

Negotiating International Business - Indonesia

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.

Although a small minority in this pluralistic country, many Indonesian businesspeople are Chinese and may have strong family connections back to China. As a country, Indonesia consists of countless islands that are quite heterogeneous in history and culture. The information given in this section applies to all of them to some degree, but may not always be comprehensive. Always keep in mind that this is essentially an Islamic country. Showing any disrespect for the religion could have disastrous consequences.

Businesspeople and officials in Indonesia usually have only limited exposure to other cultures except for neighboring countries. When negotiating business here, realize that people may expect things to be done 'their way,' and let them set the pace initially until you have had a chance to determine how your interactions are most effective.

Relationships and Respect

Indonesia's culture is strongly 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 critically important to most Indonesians, who expect to establish strong bonds prior to closing any deals. People in this country usually do business only with those they know and like. Establishing productive business cooperation requires a long-term perspective and commitment. Consequently, proceed with serious business discussions only after your counterparts have become comfortable with you.

Relationships are based on familiarity, respect, and personal trust, which can take a long time to establish. Business relationships in this country exist between people, not necessarily between companies. Even when you have won your local business partners' friendship and trust, they will not necessarily trust others from your company. That makes it very important to keep company interfaces unchanged. Changing a key contact may require the relationship building process to start over.

In Indonesia's culture, 'saving face' is very essential. Every person's reputation and social standing rests on this concept. Causing embarrassment to another person may cause a *loss of face* for all parties involved and can be disastrous for business negotiations. Reputation and social standing strongly depend on a person's ability to control emotions and remain friendly at all times. If you have to bring up an unpleasant topic with an Indonesian, never do so in public and always convey your message in ways that maintain the other's self-respect. The importance of diplomatic restraint and tact cannot be overestimated. Keep your cool and never show openly that you are upset.

Indonesians are usually very friendly and polite. Since they prefer to do business with others who treat them with deference and genuinely like them, 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 Indonesian business culture, the respect a person enjoys depends primarily on his or her status, rank, and age. Showing status is important since people will take you more seriously. Carefully select your hotel and transportation. Use the services of others, such as a porter, to avoid being viewed as a low-ranking intermediary. Admired personal traits include patience, good listening skills, experience, and wealth.

It is very difficult for Indonesians to have a conversation with a person whose status is unclear, since knowing whether someone is a superior, inferior, or equal strongly influences behaviors. Important business leaders often have a military background. However, top executives can be surprisingly accessible and willing to meet with foreign business visitors.

Communication

The official language is Bahasa Indonesia, which is a modified form of Malay. Younger business-people may speak English fluently. Older people, among them most high-ranking managers, rarely speak English well. It may 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. Do not assume that your audience readily understands you. Since saving *face* is so important in this culture, people will not admit in front of others that they are having difficulties.

Indonesians usually speak in quiet, gentle tones. At times, they may even appear shy. However, this only reflects their politeness and respect for others. Conversations may include extended periods of silence, sometimes as long as ten seconds or more. In restaurants, especially in those used for business, keep conversations at a quiet level. Loud and boisterous behavior is perceived as a lack of self-control. Indonesians generally converse while standing around three feet apart.

Because being friendly and saving *face* are so important in this culture, communication is generally very indirect. Indonesians may allow someone to proceed incorrectly, even if the result could be disastrous, since correcting him or her might cause embarrassment for the person. Similarly, people may be reluctant to admit if they do not know the answer to a question. When responding to a direct question, Indonesians may answer 'yes' only to signal that they heard what you said, not that they agree with it. Open disagreement and confrontation must be avoided, so you rarely 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. Alternatively, a respondent may deliberately ignore your question. It is beneficial to use a similarly indirect approach when dealing with Indonesians, as they may perceive you as rude and pushy if you are too direct.

An Indonesian who considers you a superior may tell you what he or she thinks you want to hear, especially when others are around. This is a way to save *face* and preserve honor, known as 'keeping father happy.' Similarly, if asked to give constructive feedback, Indonesians may resort to highlighting only positives, in which case you should listen carefully for what is *not* being said. Candid comments and criticism may only be conveyed in private, often 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.

Indonesian Chinese consider it polite to offer both the positive and negative possibilities when asking a question that requires a decision. For example, they may ask 'Do you want to go back to your hotel or not?'

Gestures are usually subtle. It is advisable to restrict your body language. Non-verbal communication is important, though, and you should carefully watch for others' small hints, just as they will be watching you. Avoid any physical contact with Indonesians except for handshakes. Do not stand with your back to a senior or high-ranking person. Hindus and Muslims consider the left hand unclean, so use it only if inevitable. Avoid showing the soles of your shoes when seated as this is considered disrespectful. Pointing at other people is generally considered rude. If you absolutely have to, use your thumb while keeping the fist closed rather than pointing with your index finger. Slapping the open hand over a fist can be read as a vulgar gesture. Sucking in air through the teeth indicates that there is a serious problem. Eye contact should be infrequent. While it is beneficial to make some eye contact when meeting a person for the first time, Indonesians consider frequent eye contact intrusive and rude. It is generally considered respectful to look down when speaking with senior or elder people. Avoid any facial expressions that may suggest disagreement, such as grimacing or shaking your head.

Smiles do not always indicate amusement or approval. Frequently, smiling masks embarrassment, shyness, disapproval, and other feelings of distress. Accordingly, Westerners may sometimes observe Indonesians smiling or laughing at what they might consider inappropriate moments.

Initial Contacts and Meetings

Before initiating business negotiations in Indonesia, it is highly advantageous to identify and engage a local intermediary. This person will help bridge the cultural and communications gap, allowing you to conduct business with greater effectiveness.

Negotiations in Indonesia can be conducted by individuals or teams of negotiators. The latter is preferable when dealing with Chinese Indonesians, as functional specialists on both sides can build the all-important relationships between themselves faster and more effectively, your team will bring broader functional expertise to the table, and you will be able to assign different roles to each team member, maximizing the team's impact. Each of these factors speeds up the negotiation process. It is vital that teams 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 therefore be avoided.

If possible, schedule meetings at least four weeks in advance. Since Indonesians want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. Agreeing on an agenda upfront can also be useful, even though it may not be strictly followed. Indonesians have little sense of urgency about time and dislike being hurried. Meetings may therefore start considerably late. However, Indonesians generally expect foreign visitors to be punctual. Avoid being more than 10 to 15 minutes late. If meeting a Chinese or anyone of higher rank, it is best to be right on time as a sign of respect. Displaying anger if you have to wait, which happens often, reflects very poorly on you.

Meetings tend to be very formal. In accordance with business protocol, the Indonesian participants enter the meeting room in hierarchical order.

Many variations of naming patterns exist in Indonesia. 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. Properly pronouncing your counterparts' names is very important. Academic and professional titles are highly valued and must always be used. Negotiating teams should line up so that the most important individuals are introduced first. If introducing two people, it is important to state the name of the most important person first. Introductions are accompanied by handshakes using the right hand. Handshakes should be light and may last as long as ten seconds. Men should wait for women to

initiate handshakes. Some Indonesian women may not want to make physical contact with men, in which case it is best to just nod and smile.

After the introductions, offering your business card to everyone present is very important. Business cards should be printed or –preferably– embossed in English. It is recommended to have the other side of your card translated into Bahasa Indonesia. 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 Bahasa Indonesian side facing the recipient. Similarly, accept others' cards using only the right hand. Smile and make eye contact while doing so, then examine the card carefully. Not reading someone's card can be an insult. Next, remark upon the card and then place it on the table in front of you or into your card case. Never stuff someone's card into your back pocket or otherwise treat it disrespectfully. Never write on a person's business card.

Meetings start with a lot of small talk, which can be extensive, occasionally lasting more than an hour. This allows participants to become personally acquainted. It is important to be patient and let the Indonesian side set the pace. 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 Indonesia.

The primary purpose of the first meeting is to become acquainted and build relationships. Little else may happen, and you may actually not get to talk about business at all. It is unrealistic to expect initial meetings to lead to straight decisions. Occasionally, participants may say very little during an initial meeting. This should not be interpreted negatively. Participants often remain indifferent until they have had a chance to convene with their group to gather consensus.

Presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Having your handout materials translated to Bahasa Indonesia is not a must, but it helps in getting your messages across. Correspondence with government officials must be in Bahasa Indonesia.

Negotiation

Attitudes and Styles – Leveraging relationships is an important element when negotiating in Indonesia. Nevertheless, Indonesians often 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 competitive, Indonesians nevertheless value long-term relationships. While the communication style is deferential and quiet, they respect hard bargainers. Nevertheless, both sides will remain friendly throughout the negotiation, and attempts to win competitive advantages should not be taken negatively. The culture promotes a win-win approach since this is the best way for everyone to save *face* throughout a negotiation. You earn your counterparts' respect by maintaining a positive, persistent attitude.

Sharing of Information – Indonesian negotiators will spend some time gathering information and discussing various details before the bargaining stage of a negotiation can begin. They rarely share their information freely.

Pace of Negotiation – Expect negotiations to be slow and protracted. Relationship building, information gathering, bargaining, and decision making all take considerable time. 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.

Indonesians 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, the slow decision process in the country is far more likely causing the lack of progress. People from fast-paced cultures tend to underestimate how much time this takes and often make the mistake of trying to 'speed things up.' Again, patience and persistence are vitally important.

Bargaining – Indonesian businesspeople are often shrewd negotiators who should not be underestimated. Most of them love bargaining and haggling. They expect to do a lot of it during a negotiation and may be offended if you refuse to play along. However, they are more likely to focus on the big picture rather than negotiating point-by-point. The bargaining stage of a negotiation can nevertheless be extensive. Prices may move by 40 percent or more between initial offers and final agreement. 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 Indonesian 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, initially 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 realize that overt attempts to lie at or bluff your counterparts could backfire and might damage business relationships. Nevertheless, it is advisable to verify information received from the Indonesian side through other channels if you have a chance. Similarly, they treat 'outside' information with caution. Indonesians do not use 'good cop, bad cop' and it is best to avoid the tactic since the implications for relationships can be significant. They may claim limited authority, stating that they have to ask for their manager's approval. This could be a tactic or the truth. Since you must avoid causing loss of face, be cautious when using the techniques of making false demands or false concessions.

Negotiators in the country may occasionally use pressure techniques that include making final offers or nibbling. Final offers may come more than once and are rarely final. Do not use tactics such as applying time pressure or making expiring offers, since Indonesians 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 are frequent and usually reflect a natural inclination rather than the intentional use of 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.

Indonesian negotiators avoid most aggressive or adversarial techniques since they affect face. The risk of using any of them yourself is rarely worth the potential gain. As an exception, extreme openings may be used as a way to start the bargaining process. However, use the tactic with caution since it may adversely affect the relationship if employed too aggressively.

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 Indonesians. The exception is directness, which is very rare in this society. They may be shocked if you are overly direct yourself, which can be counterproductive.

Note that opening with written offers and attempting to introduce written terms and conditions as a negotiation tactic is rarely successful. In most cases, businesspeople ignore or tactfully reject them and request that each aspect be negotiated individually.

Corruption and bribery are common in Indonesia'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, an Indonesian 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. Alternatively, let your local representative handle such aspects.

Conflicts and disputes that may arise during a negotiation can be difficult to resolve because Indonesians prefer to ignore or deny them. Patience and continuous friendliness pay strong dividends. In extreme situations, use a mediator, ideally the party who initially introduced you.

Decision Making – The country's business culture is extremely hierarchical and superiors enjoy enormous deference. Decision making is a very slow and deliberate process in Indonesia. Superiors tend to behave in paternalistic ways. However, they normally seek the consensus of the group. Decision makers are usually senior executives who consult with others and carefully consider their inputs. Be sure that you are meeting with managers who have sufficient decision-making authority, especially in the final stages of your negotiation.

When making decisions, Indonesian businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh as strongly as do empirical evidence and other objective facts. Most Indonesians are moderate risk takers.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. Never take interim commitments for final agreements. Any part of an agreement may still change significantly before both parties sign the final contract.

Businesspeople in the country may view contracts only as general guides for conducting business, expecting that both parties are willing to change terms if there is a change of conditions. Written contracts are usually kept high-level, capturing only the primary aspects, terms, and conditions of the agreement. Writing up and signing the contract is a formality. Indonesians believe that the primary strength of an agreement lies in the partners' commitment rather than in its written documentation. Chinese Indonesians often consult astrologers and may prefer to delay signature of a contract until a 'lucky' day arrives.

Although your legal rights are difficult to enforce legally, you should consult a local legal expert, ideally throughout the negotiation or at the very least before signing a contract. However, do not bring an attorney to the negotiation table, since this may be taken as a sign that you do not trust your counterparts.

Doing business in Indonesia still can be a high-risk undertaking. Contracts are often not considered final agreements and may not be honored at all. It is commonplace for negotiations to continue after a contract has already been signed. Both sides are expected to remain flexible. Your best chance to ensure that your local partners follow their commitments is to stay in regular contact and nurture the relationship throughout your business engagement.

Women in Business

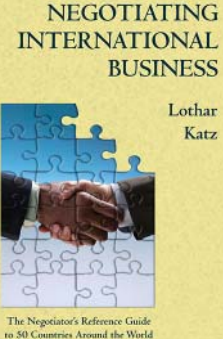
While Indonesia is still a male-dominated society, the position of women is quite different from other Muslim countries. They are allowed to vote, have full civil rights, and quite a few can be found in leadership positions. At the same time, most women are still struggling to attain positions of similar income and authority as men. 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 might get discussed over lunch and dinner. During small talk and other social conversations, you may be asked very personal questions. If you do not want to answer, smile or politely explain that such topics are not discussed openly in your culture.

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 30 minutes is usually acceptable. With people of high rank, however, it is best to be punctual.

Gift giving is common in social settings in Indonesia, though less so in business. If you received one, it is best to reciprocate with an item of similar value that is typical of your home country. Giving a gift after signing a contract is viewed very favorably. Give and accept gifts using only the right hand. Do not open gifts in the presence of the giver unless your host did so first. There are numerous potential pitfalls in what to give and how to wrap it, so prepare upfront to avoid causing embarrassment.

	<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 style="text-align: center;">www.NegIntBiz.com</p>
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