

# Negotiating International Business - India

*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 March 2008.*

India's pluralistic population consists of about 80 percent Hindus, 12 percent Muslims, and 8 percent members of other ethnic groups. Among the Hindus, the oft-quoted caste system plays only a small role in business. The business culture can be quite diverse and regional style differences may be significant. While Southern Indian companies, especially those around Bangalore and Hyderabad, tend to be progressive in some ways, southern Indians are often more sober and conservative than the more extroverted Northerners. Another factor that influences styles is whether people work in the government or traditional manufacturing sectors, versus the more flexible and faster-moving technology and service sectors. Business practices may sometimes differ from what we describe in this section.

Outside of the country's business centers, such as Bangalore, Chennai, Hyderabad, Mumbai, New Delhi, or Kolkatta, businesspeople and officials in India usually have only limited exposure to other cultures. When negotiating business here, realize that people may expect things to be done 'their way.'

Most Indians are proud of their country's progress, its achievements, and its dynamism. Your partners would like to see you acknowledge and respect this.

## ***Relationships and Respect***

India's culture is generally group-oriented. Asserting individual preferences may be seen as less important than having a sense of belonging to a group, conforming to its norms, and maintaining harmony among its members. Building lasting and trusting personal relationships is therefore very important, though to a lesser degree than in several other Asian countries. Some Indians may engage in business while the relationship building process is still ongoing. This is especially the case with internet-based businesses. Others in the country may expect to establish strong relationships prior to closing any deals, though. Generally, it is beneficial to allow some time for your Indian counterparts to get to know and become comfortable with you prior to proceeding with serious business discussions. Talking about your friends and family is an important part of establishing a relationship with those involved in the negotiating process. Many Indian companies are still family businesses. In any case, your local partners will expect you to be committed to the business relationship for many years.

Relationships are based on mutual trust and respect, which can take a long time to establish. Business relationships in this country exist both at the individual and company level. Indians usually want to do business only with those they like and trust. However, if your company replaces you with someone else over the course of a negotiation, it may not be overly difficult 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 when investing time and energy into nurturing his or her relationships.

Though not quite as critical as in most Far East countries, 'saving face' is very important in India's culture. Showing respect for others is essential. Causing embarrassment to another person may

cause *loss of face* for all parties involved and can be detrimental for business negotiations. It is best to control your emotions and remain friendly at all times. If you have to bring up an unpleasant topic with an Indian, never do so in public and always convey your message in ways that shows respect for the other person.

Indians are usually very friendly and polite. They prefer to do business with others who treat them with deference and genuinely like them, and it is important to demonstrate similar behaviors yourself. These factors do not affect anybody's determination to reach business goals, though, and your counterparts will patiently and persistently pursue their objectives. It is in your best interest to do the same.

In Indian business culture, the respect a person enjoys depends primarily on his or her age, status, and rank. There is also a deep respect for university degrees. Within family-run businesses, there is a common belief that 'outsiders' are not to be trusted. The head of the family may even keep information from family members. Admired personal traits include friendliness and sociability, flexibility, humility, compassion, resilience, and an ability to find common ground between opposing positions.

### ***Communication***

Although Hindi is the official language across all of India, many of its states have different local languages, some more than one. Almost all businesspeople speak English well. However, it is advisable to speak in short, simple sentences and avoid using jargon and slang.

Unless they hold senior positions, Indians, especially those in the southern and western parts of the country, usually speak in quiet, gentle tones. At times, they may even appear shy. Do not mistake this for a lack of confidence. Their reticence and humility only reflect their politeness and respect for others. Loud and boisterous behavior is often perceived as a lack of self-control. Loudness may also be equated with dishonesty. However, positive emotions may be shown openly. Indians generally converse while standing around three feet apart.

Because being friendly is so important in this culture, communication is generally indirect. When responding to a direct question, Indians may answer 'yes' only to signal that they heard what you said, not that they agree with it. Open disagreement and confrontation are best avoided, so you may not hear a direct 'no.' Instead, they may give seemingly ambiguous answers such as 'I am not sure,' 'we will think about it,' 'this will require further investigation,' or 'yes, but...' Each of these could mean 'no,' as does a 'yes' that sounds hesitant or weak. Use a similarly indirect approach when dealing with Indians, as they may perceive you as rude and pushy if you are too direct. Polite nods and smiles do not always signal agreement. Instead, they help preserve a friendly atmosphere. It is in your best interest to give feedback in a positive and constructive spirit while masking any negative feelings with a smile.

An Indian who considers you a superior may hesitate to give you direct feedback. Instead, the person may tell you what he or she thinks you want to hear, especially when others are around. This is a way to save *face* for you and the individual. Similarly, if asked to give constructive feedback, people may resort to highlighting only the positives, in which case you should listen carefully for what is *not* being said. Candid comments and criticism may only be conveyed in private, and often indirectly through a third party. Similarly, it can be effective to deliver negative responses to your negotiation counterparts through a third party, which is a more *face*-saving way. Respect levels of hierarchy when doing so, since Indians may take it very negatively if you seem to be going around the chain of command.

Gestures and body language are usually much more extensive in India than in most other Asian countries. However, avoid any physical contact with other people except for handshakes. Though

elderly people may sometimes do so as a blessing, you should avoid touching someone's head, even with children. Hindus and Muslims consider the left hand unclean, so use it only if inevitable. When pointing at people, use your chin rather than a finger or your whole hand. Southern Indians may shake their head in a movement similar to the western 'no' when they are signaling 'yes.' While Indians may make frequent eye contact with peers, looking away is generally a sign of respect and does not convey insincerity or dishonesty.

### *Initial Contacts and Meetings*

Before initiating business negotiations in India, it is highly advantageous to identify and engage a local intermediary, especially if you represent a small company. This person will help bridge the cultural and communications gap and maneuver within India's intricate bureaucracy, getting the necessary papers signed and stamped.

Negotiations in India can be conducted by individuals or teams of negotiators. Teams should be well aligned, with roles clearly assigned to each member. Changing a team member may require the relationship building process to start over and should be avoided.

If possible, schedule meetings at least four weeks in advance. Agreeing on an agenda upfront is useful, even though it may not be strictly followed. While meetings may start considerably late, Indians generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late. It is best to be on time, as Indians are generally impressed with punctuality.

Many Southern Indians do not use family names. Use *Mr./Ms.* plus their first name. Muslims, Sikhs, and others have many variations of naming patterns. It is often best to ask people politely how to address them correctly. In that case, make sure you do the same for your own name. Academic and professional titles are very important and highly valued by Indians. Always use them when addressing a person who carries one. Introduce and greet older people first. The traditional Indian greeting is the *namaste* (putting both hands together in a prayer-like gesture). Foreigners are not expected to follow this custom, though, so accompany your introductions by light handshakes using the right hand. Men should wait for women to initiate handshakes. Some Indian women may not want to make physical contact with men, in which case it is best to just nod and smile or join your hands together in a *namaste*.

After the introductions, offer your business card to everyone present. It is not necessary to have it translated into an Indian language. Show advanced degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. Present your card with your right hand, with the print facing the recipient. Similarly, accept others' cards using only the right hand. When presenting your card, ensure that it faces the recipient. Smile and keep eye contact, then take a few moments to look at the card you received. Next, place it on the table in front of you or into your card case.

Meetings start with some small talk intended to establish personal rapport. This may include some personal questions about your family and allows participants to become personally acquainted. It is important to be patient and let the Indian side set the pace. People enjoy some friendly humor, but avoid appearing sarcastic or cynical.

The primary purpose of the first meeting is to get to know each other. Business may be discussed, but do not try to hurry along with your agenda. It is unrealistic to expect initial meetings to lead to straight decisions.

Presentation materials should be attractive, with good and clear visuals. Indians are often impressed with technical expertise. Having your English-language handout materials translated to Hindi or another Indian language is usually not required.

## *Negotiation*

**Attitudes and Styles** - In India, the primary approach to negotiating is to employ distributive and contingency bargaining. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They expect long-term commitments from their business partners and will focus mostly on long-term benefits. Although the primary negotiation style is somewhat competitive, Indians nevertheless value long-term relationships and look for win-win solutions. They may occasionally appear to be pursuing a win-lose approach, in which case it pays to help them focus on mutual benefit. However, avoid being confrontational.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution through showing friendliness, respect, and willingness to compromise. Show your commitment to the relationship and refrain from using logical reasoning or becoming argumentative since this will only make matters worse. As long as you remain friendly, this likely opens new paths to obtaining agreement.

**Sharing of Information** – Indian negotiators will first spend some time gathering information and discussing various details before the bargaining stage of a negotiation can begin. People may share information quite openly in an effort to build trust. This does not mean that they will readily reveal everything you might want to know during your negotiation. However, negotiations can become very difficult if one side appears to be hiding information from the other, which may result in attempts to outsmart each other.

**Pace of Negotiation** – Expect negotiations to be slow and protracted. Delays are often inevitable, particularly when dealing with government bureaucracy. Be prepared to make several trips if necessary to achieve your objectives. Throughout the negotiation, be patient, control your emotions, and accept that delays occur. Indians view impatience or pushiness as rude.

Indians generally employ a polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. In any case, do not show irritation or anger when encountering this behavior. Instead, keep track of the bargaining progress at all times, often emphasizing areas where agreement already exists.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. While such behavior could represent attempts to create time pressure in order to obtain concessions, a desire first to get to know you better or the slow decision process in the country are far more likely causing the lack of progress. People from fast-paced cultures often underestimate how much time this takes and make the mistake of trying to 'speed things up.' Again, patience and persistence are vitally important.

**Bargaining** – Indian businesspeople are often shrewd negotiators who should not be underestimated. Most of them love bargaining and haggling, although they may not do it as extensively as other Asians. The bargaining stage of a negotiation can be extensive. Prices often move more than 40 percent between initial offers and final agreement. However, technical assistance, training, and other costs may also be important bargaining factors and Indians remain flexible throughout most of the bargaining. Leave yourself a lot of room for concessions at different stages. Ask the other side to reciprocate if you made one. You can use the fact that aspects can be re-visited to your advantage,

for instance by offering further concessions under the condition that the Indian side reciprocate in areas that had already been agreed upon.

Deceptive techniques are frequently used. This includes tactics such as telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, or making false demands and concessions. Do not take such tactics personally and realize that overt attempts to lie at or bluff your counterparts could backfire and might damage business relationships. Indians rarely use 'good cop, bad cop;' however, it can sometimes be beneficial to use this tactic in your own negotiation approach. Carefully orchestrated, it may allow you to obtain valuable concessions without damaging the overall relationship. However, your team will need to exclude any 'bad cop' member from future negotiation rounds. Businesspeople may claim limited authority, stating that they have to ask for their manager's approval. This could be a tactic or the truth.

Negotiators in the country may occasionally use pressure techniques that include making final offers or nibbling. Final offers should not be made too soon since your counterpart may not believe that you are serious. Do not use tactics such as applying time pressure or making expiring offers, since Indians could view these as signs that you are not willing to build a long-term relationship. They may choose to terminate the negotiation. Periods of silence in conversations are normal and may not represent an attempt to use it as a negotiation technique. Avoid pressure tactics such as opening with your best offer or showing intransigence, since they cannot be applied effectively without running the risk of causing loss of face.

Indian negotiators avoid most aggressive or adversarial techniques since they affect respect and trust. The risk of using any of them yourself is rarely worth the potential gain. As in most strongly relationship-oriented cultures, negotiators may sometimes use emotional techniques such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships. Be cautious when doing this yourself. You might cause the other side to lose face, which could damage your negotiating position.

At times, defensive tactics such as blocking or changing the subject, asking probing questions, or making promises may be used by Indians. Unlike many other Asians, Indians may sometimes ask direct questions in order to obtain information. Be cautious not to overdo this yourself, though.

Corruption and bribery are quite common in India's public and private sectors. However, Indians respect companies that have high ethical standards. People may draw the line differently, though, 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, an Indian may view as only a nice gift. It may help if you introduce and explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

**Decision Making** – Most companies tend to be very hierarchical, and people expect to work within clearly established lines of authority. Disagreeing with or criticizing superiors is often viewed as unacceptable. Decision making is a slow and deliberate process in India. Decision makers are usually top executives who consider the best interest of the group or organization. They may consult with others before making the call. Subordinates may be reluctant to accept responsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives. They expect to deal with equals. People may not always be open to new ideas. Your best chance for success is to give the decider time and do some lobbying with key influencers.

When making decisions, Indian businesspeople usually consider not only universal principles, but also the specific situation. Personal feelings and experiences weigh more strongly than empirical evidence and other objective facts do, but they will consider all aspects. An argument appealing to both feelings and faith is often more convincing to an Indian than one using only objective facts

and practical reasons. Indians are willing to take calculated risks if they believe that the rewards are worth it. However, they may frequently attribute both success and failure to environmental factors rather than to individual reasons.

### *Agreements and Contracts*

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. Indians may signal consensus through enthusiastic statements that phrase the agreement in their own words. Interim agreements, even oral ones, are considered binding and usually kept. Nevertheless, it is best to consider only a final contract that has been signed by both parties a binding agreement.

Written contracts should be clear and concise, without too many detailed terms and conditions. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your Indian partners' commitment.

Legal rights are generally enforceable in India, though the process can be lengthy and cumbersome. You should consult a local legal expert throughout the negotiation or, at the very least, before signing a contract. However, it is best not to appear overly legalistic. Do not bring an attorney to the negotiation table, since this may be taken as a sign that you do not trust your counterparts.

Signed contracts may not always be honored. This depends to no small degree on the strength of the continuing relationship between the contract partners. It is strongly advisable to continue staying in touch and maintaining the trust of your Indian business partner. Business partners usually expect the other side to remain somewhat flexible if conditions change, which may include agreeing to modify contract terms.

Do not expect your Indian business partners to follow commitments to the letter. While deadlines are viewed as important, many businesspeople claim that they have met their commitments even if they were a week or more late. Remain flexible and try to accommodate this in your own plans.

### *Women in Business*

While India is still a male-dominated society, there are many women in professional positions, some with significant authority and influence. At the same time, women are still struggling to attain positions of similar income and authority as men. Nevertheless, 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*

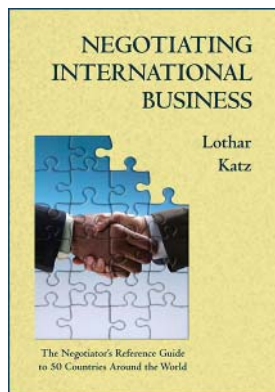
Business lunches are more common than business dinners, but the latter can be great opportunities to strengthen relationships. Business may not get discussed. Always keep in mind that Hindus eat no beef, Muslims do not eat pork, and many Indians are vegetarians. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level, since being loud may be regarded as bad manners. It is best to avoid drinking alcohol since some Indians may take offense.

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 15 to 20 minutes is perfectly acceptable.

Gift giving is fairly common in social and business settings in India, including initial meetings. If you received one, it is best to reciprocate with an item of similar value that is typical of your home country.

Topics to avoid in conversations are India's role as a nuclear power, its relationship with Pakistan, and the tensions over Kashmir.

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*Negotiating International Business* (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.

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