business - Czech Republic

This section is an excerpt from the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz. It has been updated with inputs from readers and others, most recently in June 2008.

The western part of former Czechoslovakia, the country became an independent political entity when the Czech Republic and Slovakia separated in 1993. Culturally and ethnically, it is very homogenous. Owing to its history within the former Eastern Bloc until 1989, some businesspeople and officials in the Czech Republic may have only limited exposure to other cultures except for neighboring countries. Older-generation Czechs could be struggling with the rapid pace of change in the country and tend to be rather risk-averse. However, many younger Czechs and most of the people living in Prague have gained greater international experience and are generally open-minded.

Relationships and Respect

While building trust matters, business relationships are only moderately important in this country. They are usually not a necessary precondition for initial business interactions. Your Czech counterparts may appear friendly but somewhat reserved even after they have had several business interactions with you. However, most of them will open up once sufficient trust has been established, which may take a long time, so take the time needed to strengthen the relationship. Asking personal questions is acceptable and may help you get closer to your counterparts.

Business relationships in this country exist both at the individual and company level. However, if your company replaces you with someone else over the course of a negotiation, it may be easy for your replacement to take things over from where you left them. Likewise, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner.

In the Czech Republic's business culture, the respect a person enjoys depends primarily on his or her experience and achievements, though the Czechs are generally not as result-driven as Americans are. Admired personal traits include creativity, flexibility, and analytical thinking. A down-to-earth mentality is common ; Czechs tend to mistrust idealistic or visionary thinking.

Communication

The country's official language, Czech, is closely related with Polish. Many people also speak Russian. Most younger businesspeople speak English at a conversational level. With older people, among them some high-ranking managers, it may occasionally be useful to engage an interpreter. To avoid offending the other side, ask beforehand whether an interpreter should be present at a meeting. When communicating in English, speak in short, simple sentences and avoid using slang and jargon. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation.

People in this country usually speak softly. While they may occasionally raise their voices to make a point, they dislike loud and boisterous behavior. At restaurants, keep conversations at a quiet level. Emotions are not shown openly. People generally converse while standing around three feet apart.

While the communication may initially be somewhat indirect, it will likely become more direct, though never blunt, once a Czech knows and trusts you. At that point, people will not find it dif-

difficult to say 'no' if they dislike a request or proposal. Silence could signal that there is a problem, especially when they also lower their eyes.

Czechs tend to use body language sparingly, and there is little physical contact between people. They may not understand the American *OK* sign, with thumb and index finger forming a circle. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust.

Initial Contacts and Meetings

Having a local contact can be an advantage but is usually not a necessary precondition to doing business. Negotiations in the Czech Republic can be conducted by individuals or teams of negotiators.

Scheduling meetings in advance is required. However, you can sometimes do this on short notice if the parties had previous business interactions. You may be unable to meet the top executive of an organization at the first meeting, so be prepared to deal with subordinates. They may have significant influence over the final decision. While meetings may not always start on time, Czechs generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late, and call ahead if you will be.

Names are usually given in the order of first name, family name. Use *Mr./Ms./Miss* plus the family name. If a person has an academic title, always use it instead, followed by the family name. Among Czechs, only close friends call each other by their first names. However, many have grown accustomed to foreigners and use first names when communicating with them. Introduce or greet the most senior person first. Thereafter, greet everyone else individually. Introductions are accompanied by firm and brief handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. You may not always get one in return, though. Most businesspeople in the Czech Republic read English, so there is no need to have your card translated. Show doctorate degrees on your card, since Czechs highly value formal education. Also, make sure that it clearly states your professional title, especially if you have the seniority to make decisions. When presenting your card, smile and keep eye contact, then take a few moments to look at the card you received.

Meetings usually start with some small talk intended to establish personal rapport, which could be brief. People appreciate a sense of humor, but keep it light and friendly, and be careful not to overdo it. Business is a serious matter in this country. The first meeting may be quite formal, but this usually gets more relaxed down the road. Its primary purpose is to become acquainted. Business will be discussed, but do not try to hurry along with your agenda.

Presentation materials can be simple without colorful backgrounds and fancy graphs. However, good and easy-to-understand visuals are important. Exaggerations and hype are often counterproductive since people will not believe them and may question your integrity. Having your handout materials translated to Czech is not a must, but it will be noted favorably.

Negotiation

Attitudes and Styles – To Czechs, negotiating is usually a joint problem-solving process. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They may focus equally on near-term and long-term benefits. Although the primary negotia-

tion style is competitive, Czechs nevertheless value long-term relationships and look for win-win solutions. Negotiators may at times appear stubborn and unwilling to compromise. It is best to avoid any open confrontation and to remain calm, friendly, patient, and persistent, never taking anything personally.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by focusing on logical arguments and facts while remaining open and constructive.

Sharing of Information - Czechs usually play their cards close to the chest, although some may share information as a way to build trust. Like their German neighbors, Czechs often follow a methodical and carefully planned approach in preparing for the negotiation and gathering information. Aspects of your proposals may be scrutinized repeatedly.

Pace of Negotiation – Although the pace of business is increasing, expect negotiations to be slow and protracted. Be prepared to make several trips if necessary to achieve your objectives. Remain patient, control your emotions, and accept that delays may occur.

Bargaining – While businesspeople in the country may have learned the ground rules of international negotiations, their experience is usually limited. Most of them are not fond of bargaining and strongly dislike haggling. However, Czechs may be very persistent negotiators and it can be very difficult to obtain concessions from them. Although the bargaining stage of a negotiation can be extensive, prices rarely move by more than 15 to 25 percent between initial offers and final agreement. It can be hard to get a Czech to change an offer already made, so even seemingly small concessions may take some tough bargaining. In addition, local negotiators may make last-minute attempts to change agreed pricing, sometimes pretending they ‘forgot’ what had previously been discussed.

Czechs often prefer a straightforward negotiation style. They use deceptive techniques only infrequently, such as telling lies, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item’s value, or making false demands and concessions. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so might damage business relationships. Carefully orchestrated, ‘good cop, bad cop’ may be an effective tactic to use in your own negotiation approach. Czechs may claim limited authority, stating that they have to ask for their manager’s approval. More often than not, this will be the truth.

Negotiators in the country can appear very intransigent, which may not be a conscious tactic but could nonetheless increase the pressure on you. If they announce an offer as final, they likely mean it, even if this is done early in the bargaining process. If Czechs appear to be creating time pressure, their primary motivation may be to shorten the negotiation process. Silence could simply be a part of the conversation, although it may also signal rejection of a proposal. Nibbling and making expiring offers is rare. Either of these tactics may be viewed as overly aggressive. Be careful when using pressure tactics such as applying time pressure or making expiring offers. Czechs may consider these inappropriate unless they are strongly interested in your offer and clearly understand the rationale behind the approach. Otherwise, while the negotiation is not necessarily over, it may become less constructive.

Czech negotiators avoid most aggressive or adversarial techniques since they dislike open confrontation. The risk of using such tactics yourself may not be worth the potential gain. While they may use subtle threats and warnings, Czechs rarely openly display anger or walk out of the room. Extreme openings may be viewed as unfriendly. It is best to open with an offer that is already in the ballpark of what you really expect.

Emotional negotiation techniques, such as attitudinal bargaining, attempting to make you feel guilty, or grimacing, may occasionally be employed. It is best to remain calm. At times, Czechs may also

employ defensive tactics such as changing the subject, asking probing or very direct questions, or making promises. They may often keep an inflexible position.

Introducing written terms and conditions may be effective as this approach helps shorten the bargaining process, which your Czech counterparts might find desirable.

As the country is moving from a socialist country to a free-market economy, corruption and bribery have become somewhat common in the Czech Republic's public and private sectors. However, people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Also, keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Czech may view as only a nice gift.

Decision Making – Companies are often hierarchical, and people may expect to work within clearly established lines of authority. However, others prefer a greater degree of independence. Decision makers are primarily senior managers who consider the best interest of the group or organization. They may sometimes delegate their authority to lower levels in the hierarchy. Others are often consulted in a committee-style process in order to reach greater consensus over and support of the decision. This slow and methodical process can take time and requires patience.

When making decisions, businesspeople usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh as strongly as empirical evidence and other objective facts, and they usually consider all aspects. Czechs are often reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. However, Czechs may consider verbal agreements as sufficient. It is best not to consider either of them final. Only a contract signed by both parties constitutes a confirmed agreement.

Written contracts tend to be lengthy. They often spell out detailed terms and conditions for the core agreements as well as for many eventualities. Signing the contract is important as a confirmation of your Czech partners' commitment.

It is strongly advisable to consult a local legal expert before signing a contract. The Czech Republic has established many complicated laws and regulations. However, do not bring your attorney to the negotiation table, as this may be taken as a sign that you do not trust your counterparts.

Signed contracts may not always be honored. They can also be hard to enforce, especially for foreigners. In the Czech view, they may represent little more than statements of intent. They expect both sides to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms.

Women in Business


Women enjoy the same rights as men and are treated almost the same at work, although many Czech women are still struggling to attain positions of similar income and authority. Visiting businesswomen should have few problems in the country as long as they act professionally in business and social situations.

Other Important Things to Know

Business meals, especially dinners, play less of a role than in most other countries. If you get to attend one, expect to discuss business only before or after, but not during the meal.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 10 to 15 minutes is perfectly acceptable.

Gift giving in business settings is rare. It is best not to bring a gift to an initial meeting in order to avoid raising suspicions about your motives.

 <p>NEGOTIATING INTERNATIONAL BUSINESS</p> <p>Lothar Katz</p> <p>The Negotiator's Reference Guide to 50 Countries Around the World</p>	<p><i>Negotiating International Business</i> (Booksurge Publishing, second edition 2007) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 472-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.</p> <p>Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at</p> <p>www.NegIntBiz.com</p>
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