Effects of cultural differences in international business and price negotiations

- A case study of a Swedish company with operations in e.g. South America

Tutor and Examiner: Professor Anders Pehrsson

Authors: Hasim Deari 780420
Viktoria Kimmel 770416
Paola Lopez 820608
Summary

The number of companies operating internationally is growing constantly. The world is opening up for foreign firms and new destinations in the company’s business are increasing. Because of high competition the companies operating abroad are faced with a much larger task than before.

When going international the challenges the company must handle are new and unfamiliar. Obstacles the firm never faced before are becoming crucial in the every day work. Culture is one of these obstacles and can affect the entire co-operation.

Culture can influence the business in different ways. Language problems, pricing difficulties and culture collisions are not uncommon, especially in the beginning. The company must be able to handle these difficulties in a way that is satisfying also for the other part. Mistakes can be difficult to correct and disrespect for the foreign culture can destroy the entire operation.

There are some general advices the company always must have in mind before and during a co-operation on the international market. It is important, even before entering the foreign country, to inform the personal about the manners and customs in that new culture. If the first impression becomes negative, this can be hard to shake. Foreign cultures have different ways of doing business, for example when it comes to planning ahead and keeping delivery times. Culture can be both a positive and negative influence and many companies are struggling in the new and foreign environment.

The important thing to always have in mind is that the foreign culture is not as we are used to at home and to be prepared before starting the new foreign operation. Respecting and understanding the new culture without forcing our own beliefs on people, are things that can be extremely helpful to consider. By learning the host country’s language, can respect and trust more easily be won, and competitive advantages can arise.
Foreword

We would like to thank the following persons for their help and time during the making of this essay.

First of all, we would like to direct a special thank you to our professor and examiner, Anders Pehrsson, who always stood by us with guidance and tutoring.

We would also like to send a special thank you to all the kind personal of Andritz in Växjö who was involved in our interviews, especially; John Ericsson, Hans Hjelm and Olaf Büttner. Moreover we would like to thank our fellow opponents who during the past weeks have contributed with clever ideas and thoughts.

Thank you for participating in this essay with both time and sharing of experiences.

We hope that everybody will enjoy reading this thesis!

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Hasim Deari

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Viktoria Kimmel

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Paola Lopez

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Thesis outline

This thesis is compounded of six chapters, which are presented below in figure 1. This thesis starts with explaining the background of the study and than this background is narrowed down to a problem analysis.

In chapter two we opted different theories that are based in the research question and are about culture and price negotiation. Chapter three deals with the research methodology, including pre understanding, qualitative research, scientific approach, data collection, data analysis, validity and reliability. Chapter four includes the empirical findings, what we have found out from managers during the interviews. Chapter five is the analysis part of data collected from managers of Andritz in Brazil, Chile and Uruguay based on the experiences they gained from different project in these countries. Chapter six is the last chapter and this chapter is dedicated to findings and conclusion on the result from the data analysis. As well, problems, recommendations and limitations are also given here for the future to improve the quality of research in this field.

Figure 1. Thesis outline
1. Introduction

This chapter creates interest for the thesis. We will present a background to the research area. The introduction further continues with a problem discussion which will lead to the purpose and research questions. Finally we present briefly the limitations of our approach.

1.1 Background

As most of you know the increasing globalization and internationalization has become of great importance recently. More and more companies start to look abroad to expand their businesses as the world becomes more and more interconnected. To manage business operations across international boundaries has become one of the largest challenges for international business today. According to Root (1994) the global economy has formed business environments that require companies to look past the traditional thinking of the home market, and start instead looking at business from an international global perspective. The method a company ventures from their home market to new geographical markets is of great importance for how well the company succeeds with their business. According to Osland et al. (2001), small and medium size firms that have taken the decision to internationalize and multinational companies that want to expand into foreign markets are both faced with the challenge of choosing the best structural arrangements.

Bennett (1995) discusses many factors that encourage companies to begin operating internationally. The most obvious are:

- Hoped for economies of scale and scope.
- Experience Curve effects resulting from increased outputs.
- The possibility of the existence of beneficial markets in foreign countries that is not available at home.

We believe that the development in communication, improvement in travel conditions, lower tariff barriers and others have conduct foreign markets to be more accessible and have provided more opportunities for Swedish companies to go international. According to Dunning (1993) go international refers to various locations that contribute to value added activities. Root (1994) said that manufacturing and service companies enter international markets for several reasons. Some go in a foreign country because markets at home are
growing faster. Other companies may basically follow their home customers who are going international.

Since a high number of businesses from around the world enter the global market, firms need to be more specialize in order to sustain their competitiveness. The situation today for Swedish companies is not easy. There is a high level of competition between Swedish and foreign companies. This is one of the reasons to why firms should specialize and establish business operations abroad if they want to survive and grow. According to Slater (1968), the company must keep in mind that developing countries are very different from industrial developed countries. This fact becomes very important when it comes to entering a developing country’s market because developing countries for example often do not have a well functioning infrastructure and the population is many times poor and often spend a large part of their income on food articles. The political and legal issues also become an important part when it comes to entering the market. We elected the subject of our essay because we feel that these issues are of great interest to investigate. After some investigations we discovered that South America is a continent that have evolved fast and is still attracting more and more foreign companies. These countries were chosen because several of the largest co-operations that our selected company has conducted took place in these nations. Thereby, a more specific and interesting question to analyze can be developed. How can a Swedish company improve its international business in South America?

1.1.1 South America

History teaches us that democracy and regional economic development help undergrad regional peace and stability. South America recently became a big and attractive market for foreign companies.

According to Arbelaez et al. (2000), South America and the Caribbean is a land full of promises and contrasts, where a head to head competition exists between globalization and nationalism, the haves and the have-nots, capitalism and communism, literature and high-technology, markets and governments. All these characteristics took place in South America after the democratization in 1990. From this year forward a new business era for many international companies developed.
In South America the government today is the most important factor in the business environment, for a lot of foreign companies. Arbelaez et al. (2000), states that the role of governments is to provide the framework that will allow the private sector to create wealth.

We believe that in this continent the interest to invest in different industries is huge. The market is relatively attractive and open for foreign investors. Moreover, there are some other factors that make for South America a good investment goal, such as cheaper labour force and lower production cost.

1.1.2 Brazil

Brazil is a very important investment country and is one of the largest economies in South America and the eighth largest economy in the world. It is the fifth –largest country by geographical area, the fifth populous country, and the fourth most populous democracy in the world (Wikipedia, 2008). It lives more than 190 million people in Brazil today and the per capita income is $9,700 (GDP: $1.838 trillion). This number of inhabitants and GDP are good indicators that testify that Brazil is a highly potential country for foreign corporations (CIA, 2008).

After some years with a protectionist economy, Brazil nowadays is open for foreign companies. More than 200 Swedish companies participate actively in the Brazil economy, with a turn over of $23 billion (2007) and they employ 50 thousands workers (Swedcham, 2008). For Brazil, the last decade was turbulent in context of the economy stability. This was the reason why foreign companies could not invest in Brazil earlier. Today, the rate of inflation in Brazil is 4.1 percent; and this is also a good indicator for worldwide companies to conduct business in Brazil (CIA, 2008).

1.1.3 Chile

According to Bennett (1995), Chile’s economy, compared to other economies in South America, is characterized by market-oriented economy as well as by a high level of foreign trades.

Chile is a country where 16 million people live, with an income per capita of $14,400 and GDP $234.4 billion as well with 6.5% rate on inflation (CIA, 2008). Chile continues to attract foreign direct investment, but most foreign investment goes into gas, water, copper, electricity and mining, agricultural industry (Maps of world, 2008).
Moren (2006) states that Chile is often the first stop for investors entering South America and its open and liberal economic model, installed in the 1970s, has been portrayed as an example to be followed for developing countries. Moren (2006) also states that Chile subscribes the bilateral free trade agreement with European Union, United States, South Korea, Canada, and currently holding negotiations to add India, China, Singapore and New Zealand.

1.1.4 Uruguay
Uruguay has a middle income economy, is to a great degree based on agriculture, (making up 10% of GDP and the most substantial export) and the state sector, and relies heavily on world trade (Wikipedia, 2008). During 1996-98 the averaging growth annually with 5%, but in 1999-2001 the economy suffered a major downturn. The economy has grown strongly since 2004 as a result of high commodity prices for Uruguayan exports, a strong peso, growth in the region, and low international interest rates (CIA, 2008). For the duration of 2007, GDP have been $ 37,05 billion, GDP per capita $ 10,700 and inflation rate 8,5 % (CIA, 2008).

The relationships between Sweden and Uruguay are good and comprise among others, the thoughts about FN questions. There are a few Swedish companies that have subsidiaries in Uruguay, for example Ericsson. Many Uruguay people escape from the dictatorship to Sweden, which contributed to strong cultural and emotional bounds (Regeringen, 2008).

1.1.5 Negotiations
Rodgers (1998) states that cultural differences are well known for their impact on habits, and social activity. Nowadays we also start to realize this impact on organizations, planning, hierarchical relations and how companies negotiate with others internationally. One example on how negotiations can be different from what European countries are maybe not used to, can we find in the Brazil Carrier Guide (2008), about negotiations in Brazil. Here, the actual negotiation can many times take a really long time and trust, commitment and nurturing are issues that are required. Because of relatively new investments from foreign countries, Brazil has its caution and wariness left when dealing with foreign business people. Bargaining is a part of the negotiation process and leads to building trust and relationships. Rodgers (1998) says that especially in Latin countries, job and relationships goes hand in hand and power and status can often give the impression of mistrust.
1.1.6 Pricing

Price plays a key role in creating customer value and building customer relationship, as well as one of the four elements of the marketing mix and an indicator that affects buyer choice. Many companies today compete with each other with different prices in both the domestic and the international market. Price is the only element in the marketing mix that produces revenue; all other elements represent cost (Kotler et al. 2007).

Pricing is one of the most complicated decision areas encountered by international marketers. Market prices at the customer level are much more difficult to control in international markets than in domestic market. International pricing in general is more complex and critical than domestic pricing. According to Chee et al. (1998), the price is critical because it affects the firm’s ability to stay in the market. The price is also complex, because of the diversity of markets, with their different environment such as, political, legal, social, technological, consumer characteristics, etc. Thereby, we started to wonder if price is an issue that can affect the international business and the company’s co-operations in the foreign country.

1.1.7 Company presentation

With more than 150 years tradition, Andritz is one of the most famous companies in machine and plant production sector. The company is a global leader for customized plants, systems, and service for pulp and paper, hydropower, steel and other specialized industries (solid/liquid separation, feed and bio fuel), (Andritz, 2008).

The Hungarian entrepreneur Josef Körösi, who was both the founder and a machine worker, started Andritz AG in 1852. After a couple of years the company expanded its production, such as cranes, pumps, and water turbines, later as well bridges, steam vessels, steam engine and mining equipment. After ten years foundation, the company employed 600 people, and in the 1870ies as much as 1.300 people. Today Andritz has about 12.000 employees and 35 product facilities and over 120 affiliates and distribution firms around the world. In South America the company operates on the Brazil, Chile, Columbia, Mexico, Uruguay and Venezuela market. The company’s headquarter is in Graz, Austria (Andritz, 2008).
The Andritz Group in the global markets operates in different business areas that can be seen in the model we constructed.

![Andritz Business Areas Diagram](image)

Figure 2. Andritz business areas

The above-presented model can be explained with help of Andritz’s homepage:

- In the Pulp and Paper business areas, Andritz is largest. In this business area, the company offers technology and service opportunities for producers of paper, board and fibreboard and also specialized machines for tissues production.

- The Rolling Mills and Strip Processing Lines areas, company develops, manufactures and install plants for the production of cold-rolled and hot-rolled, surface-finished carbon steel, high-grade steel and non-ferrous metal strip.

- In the Environment and Process area Andritz operate with products and services for mechanical and thermal solid/liquid separation for municipalities and major industries (mining, steel).

- Feed and Bio fuel as an Andritz business area, include systems and machines for industrial production of conventional mixed animal feed and high-quality, special animal feed.

- Rolling Mills and Strip Processing Lines in this business area Andritz manufactures and installs plants for the production of cold-rolled, surface-finished carbon steel, high-grade steel and non-ferrous metal strip (Andritz, 2008).

1.1.8 Andritz in Växjö

Andritz in Växjö operates in the Pulp and Paper business area since more than 80 years. The company in Växjö is the product home for pulp drying technology, with world-wide responsibility for R&D and sales, in cooperation with the pulp drying line head office in Andritz, Austria.’ The drying line also includes screening, dewatering, cutting and baling technology, which are all managed from Austria. The projects for Andritz in Växjö comes
with low frequency, once every five to ten years in Chile, first time ever in Uruguay in 2005 and once every three years in Brazil. This means that new project managers, purchasers etc without experiences in these countries participate in the projects every time.

The Pulp and Paper business area in Växjö constitute a 45% of the Andritz total concern. (See appendix figure 2)

1.2 Problem analysis

The international business that the company has decided to begin can get some consequences that have strong effects on the success of the firm. A bad choice of a new country reduces opportunities and increases the risks for high financial losses. This in turn can lead to loss of control on the foreign market.

When conducting international business it is of great importance to consider the political, legal and economic environment. However, according to Mayrhofer (2004), the socio-cultural environment is an even more important aspect. For instance if the issues regarding political, legal and the economic environment are successfully fulfilled, the cultural aspects can seriously affect the company’s future if not properly considered in advertising. Mayrhofer (2004) even said that companies, who want to be “a step ahead” of their competitors, need to be aware of the importance of the home-country factors. By this he means that companies should not neglect the cultural and institutional differences.

Zacharakis (1996) also points out that a company seeking international markets must consider cultural differences before entering. These differences can be of language, political states, culture, and religion and even demand types. It is easier to enter a new market if the company can create partnerships in the new country. By doing this, many obstacles can be reduced and the entry can be much more successful. Companies seem to have most success if they are expanding to a country that has similar culture as their home origin country has. Even if a country seems to offer once-in-a-life-time opportunities for the company, it must consider the risks and difficulties that an entering to an unknown country and culture means. If the company sells product that need specific adaptations, the firm is forced to learn more about the country’ culture. This learning can lead to benefits, but these benefits can be out weighted by the cost that this learning includes.
Ellis (2000) states that the company’s market entry decisions are one of the most important issues before entering a new market. Questions like which country to enter, how to enter it, are essential to answer before making further decisions. Kogut (1988) states another issue by mentions that the type of the entry mode a company chooses can also be an essential matter. Studies show that if there is a large cultural difference between the new market and the company´s home market, joint ventures are to prefer. This is due to the fact that if the company goes together with a local company, the cost and efforts to learn the new market and culture will be lower. How much experience a firm has, also affects the choice of the entry mode. Moreover, according to Adsit D. et al. (1997) the culture may affect the behaviour of individual managers and subordinates as they interact with others. This influences even the way employees view a manager, i.e. the content of the perceptions (leader, coach, and trainer) and also the structure (characteristics, behaviour and expectations). Further the authors state that expected behaviours are likely to be associated with cultural values. Some cultures are simple and others are complex in terms of the number of formal roles that managers and employees are expected to perform. In the case of large companies, they may tend to hire similar types of people worldwide, thereby reducing national differences. Also a company with such a strong organizational culture would have a levelling influence on employees’s values that would further reduce national influences.

1.3 Research question
Based on the problem discussion the following research questions were developed:
- How do cultural differences influence the international business?
- What are the most important cultural issues a company going abroad must consider?

1.4 Purpose
The purpose of this thesis is to analyse cultural differences regarding negotiations and pricing. The objective is to formulate recommendations to a Swedish company doing international business in Latin America. We are going to investigate what kind of difficulties the company can face and how it can avoid them.

1.5 Delimitations
- We are only going to investigate Andritz in Växjö and will not include the company’s other business areas.
- We are only investigating Brazil, Chile and Uruguay and will not include Andritz businesses in other countries and locations.
- The external factors that we are looking at are only culture, price and negotiations. We are only going to analyse how these factors are different from domestic market factors and will not going to get deeply in to them.
2. Theoretical chapter

In this chapter we are going to define some theoretical concepts, explain different relevant theories and thereby create a theoretical framework behind the phenomena international business. To be able to understand what culture, negotiations and price settings mean in the international field, we must first collect more information in these areas. We aimed to start with some basic concepts, so that we then can examine the field more deeply.

Markets all around the world has started to become more similar already in the 70’s because of technological advantages and increasing international travel. Companies that offer high quality, low price and standardized products can win out over local companies that offer adapted products but for higher prices. This can be explained by the fact that people’s preferences became more homogenous. (Johansson, 2000)

Most international firms began their foreign business in countries that are similar psychologically and culturally to their own home country. The cultural distance effect explains this fact. If the company starts doing business in a country similar to its own, previous experience becomes relevant. If the firm is successful in one foreign country, it can also make profits by doing the same thing in another, similar country. Japan, for example, started trading with the South East Asian countries before entering South America. This pattern has a reason behind. Going far away from home increases transaction costs and the chance that the home market skills will be useful are decreasing. If the company gradually enter more countries in an expanding circle away from its own market, the firm develops new resources in form of for example learning and understanding (Johansson, 2000).

2.1 International Competitiveness

Rugman (2000) states that there are three areas in which nations must stand out to gain and hold strong international trading and investment positions. The first one is that the country must maintain economic competitiveness. Second, it must influence trade regulations so that other countries open their doors for its goods and services, being willing to buy from as well as sell to the country. And the last area is that its business must develop a global orientation that allows them to operate as multinational enterprises, not just as local firms doing business overseas. Furthermore the author said that the best way for companies to achieve competitive advantage is with innovation.
2.2 Culture

“Culture is the integrated sum total of learned behavioural traits that are shared by members of a society”. (Terpstra, 1994)

2.2.1 Levels of cultures

We cannot avoid seeing that the business environment is changing in many ways. As well does the cultural environment that is one of the most challenging areas for most international marketplaces. In order to understand and influence consumers’ wants and needs, foreign companies must understand the different cultures.

Culture has been defined in many different ways, reflecting the variety of cultural phenomena that can be observed. According to Morrison (2002), cultural symbols include language, religious rituals and art whose shared meanings from the unique fingerprint of a particular society.

According to Czinkota (2007), cultural factors have an important impact on the flow of business. Each society has its own elements of culture. These elements of culture are manifested through:

- Language
  - verbal
  - nonverbal
- Religion
- Values and attitudes
- Manners and customs
- Material elements
- Aesthetics
- Education
- Social institutions

Adaptation of these elements for an international company depends on its level in the market participation –for example, licensing versus direct investment and the product or service marketed (Czinkota, 2007).

The most important issue for a foreign company is cultural analysis, which includes information that helps the company’s staff to take planning decisions. This information from
the cultural analysis must be more than collecting the facts; these must also be interpreted in the proper way (Czinkota, 2007).

Another significant issue about culture is the levels manifested through artefacts, values and underlying assumptions (Brooks, 2008).

![Figure 3. Brooks, B. 2008. The natural selection of organizational and safety culture within a small to medium sized enterprise (SME), Journal of Safety Research 39(1): 73–85](image)

### Visible organizational structures and process
- Includes visible products, clothing, manner of address, work practices.

### Values
- Strategies, goals, philosophies
- Includes for example attributions, avoidance.

### Underlying Assumptions
- Unconscious, takes for granted beliefs, perceptions, thoughts and feelings

2.2.2 Business culture

Brazil is a country with real business opportunities for foreign companies, but doing business in this county can be seen as a significant cultural challenge. Brazil is a colourful culture that attracts many people to learn and experience the core of this vibrant environment. If we see broadly on Brazil culture we can discover that it is a combination of European, American and Asian culture (Maps of world, 2008).

In the below presented model the cultural influence in each country is presented. Culture in each country is meditated through three factors: cultural forces, cultural messages and consumer decision process. Family, education and national identity manifest cultural forces. Ethics and morality, behaviour and roles and design influence cultural messages. Culture is also influenced from universal needs and wants in the society and consumer trends. These cultural differences are different in country A and country B. The foreign company must analyze and cope with these cultural differences and harness the tension to bring about reconciliation between these countries. With combining and synthesizing cultural differences
the foreign company can integrate different cultural perspectives and seek a dynamic solution to problems that may arise (Bradley, 2002).

Hofstede (2001) states that masculinity versus femininity describes the degree to which societies display the stereotype male female or related to division of emotional roles between men and women.

Confucian dynamism is the new dimension added of the cross-cultural framework. It relates to whether a culture is universalistic or particularistic. Culture that is universalistic believe what is true and good can be applied everywhere, whereas particular culture believe circumstances and relationships are more important in determining what is good and right (Hofstede, 2001).
2.2.3 Home culture versus foreign culture

Tayeb (1998) says that the decision to become involved in international business depends, among others, on the size of the company’s domestic market, its production capacity and capability, and the financial and other resources that the foreign market requires. In that way, firms can be placed on an internationalisation scale ranging from domestic single nation to totally globalise.

The extent to which national culture becomes relevant to a firm can be shown in the following table. The company’s own home country culture is of high relevance, though the managers and other employees may not be aware of its influence. The relevance of other people’s culture becomes greater for a firm as it spreads its activities and products past its national boundaries to reach foreigners with different value systems and tastes (Tayeb 1998).

<table>
<thead>
<tr>
<th>Character of the firm</th>
<th>Relevance of national culture</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic, single-nation firm with no foreign interests</td>
<td>High</td>
<td>Nil</td>
</tr>
<tr>
<td>Single-nation firm with import/export activities</td>
<td>High</td>
<td>Low to moderate</td>
</tr>
<tr>
<td>Multi-nation firm with franchising and licensing activities</td>
<td>High</td>
<td>Moderate to high</td>
</tr>
<tr>
<td>Multi-nation firm with manufacturing and/or service units abroad</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Global firm with various business activities in most parts of the world</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Figure 5. Tayeb, M. 1998. The Management of a Multicultural Workforce, England: John Wiley & Sons.

2.3 Negotiations

According to Tayeb (1998) language is one of the major issues when it comes to negotiations with trade partners from other cultures. Although it is not always indispensable to know the partner’s language, several studies shows that a link exists between successful company
performance in winning new business in foreign markets, and the ability of the company to conduct its business in the language of the customer.

Tayeb (1998) also states that there are some aspects of culture that manifest themselves in a negotiation situation. Foreign partners not only speak languages other than one’s own, but also have a tendency, for cultural reasons, to think in different ways and have different priorities in the way in which they do business. For example, some people prefer to do their business meetings with foreigners in a formal way, and would be offended to be addressed by their first name; some might believe that the use of an informal style and first name would signal to the partners that they are trusted. Two partners from these different cultural backgrounds could easily misunderstand each other if they negotiate without a previous knowledge of one another’s assumptions and values.

Cultural advantages can arise from different values and ways of seeing the world. To realize competitive advantage from them, it is first necessary to try to understand them. For cultural differences to be lower these should be managed. According to Hoecklin (1994) there are four strategies for managing cultural differences:

1) Building a strong corporate culture internationally
2) Developing a common technical or professional culture worldwide
3) Relying on strong financial or planning systems.
4) Leaving each culture alone

Although the purpose of the negotiation process may be complete, the way in which the process is carried out will be to a great extent influenced by the cultural values and norms of the participants. There are differences in negotiating styles, even two nearly continents as North America and South America use very different approaches. One of the major differences is the amount of authority that the negotiator has to approve an agreement (Rugman 2000).

Tayeb (1998) says that in some cultures, the persons involved in international business deals would like to build up personal and closer relationships first and establish the fidelity and trust of their trade counterparts before doing business contracts and activities with them.
Tayeb (1998) also mentions that in other cultures, business negotiators would prefer to do contracts directly, relying deeply on the legal rights and obligations clauses included in that to safeguard their interests.

According to Rugman (2000) it is important is to have in mind some characteristics about South American negotiators. These can be the following:

- Place a high value on emotional sensitivity
- Tend to use emotional and passionate appeals rather than logic per se
- Are often influenced by special interest, which are not only expected but condoned as well
- Receive a final negotiation position from an individual who is high up in the organization
- Place strong value on face saving and preserving honour and dignity, even at the cost of profit
- Tend to be impatient with documentation and view it as an obstacle to understanding the “big picture” (Rugman 2000).

Johansson (2000) states that it is to have in mind that even if adaptation to the foreign culture is good when it comes to future negotiations and co-operations, there is a limit for how far a manager should go to try to accommodate this foreign culture. Mistrust from the other part can be created if for example a manager is trying to adapt to the foreign culture and is doing this superficial and with lack of deeper meaning. This can lead to misinterpretation and seen as false and insincerely.

According to Ball et al. (1996), doing business with another culture is not an easy task and to be successful, every foreign company should be aware and follow some rules that make their business activity more compatible. They state that there are six rules of thumb for doing business in another culture. Even if these can be important when doing business in the home country, they become more crucial when going abroad. These rules consists on:

- Be prepared
- Slow down
Establish trust
Understand importance of language
Respect the culture
Understand components of culture

According to Kwintessential (2008), some main issues can be summarized including the most important points a company doing business abroad must consider during the negotiation process. The summarized issues are concerning South American negotiation styles.

- A firm handshake accompanied with smile and appropriate greeting is normal in a business setting.
- Direct eye contact is important.
- Some women may not shake hands with man, although this is becoming less common.
- Chileans stand very close when conversing.
- Always use surnames and titles-wait to be invited to use someone’s first name.
- Business cards are exchanged on the initial meeting at the very start.
- Try and have one side translated into Spanish.
- Keep cards in good condition-a tatty card will reflect badly on negotiation staff.
- Chile has a relationship driven culture so initial meetings should be used to build a relationship and established trust.
- As well, it is important to be patient as time is not of the essence in Chile-meetings will last as long as they need to last.
- Chileans are generally indirect in their communication style.
- Communication style tends to be tuned to people’s feelings.
- Chileans never openly criticize anyone (Kwintessential, 2008).

2.3.1 How and why negotiate?

We are aware of the fact that every business, at one point or another, will be involved in negotiating, whether it will be a simple business deal, a supplier's contract or collective bargaining. Business deal negotiation is an unavoidable fact of the business world, so it's best to be educated in this topic.
We have seen that humans negotiate with each other almost every day; with employers and employees, buyers and seller, companies with business partners etc. The negotiations can be about for example price, product or quality. This leads us to the question: why does this negotiating with parties occur in business? This question has been answered by Ghauri (2005), said that in business relationships parties negotiate because they think they can influence the process in such a way that they can get better deals than just simply accepting or rejecting what the other parties is offering.

In the negotiation process parties negotiate with each other for the reason that this process will give both parties opportunity, solution and beneficial. Ghauri (2005) states that, there are five stages in the negotiation process:

1) Pre-negation stage
2) Negation stage
3) Post-negation stage
4) Strategic factors
5) Cultural factors

In the pre-negation stage, both sides attempt to understand each other’s offers and needs. As well, both parties should know which type of decision-making procedures is going to be followed by the other party and which type of strategy should be used to match it. In this stage, parties gather a lot of information for each other. The negotiation stage is characterized by the face-to-face negotiation between the supplier and the consumer. Post-negation stage is characterized by general agreement from both sides according the language and format of the contract, and finally the signing of the contract (Ghauri, 2005).

According to Johansson (2000) when a company goes abroad, negotiations with suppliers and other parties are always a part of the business and it often involves face-to-face negotiations. Every culture requires its own particular approach.

Johansson (2000) also mentions some genuine rules that companies going abroad are recommended to follow:

- When negotiating with the foreign partner, knowledge about cultural background is a must. It is important to consider the ethnical background, and to not treat the part as a large homogeneous unit because of for example non-verbal behaviors can be
significant. Even personalities can dominate and create cultural stereotypes. In Brazil for example, people are often seen as calm and friendly. Trust between the parties can be the decisive issue when it comes to the future of the cooperation and without genuine behavior this trust cannot be established.

- It is important not to ask the ”wrong kind” of questions and that in some cultures a simple question about the person’s family can be seen as an intrusion on privacy.

- A large number of cultures, especially in the East, are more likely to concentrate on the potential of a general cooperation that goes beyond the specific contract agreement. In other cultures, this is seen as a waste of time.

- Companies going abroad must think about that negotiators from different cultures can be two different types. Either type proactive A or type reactive B. The type A negotiator starts with small issues and then works up. Type B negotiators like to have the overall issues agreed on first, before moving forward to the specific issues. Type A is more dynamic and likes to take risks, for example an American manager. Type B is calmer, slow and likes to avoid risks, for example a manager in Japan.
2.4 Pricing

When it comes to pricing on the international market, there are several issues that must be taken into account. These issues can be illustrated in the following model.

Firm level factors
- Marketing mix elements
  - Product, customers
- Cost structure
  - Fixed costs, manufacturing costs, Marketing and other costs
- Strategic objectives
  - Marketing share, Profits

Product specific factors
- Substitutes
- Other product attributes
  - Quality, Service, Delivery
- Shipping/Distance Cost
- Financing

Market specific factors
- Consumers
  - Ability to buy, Information seeking
- Market specific costs
  - Distribution channels, Marketing costs

Environmental factors
- Competition
- Macroeconomic factors
  - Level of inflation

Foreign Price Setting
- Outsourcing
- Transfer price setting
- Inflation adjustments
- Pricing for multinational clients
- Price-bundling
- Client specific pricing

Figure 6. Terpstra, V. 1994. *International Marketing Management*, USA: The Dryden Press, p. 540

Price is an integral part of the product or service, which cannot exist without price. This means that we cannot talk about a product without thinking about its value and thereby its price. Price belongs together with product, place and promotion in the 4 Ps and should not be treated as an isolated issue (Onkvisit, 1993).
Because price is such an important part of the product, pricing also becomes an important part of international business. The company’s strategic objectives, competitors, customers’ demand and the market specific environment in the foreign country are issues that influence the pricing decisions (Onkvisit, 1993). Pricing affects demand and thereby influences the company’s market shares. Because market share and competition are different in different countries, prices are too. Customers’ preferences, demands and incomes are also different in different countries. Therefore, the same product can be sold for different prices in two countries (Onkvisit, 1993).

The company always has to consider the long-term effects of the prices it sets. In the short term, the price can be set below the level that covers full costs, but it can help to gain market shares in that new foreign market. Costs can be reduced by increasing the manufacturing volume and can thereby help when the company wants to penetrate a new foreign market. Different costs for shipping and transportation are also cost specific parts to international pricing. The prices the company sets are also dependent of the exchange rates and different changes within these rates (Terpstra, 1994). This is extremely important in the international business due to the fact that just a few percentage fall in a currency can have devastating effects (Onkvisit, 1993).

According to Onkvisit (1993) different cultures are used to different price negotiations. To charge everybody the same price is common in for example USA, but in other cultures a flexible and negotiated price is common and the negotiation can take days. Those who are used to this form of negotiations can do much better than those who are not. Therefore, it is very important to know which kind of price negotiations are to be expected in the country the company wishes to cooperate with.

Another important issue in international pricing is, to answer the following question. Should the price be lower, the same or higher than the domestic price? This question is important because export for example can require specific packaging and additional cost risings in form of translating and processing orders and agreements. Transportation costs and for example insurance costs do raise the price for the foreign buyer, but these costs can be lower than the importing country’s manufacturing costs. All these extra cost must be included in the price, but even if the costs are higher, this does not necessarily is followed by higher export prices when
compared with domestic ones. The export price should be put where it can maximize long-term profitability (Terpstra, 1994).

2.5 Theoretical overview model

After reviewing our theoretical chapter, we have constructed an own model that we later on can use when analyzing our empirical findings.

This model is about the overall areas that we are using in the essay and describes how these areas are affecting each other. The model shows how these three elements are tied together and how they all seem to be influencing one and other.

Figure 7. Authors model: How the elements of culture affect each other in international business
3. Method

In this chapter we present the methods on which we base our thesis and the approaches we use. The chapter also will show the quality and relevance of the study. We start with presenting the concept of pre-understanding and our personal background. The different scientific approaches and research approaches will also be presented, followed by the presentation of our data collection. Finally, the value of our study will be described.

3.1 Introduction

The choice of the subject was made through discussions between the authors. We agreed that the subject of international business was an interesting choice to us all. When deciding what to investigate within this area, we took personal connections into account. One of the authors, Paola Lopez, has contacts within Andritz though a mutual friend that both Paola and one of the managers at Andritz (John Eriksson) know. The two other authors were questioned about this company and finally all three agreed on that this type of research was interesting. By telephone contact with John Eriksson we asked the company if there was something they needed help with investigating. After some discussions, we got the company’s approval to conduct our research with them.

After taking contact with Andritz in Växjö, we visited the company for the first time to conduct an overall interview with the following three managers. John Eriksson, vice president Project Execution in Andritz Fiber Drying AB in Växjö has operated in projects in Brazil. The second manager we talked with was Hans Hjelm, Senior Project Manager who has been responsible for projects in Uruguay. We also had the opportunity to talk with Olaf Büttner, Manager Procurement and purchasing manager, who has been involved in projects in Chile and handles the purchasing for projects worldwide. This way we could get an overview of the areas and were informed about the different projects that Andritz has conducted in our three collected countries. During this first meeting, we even informed Andritz more deeply about our thesis and answered questions about the paper. This meeting even gave us the chance to ask Andritz if there were any specific areas or subjects they wanted us to investigate more deeply. After some discussions, we decided to collect Brazil, Chile and Uruguay, because these were three countries where Andritz have had large projects during the last few years. The decision to investigate culture, price and negotiations is a result from the wishes of Andritz
managers. Because they already visited these countries, they are aware of the fact that culture plays an important role when doing business abroad. The purpose why they wanted us to investigate these areas of subject, was to find out just how important these parts are for the company and what the most important issue concerning this area is, that the company need to think more about in the future.

After this first meeting, we collected more theoretical information, so that we had more basis for our interview questions. After developing our questions for Andritz, we booked another meeting with the personnel at the company. This time we had the opportunity to sit down with these three managers one by one. During the interviews we asked our questions (see appendix) and even asked the managers about the most important cultural issues concerning international business, that Kwinstessential (2008) mentions in the theory. We were able to record the interviews, which helped us make sure that the answers did not get misunderstood during the analyzing process. We have even showed our theoretical model to the interviewees and asked them to comment it during the interviews. We believe that by conducting the interviews this way, we could cover the area described in the theoretical chapter and thereby get a decent foundation for our continued work.

In the empirical chapter we are even going to include some comparisons between South American and Swedish negotiations and cultural differences. This, because the Andritz personnel during the interviews many times more easily could explain these differences by using the home culture as an example. The statements about Sweden in this chapter are experiences that the three managers at Andritz explained.

3.2 Pre-understanding
Pre-understanding and understanding are part of the qualitative methods research (Gummesson, 2000). We are going to explain only the pre-understanding method because this is the one that we feel is suitable with our thesis. According to Gummesson (2000), pre-understanding refers to things such as people’s knowledge, insights, and experience before they engage in a research program on a consulting assignment.

There are two sections that contribute to the development of pre-understanding: first hand pre-understanding, presented through personal experiences from private life and working life and second hand pre-understanding that refers to the experience of others. The second hand pre-
understanding is the indirect section that uses intermediaries such as, textbooks, research reports, articles, lectures and the experience of others (Gummesson, 2000). These statements can be summarized in a simple model.

![Model of Pre-understanding and Intermediaries](image)

Figure 8. Gummesson, E. 2000. *Qualitative Methods in Management Research*, 3rd edition USA: Sage Publication

In our research the lack of personal experience may limit our pre-understanding of the case study. Therefore, our possibility to accept the pre-understanding is through academic ways such as books, articles, lectures which are the second hand pre-understanding.

The advantage of our research study is that we are able to use the first hand pre-understanding, the experience of others. The staff of Andritz has great experiences with cross-cultural differences and a lot of capability in the negotiation process. By interviewing these personnel, we can thereby collect first hand information in this area.

### 3.3 Scientific approach

When a scientist decides to perform a study or investigation, it is important to choose the most appropriated approach for the survey and different aspect to have in mind. In the early 1960s Thomas Kuhn brought the concept of paradigm with the aim to represent people’s value judgments, norms, standards, frames of reference, perspectives, ideologies, myths, theories, and approved procedures that govern their thinking and action (Gummesson 2000). Further Gummesson (2000) said that this concept of paradigm in science is built of the perception of what the scientist should be doing and how should be doing it. Questions to answer will be; what are the interesting research problems and which methodological approach can be used to undertake them? A scientific theory provides two approaches when scientist wants to study
some situation. They have to decide between a hermeneutic approach and a positivistic approach.

### 3.3.1 Hermeneutic

After studying the different research approaches, we realized that the hermeneutic approach is the appropriate for our thesis. According to Gummesson (2000) hermeneutics have more trust in interpretation. The approach is considered to be rather subjective and emphasizes intuition; building knowledge that can be generalized is neglected. In order to understand reality, hermeneutics use more personal interpretative procedures, the qualitative assessments tend to replace quantitative data and the general point of view becomes less important than the specific. Moreover in a hermeneutics approach the focus is more on understanding the situation, the analyzed data is qualitative, and the researcher is involved in the studying process and is not limit to external observation. In this way the researcher understand from the inside since he is actively taking part and base the solutions on personal experience (Gummesson 2000).

In order to collect information about cultural and negotiation differences as well as pricing negotiations between a Swedish company and a foreign customer in South America; we interviewed the above mentioned three managers that have been operated in projects in Brazil, Chile and Uruguay. We also gathered information using Andritz home page, scientifically articles and books about international business. According to the characteristics for a hermeneutic approach, our pre-understanding is based on, not only science but also on personal experiences that comes from the Andritz staff’s own encounters in the different investigated countries.

### 3.4 Research approach

There are two different kinds of research approaches: deductive and inductive. Many times it is difficult to separate these two approaches in field studies, because they are present together, at the same time, throughout the whole investigation process (Hyde, 2000).

#### 3.4.1 Deduction

Deduction stands for “the road of evidence”. The Merriam-Webster dictionary defines deduction as: “the deriving of a conclusion by reasoning” (Merriam-Webster, 2008). In many dictionaries, the word is explained as logical evidence gathering. Deduction means that you,
from several different premises that you set up, come to a logical conclusion (Hyde, 2000). In our thesis we used deduction when we started our research by using existing theories. We have later on investigated if these theories could be applied to specific events. We started by reading secondary data and theories in scientific articles and different books. When we learned more about these theories, and made our interviews with the company, we could investigate if these theories could fit the company’s experiences in the different countries. This way we could derive to a logical conclusion by our own reasoning.

3.4.2 Induction
Induction is defined as “inference of a generalized conclusion from particular instances” (Merriam-Webster, 2008). Induction can be seen as the “road of discovery”, where we first start with the empirical part and later on connect it with the theoretical part (Andersen, 1998). In our thesis we use induction by using own observations, interviews and research. We discover more and more about the cultural influences in the three collected countries, by interviewing the three managers at Andritz. This collected information later on helps us to come to our own conclusions about the subject. Based on these conclusions, we create our empirical material.

According to Andersen (1998), the conclusions are based on own observations and experiences. The researcher can never be completely sure that the conclusions are true, because induction is built on empirical observations and our senses can fool us. In our case, the risks for this kind of misunderstandings are not very high; because of the way we conducted our interviews. We could minimize the hazard that can arise from for example not hearing the interviewee’s answers, because of the fact that all three interviews were taped.

3.5 Qualitative vs. Quantitative research
In developing our research case study we were faced with the number of methodological choices.

There are essential distinctions between qualitative and quantitative methods. If the data is coded with numbers and the numbers are analyzed with statistical methods. These procedures are described as quantitative. On the other hand, if the data is described by text, diagrams and interpret the text and diagrams, this level of research is characterized by the qualitative approach (Axinn, W. 2006).
If we compare these two methods we can see that there are some advantages for both the qualitative and the quantitative approach. Patton (2002) states that the advantage of a quantitative method consist on its possibility to measure the reactions of a great many people to a limited set of questions, thus facilitate comparison and statistical aggregation of the data. On the other hand, the advantage from the qualitative method produces a wealth of detailed information about a much smaller number of people and case. Because our study is a case study about a Swedish company’s projects in South America, we can, by using qualitative methods, collect a much more detailed and accurate information.

Qualitative data is the most important part for every research field. According to Patton (2002) there are three kinds of qualitative data:

- **Interviews** - refers to open-ended question and probes yield in -depth responses about people’s experiences, perceptions, opinions, feelings and knowledge.
- **Observation** - refers to fieldwork descriptions of activities, behaviours, actions, conversations, interpersonal interactions, organizational process or any other aspect of observable human experience.
- **Documents** - refers to written materials and other documents from organizational, clinical, or programs records, official publication, written responses to open-ended surveys or photographs.

Compared from the upper part, Axinn (2006) states that there are five specific types of collection data: surveys, semi-structured/structured interviews, focus groups, observations and historical/archival research.

We are not going to analyze statistical data, because our case is more related to the qualitative data through interviews with the managers of Andritz in Växjö. Because of this, our paper does not use quantitative data. We are instead using qualitative data, by collecting information through interviews as our primary data collecting method. We use semi- structured and structured interviews where we did not restricted the answers by using for example multiple choice questions. Because of this we could even observe the interviewed persons behaviour and they were able to add personal opinions and experiences to our questions. We could at the end summarize this information in text and tables. This method also leads to a more accurate and up-dated information about our investigated field.
By collecting information from the Andritz web side we could read about the company’s different areas and projects. We were even able to find appropriate pictures and photographs that could inform us even more about the projects. After making the interviews we are able too explain and analyze our empirical findings.

3.6 Data collection
The collected data can be divided into two different types: primary and secondary data. Primary data is information that the researcher himself has collected in, through for example interviews and observations. Secondary data is material that has been collected in earlier by someone else than the researcher. In this case, the data comes from for example literature, articles and different types of registers (Andersen, 1998).

3.6.1 Theoretical
The theoretical data that we have based our research on is built on secondary literature sources. This secondary data was collected primary from books and journal articles. Most of the literature we have searched for was done in the Växjö University library catalogue there we took help from the university’s search for scientific articles called ELIN (Electronic Library Information Navigator). We also found different databases in the library’s catalogue, for example EBSCO (Business Source Premier). At the start of our study, we began to look on the internet for general keywords like culture, pricing, negotiation, international business, price negotiation, business in South America, cultural differences, etc. However, when we got more deeply in our subject, we also started to use the sources to search for more detailed and specific information, for example, search for specific authors, surveys, projects, information about Uruguay, Chile and Brazil, etc. We have also looked at older master thesis from students at Växjö University to get some ideas to improve our thesis. Also their reference list led us to new additional useful sources.

3.6.2 Empirical
To collect primary data there are three different strategies to use, such as observation, interviews and questionnaires. The aim of the primary data is to get a ground for further analysis and also for data that fit with our study (Befring, 1992). At the beginning we started to collect and present general information about the company and the three different countries we have choose for our research. This showed the need to investigate into the international business activities that Andritz has had. Further since we get good response from Vice
president Project Execution John Eriksson, we got the opportunity to meet others managers. As we described earlier, we could thereby conduct our interviews with the Andritz staff. Our interviews were based mostly on free conversations, with the purpose to get a general understanding of the research topic and the interviewee. Since we prepared the questions in advance, according to Denscombe (2000) this kind of interview is called semi-structured interview. The questions are flexible and give space for more questions. We had not fixed-answers or multiple choice questions, which means that the interviewed persons got the opportunity to self formulate the answers and give some ideas and standpoints.

3.7 Value of the study

3.7.1 Validity
The word validity can be defined as: “the best available approximation to the truth of a given proposition, inference, or conclusion” (Social Research Methods, 2008). Validity determines in which degree we are measuring what we are aimed to measure. When we are developing for example interview questionnaires, we must think about in which way we are doing this, to be able to avoid systematic errors. To be able to interpret the theoretical part of our essay with the empirical part, the measuring must be valid (Rosengren, 2002).

There are three types of validity; intern-extern and construct validity. In our paper we are going to use the second type of validity, where the paper’s result is investigated by the degree of generalization. Here, the question to be answered is: Can the result be generalized even to other situations (Uppsatser, 2008).

We believe that the papers validity is high, because we are measuring what we are mean to measure. The questions in our interviews are developed in a way that the risk for misunderstandings is minimal. The answers we collected from Andritz are open answers, where we did not lead the person who was interviewed in any kind of direction. When we developed our questions, we had our theoretical concepts in mind. The collected answers are enough exhaustive to give a scientific ground for our investigation because the three persons we talked with have all visited one or several of the countries we collected for this study. Because all the staff we interviewed have long work experiences in this field and recently visited the chosen countries, we believe the information they gave us is valid.
3.7.2 Reliability

With reliability means how reliable our data is. It is possible to measure reliability in different ways, but most often the similarity between two measurements with the same measuring tool is examined. Reliability is also a way to comment the degree of errors a test can contain. The degree of error is different depending on what is being measured (Rosengren, 2002).

We believe that the essay’s reliability is sufficiently high because if this same research would be conducted later on with the same interview questions and the same staff at Andritz, the answers will most likely be the same or very similar to those we received. Because Andritz is a large international company with many different customers all around the world, the answers we collected can be seen as an enough trustworthy data that can be applied to many other similar companies. If the same investigation would be conducted after a long period of time, the results may not be the same as the ones we collected.

We believe that the marginal for errors in the paper are minimal because of the fact the all three authors were present during the interviews. This way the interviewed persons could ask questions if they did not understand something and the risks for misunderstandings thereby could be minimized.
4. Empirical chapter

In this chapter we are going to present our empirical results from the face-to-face interviews that we made with the personal at Andritz in Växjö. We are going to divide these answers in the three main areas we are covering in this paper. The questions we asked the managers working at Andritz during the interviews and the entire interview answers we received can be found in the appendix.

During our interviews with the personnel at Andritz, we used the own constructed questions that we have developed after analyzing our theoretical information. We wanted to see what comments the staff at Andritz had on this model. The comments are included throughout the whole text in this chapter. We have even included the important points that Kwinstessential (2008) mentions in the theoretical part. These points were included during the interviews so that the Andritz staff could give more specific and detailed examples and more easily include own experiences and thoughts.

This chapter is thereby a summarizing result from the answers received from the three managers at Andritz.

4.1 Culture

According to Olaf Büttner, people in Chile are much more open, relaxed and indirect, then in Sweden. They are much more concerned about building up a relationship and like to meet also during their free time, after the negotiations. When it comes to cultural differences, Büttner mentioned that even if people in Chile and Brazil have a friendlier attitude, they are still formal and serious when doing business. People in Brazil are very spontaneous, informal and very quick minded. Chile is not quite the same; people are more reserved and formal there, even though they are still very friendly. This is also the case in Uruguay, which is still a quite reserved and isolated country. Sweden is a little bit like Brazil, but Brazil on the other hand is more spontaneous and quick.

Neither Olaf Büttner nor Hans Hjelm believe that culture is a main issue, but feels that it does affects the foreign negotiations and businesses. They think that underlying issues in culture, like language, attitudes and values are issues that affect the negotiation process. Even here, it becomes important to learn about the foreign country’s manners before negotiating with a
foreign culture and to be prepared for what to expect so misunderstandings and mistakes can be avoided.

Andritz do not have any specific training when it comes to culture. Hjelm thinks that educating the personal about culture before sending them abroad would help the business and negotiations. Before travelling to a new country, people at Andritz often talk with them who already been in that country so that they can learn from others experiences.

Culture can affect the negotiation process in different ways. Some that Büttner mentioned are time and contract language issues and that people have manners and attitudes that are different from what we are used to. Hjelm thinks that culture is an important issue throughout the whole negotiation process and especially important in the beginning. The first impression you make on someone can be hard to change later on, especially in some cultures.

The negative cultural difference that Andritz experienced was that people in Brazil did not take time very seriously and are used to coming late. Because of this, they always need to be pushed so that deliveries do not become extremely delayed. Suppliers many times promise more that they can keep and later on, when the delivery is delayed, they do not take this seriously. Delays in Brazil and Uruguay are seen as completely accepted and Andritz had to give penalties at several occasions. Suppliers simply did not respect the time schedule and did not understand the resources that Andritz wasted because of these delays. After the penalties, things got better.

That culture affected negotiations in a negative way, John Ericsson never really experienced. Small issues can be that in some countries people for example talk very loudly and strong and this can be translated into a misunderstanding about their emotions. It is not always easy to know if they are angry or not. Language can affect the business in different ways. In Brazil for example, there is a higher risk for being deceived if people do not speak the local language. The problem with not understanding their jokes can also be a large disadvantage. But, if Sweden is the customer, people are more understanding and translators can easily be used. To speak the local language is always an advantage and a sign for respect.
4.2 Negotiations

When we asked Andritz about different characteristics when doing business in South America, the company believes that a handshake and a smile are important issues when doing business, especially when the two parts meet for the first time.

When negotiating face-to-face, the negotiation process is almost done in the same way as in Sweden. The only difference in Brazil and Uruguay is that this process can take a much longer time than Andritz in Sweden is used to. Andritz believes that culture is present throughout the whole negotiation process and especially in the beginning. The first meeting seems to be more important in foreign countries and mistakes can be more difficult to correct. The first impression is something that stays with you. This may not be the case for other countries, they can have a more wait and see attitude, but can be a very important matter for Swedish negotiators.

When it comes to translating and writing contracts in foreign languages, Chile and Uruguay are not difficult countries. In Chile and Uruguay, the contract is written in English, while in Brazil the official language is Portuguese and the contract is then translated into English. In Brazil there is a law that states that the contract must be written in the home country’s language and this contract comes before the translated one. Chileans are rather good in English, but this is not the case in Brazil. A translator often must be involved so that both parties can be sure about understanding each other and to minimize the risks for misunderstandings. The contract that is written in the language of the country where business is being done and this document is the original contract. When Andritz is the customer, the contract is most often written in English. Some foreign companies (the larger ones) have more resources to do investigations about the contract than a small company has. Translating a contract is also time demanding and sometimes difficult because of many different points. Brazil often has complicated contracts that are built on facts and not on trust. People are trying to put every possible outcome into the contract, which makes the translating an even more difficult task.

When Andritz started to do business in Uruguay; the customer demanded that a lawyer checked the entire contract before signing, this because it was the first time they did business with Andritz. In Brazil this process goes much faster, they simply read the papers quickly and then sign them.
4.3 Price negotiations

When it comes to pricing, culture can affect the negotiation by for example, not knowing what price is acceptable. If the country has high bargaining margins, this can be a difficult task. In South America, price dumping for example is acceptable, while in Europe and Chile it is not. In Chile, it is a bad idea to set the price too high in the beginning, because people are not so used to bargaining as they are in Brazil, for example.

Ericsson says that it is important for Andritz to understand the local supplier’s needs and wants so that the risk with purchasing becomes minimal and the price is the best price possible. To be able to do this, the company must understand the culture and background of the foreign country.

Price negotiations, according to Büttner and Ericsson, are much more different in Brazil than in Sweden. There are always long discussions and the price bargaining is more complex than in Sweden. The margins are larger when it comes to bargaining and this is also an issue that can make negotiation much more time-demanding. In Chile the margins are some lower than in Brazil. Because of Brazil’s high bargaining margins, the price can be very different at the end from what it was in the beginning. This is something that Swedish companies may not always be aware of.

According to Hjelm, Uruguay was the country where it was the most difficult to negotiate. They discussed the price a lot and went up and down with just a few per cent at the time. Hans mentioned also that Brazil was a really expensive country as a supplier. The prices were the same as in Europe, but the delivery time was shorter. If Andritz buys in Europe, it takes about 8 weeks to transport the goods to Brazil. Because of this, it was important to buy the parts at place.

4.4 Andritz overall comments

From the experiences by doing business in South America, all the three interviewed persons recommends Swedish companies to think more about openness and friendliness when it comes to negotiations and business, especially in foreign countries. Another important issue is to always have a positive attitude. Because of this, people can become more open and take in a lot more experiences then otherwise. Swedish companies must be prepared for the cultural differences and that people are not like they are in Sweden. Even if the negotiations are tough,
people in South America seem to forget about this when it comes to meetings outside the office.

The managers of Andritz share the opinion that it would be good to have some overall information about the foreign country before travelling, to inform the personal before sending them abroad. However, this is not a very important issue when it comes to South America. In China and South Arabia for example, the case can be very different. When doing business abroad, the most important thing to have in mind is to be open for the cultural differences and to be aware of these. To respect the foreign culture and being positive about it is a very important part of international business. To always smile and do not try to force its own beliefs on somebody else are also issues that companies operating in other countries can not afford to forget about.
5. Analysis chapter

In this chapter we are going to analyse our empirical findings. We are going to investigate if our results correspond with our theoretical facts.

5.1 Cultural influences on business in Brazil, Chile and Uruguay

According to Rugman (2000), before going abroad a company must do three things. The first is to obtain economic competitiveness, the second is to be able to influence trade regulations and the third is to develop global orientation so they can operate as a multinational enterprise. Before Andritz entered the South American market, they had to be market leaders in their field, which they managed for several years ago. Today, Andritz only have one competitor when it comes to selling this kind of equipment. Andritz did not need to think about influencing the trade regulations in Brazil and Chile because these countries already were an open and attractive area for business and welcomed foreign companies and investors. This was a little bit different in Uruguay where foreign businesses are still being seen as something new and the country is still pretty reserved. Andritz has the global orientation it needs to be able to operate internationally and has today businesses in many different countries worldwide.

5.1.1 Culture

Culture can, according to both Morrison (2002) and Czinkota (2007), be divided into different categories like language, manners and behaviour, education and social institutions. These categories can play an important roll when it comes to international business and can thereby even affect the negotiation process. Brooks (2008) take this even further by saying that culture even includes artefacts, values and underlying assumptions. These groups include for example people’s feelings and thought, which also can be categorized under manners and behaviour.

According to Andritz, when preparing for negotiation the company must think in the other side of culture, such as on the elements of another culture. The managers of Andritz consider this to be one of the reasons why culture is a main issue that affects international business. From the elements of culture, language is the most important issue that can affect international business. Hjelm told us that Andritz has had main language barriers in Brazil
during the process of negotiation. But on the other side, the experience of Andritz managers showed that the negotiation process is very hard. As well, Brazil is another country in Latin America that testifies difficulties in negotiating processes. The reasons can be high taxes and transportation costs. Sometimes the raw material can even be cheaper in Europe than in Brazil.

When we asked Andritz which parts of culture they felt affected international business, they answered as illustrated in the following table. The elements in the table are taken from Czinkota (2007), and show the different elements of culture that can affect the business negotiations. The X in the table shows which elements people at Andritz felt were important when it comes to international business and the effect of culture.

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Figure 9. Authors model: Elements of culture that affect international business

All three persons at Andritz felt that culture, and especially language, values and attitudes and manners are issues that influences international business both in negative and positive ways. When it comes to the negative influence, they mentioned that language sometimes can be an obstacle and difficulty. According to Tayeb (1998), language is one of the main issues when it
comes to negotiating with foreign business parties. He mentions that knowing the foreign language can lead to more successful negotiations. The Andritz personal, who agree that language affects the negotiation process and the design of the contract, supports this statement. Not speaking the foreign language can lead to need of a translator and a more time demanding co-operation. On the other hand, to talk the foreign language can be a decisive competitive advantage. Language can also affect the process of building a relationship with the foreign company. It can be difficult to understand jokes and sometimes it is hard to know if people who generally talk loudly and hard are angry or not. Andritz also mentions that language problems can even make it easier for the other party to lie more. Manners and values are issues that are very different depending on which country we are in. Every country has its own beliefs and ways of doing things. This is not a new statement, but it is one that companies many times can easily forget about when going abroad. The challenges thereby can be even more difficult to handle. This is where knowledge about culture gets important. If people are aware of these facts, and are prepared for them, the culture crock becomes less noticeable.

Issues as education, technology, aesthetics and social institutions are not so important according to Andritz and they believe that these do not affect the business in a noticeable way. Tayeb (1998) also states that many cultures people like to build up a relationship and establish trust before they engage in the business contracts and other activities. This statement can be linked to one of the positive influences of culture. According to Andritz, people in South America are more relaxed and friendly then in for example Sweden. They are more concentrated on building a relationship and on separating business and pleasure. “Even if the negotiation is tough, there are no hard feelings after the meetings”, says John Ericsson. This is something that can be recommended for Swedish companies to think more about.

When it comes to legal rights and clauses, Tayeb (1998) mentions that in some cultures, business negotiators rely deeply on these legal issues to be able to safeguard their own interests. According to Andritz, this is mostly the Swedish way of doing business. People are more direct and more concerned about prices and contract, than in building relationships. Uruguay can be another example of this. When Andritz was doing business in this country, the writing of the contract was a time consuming issue. A lawyer had to read the document before signing and the process was extremely peculiar. If this was because it was the first time Uruguay co-operated with Andritz, we cannot know for sure.
Hofstede (2001) talks about cultural differences when it comes to gender. This issue is even included as one of the important points that Kwinstessential (2008) mentions that companies must consider while doing business in South America. Some cultures are more concentrated on this subject then others and can even be very masculine in the business world. According to Andritz, in South America this is not the case. They never experienced any problems when it comes to female workers and never felt disrespect. In other countries this sometimes is not the case. But the overall impression is that a female is accepted in most of the countries and many times a female in the group can make the negotiation more relaxed and collected.

5.1.2 Points to consider when doing business in South America

When it comes to doing business in South America, there are several things to consider during the negotiation process. Because these points affect the outcome of the negotiation with the foreign company, we consider them to be important and therefore included them in the interviews with Andritz. These points even include many of the elements that culture as a whole can affect. These answers can also be helpful when describing points that are different in different cultures. By pointing out specific and smaller issues and answering them, we can show how these small issues can have a crucial importance and can affect the business if not handled properly.

According to Kwinstessential (2008), the negotiators in South America have several specific characteristics. We have analyzed them on the basis of the experience the negotiators in Sweden, in this case the managers at Andritz, have had when they where doing business in Chile, Brazil and Uruguay.

- A firm handshake accompanied with smile and appropriate greeting is normal in a business setting.

When it comes to handshake and smile when doing business, Ericsson believes that these manners are the same in all of the visited countries, just like in Sweden. The same is the case with direct eye contact. In Chile the negotiators shake hands in every meeting. A handshake can become a friendly tap on the shoulder after years of relationship in South America. In Sweden the handshake is most important at the first meeting but during the next meeting the negotiators are used to greet each other without shaking hands.

- Direct eye contact is important.
When people talk to each other, it is a general rule that they are looking into each other’s eyes. This is also valid for Sweden and just as it is here at home, if somebody you talk to is looking at the ground and avoiding your eye contact, it can be seen as disrespectful or as a sign that the person is lying or avoiding confrontation. Direct eye contact, especially during negotiations, is important. These issues can be seen as equally important in Sweden as in Chile. The issue of eye contact and a smile is just like in Sweden. It is a normal manner to look at the person you talk to and by this showing respect.

- **Some women may not shake hands with man, although this is becoming less common.**

That a woman did not want to shake hands with a man, the managers at Andritz never experienced, on the other hand maybe because it had not been so many women negotiators or sellers with they have met. But they know that this is not the case in Sweden.

Hjelm mentioned that this can be the case in for example Spain, where men more likely talk with men and the women thereby can easily end up in the background. Sometimes it can be important to have a woman on your side so that the negotiations can be more feminine.

- **Chileans stand very close when conversing.**

In Brazil it is more common with standing close and even to tap each other on the shoulder. But this is also an individual manner, some people do it some people do not. The fact that persons stand very close while conversing and always uses surnames is a typical foreign manner. It is something one does not focus on in Sweden. People in South America are more open to express themselves than Swedish people.

- **Always use surnames and titles-wait to be invited to use someone’s first name.**

Chile and Uruguay are more formal than Brazil when it comes to using surnames. In Brazil, just like in Sweden, it is very common that people almost directly use each other’s first names. To use surnames is typically not Swedish. In Chile, it can take a much longer time before people allow others to use their first name, then in Sweden. The Swedish negotiators who do business in South America are prepared and can adapt to use surnames. According to Hjelm, the manner to use the surnames of the others is a natural thing, just like in Sweden. Later on, when a relationship has been built up, it is normal to ask if it is accepted to use the person’s first name. This is especially important in Uruguay.

- **Business cards are exchanged on the initial meeting at the very start.**

The issue of business cards is the same in all of the mentioned countries, just like in Sweden. Hans believes that business cards are an important part of the business. These must always be exchanged at the first meeting so that everybody knows the names of the others. The cards
should not be put away in a pocket, but should be placed on the table beside you, so you quickly can learn and use the names while negotiating. To know the others position is also an important issue, so you know how and to whom you should talk. If people in the other party do not have business cards, it is important to take notes of their names. To not know the name of the others can be seen as disrespectful. In Sweden this is more relaxed.

- **Try and have one side translated into Spanish.**
  When Andritz is doing business in Brazil they used to have a translator or a negotiator who speaks the language since the negotiators in Brazil cannot speak English. If Andritz is the customer, the supplier arranges translator if it is needed. When it comes to Andritz’ own customers, English is almost always an accepted language. People in Brazil do not talk very good English and a translator is almost always necessary. This is not the case in Uruguay, where people are good at talking English. This makes the business and co-operation easier.

- **Keep cards in good condition-a tatty card will reflect badly on negotiation staff.**
  Since this is a very important issue when doing business in Sweden, Andritz always renew their business cards.

- **Chile has a relationship driven culture so initial meetings should be used to build a relationship and established trust.**
  John Ericsson experienced Chile as a more relationship concentrated country than Sweden. In Sweden people may be going out for a business lunch and after this they go straight to business. Abroad, this is not the case. People more often lunch together, even can eat dinner together and seeing each other more even outside the negotiation process. Hjelm mentioned that especially in Uruguay and Brazil, trust is something that must be earned. This makes the relationship more deeply and strong. This is a difficult issue in Sweden. Swedish negotiators are not depended on a relationship to do business. In Chile the negotiators have several small meetings to build trust before going business.

- **As well, it is important to be patient as time is not of the essence in Chile-meetings will last as long as they need to last.**
  The meetings can take much longer time, because people in Chile are not really concerned about time issues. They are much less stressed and have more patience then in Sweden. The negotiators in South America are very relaxed, takes long breaks, lunch etc. This can lead to additional meetings and longer negotiations. In Sweden, people are more straightforward and honest, they do not go around issues, instead, they go straight to business and to different demands that they have. Swedish people are very stressful and take time seriously. It is important for Swedish negotiators to decide the time the negotiation will take and follow the
schedule. In all of the mentioned countries where John has been, time does not seem to be a big issue. To look at your watch during a meeting is seen as disrespectful and the ability to read others and find out if they are interested becomes an important task.

- Chileans are generally indirect in their communication style.

That people are more generally indirect in their communication and “goes around” issues is true for the whole South America. Sweden is more straightforward without “wasting” time. Swedish negotiators are honest and say things as they are. This is something that affects the communication when doing business in South America since the negotiators abroad takes more time to say what is wrong, if there is a problem, etc. This issue leads also to extended meetings and sometimes even to extra meetings that require staying extra days in the country. It’s a matter of know how to handle the negotiators in South America.

- Communication style tends to be tuned to people’s feelings.

People in Chile are more open with their feelings then Swedish people are. In general, Swedish negotiators do not ask personal questions or shows their feelings due to personnel integrity. They often think it’s a lack of respect by asking the colleague about their private live.

- Chileans never openly criticize anyone.

That people criticize each other in the presents of others is less likely to happen. Instead, criticizing issues and occurrences is more general, especially in Sweden. People do not criticize each other during negotiations. The other party, on the other hand, can be criticised during larger meetings.

5.1.3 Negotiations

According to Ghauri (2005), people negotiate so that they can reach a better deal than what they would have without negotiation. Through this process different subjects are discussed and better solutions can be reached. This process consists of five different stages. Three of these stages can be analyzed by the answers Andritz gave us.

The first stage is the pre-negotiation stage, where the parties involved gather information about each other and prepare for the co-operation. This is where education and knowledge about the foreign culture becomes important. According to Andritz, culture especially affects the negotiation in the beginning. It is important to make a good first impression and to show the other part respect and appreciation. Making mistakes in the beginning can be difficult to correct later on and thereby affects the entire operation.
The second stage according to Ghauri (2005) is the actual negotiation stage. Here, the parties sit face-to-face and discuss different issues to be able to come up with a final solution that is beneficial to them both. Even during this stage, according to Andritz, it is important to keep the respect and honour the other part. Face-to-face negotiations demand a different type of knowledge about the culture. Business cards for example need to be exchanged and kept on the table so that the other part can be called by appropriate name. To know the persons title and position can be important when it comes to whom and what to talk about.

The post-negotiation stage includes for example the signing of the contract. When the companies come to this stage, they already agreed on all the issues and are now collecting them in a legal document. Here, language and different political issues, for example laws when it comes to which language is the original contract language, can become important. Andritz mentioned that translators many times are necessary and the contract’s original language sometimes can lead to smaller misunderstandings and additional need for translators.

The last two stages Ghauri (2005) mentions include cultural and strategic factors. Here, the gathered knowledge about culture can be mentioned. The more experiences the company gathers, the more it will learn about the foreign country and can obtain advantages in future co-operations.

The negotiation process is much dependent on the persons who are sitting at the meeting. According to Rugman (2000) there are some characteristics about South American negotiators that are important to have in mind. These are for example, that they are using emotional appeals and not logic, they regard trust and honour as very important issues and they are more sensitive that we may be used to. The contracts are build on facts and try to include as many different scenarios as possible.

These statements can be recognised in the answers we received from Andritz personnel. In Brazil for example, contracts are more built on facts than on trust issues. People are trying to put every possible outcome in the contract and thereby make it complicated and difficult to understand. In Uruguay, before getting the contract signed, Andritz had to wait until a lawyer checked and corrected it. Andritz even agrees with the statement about people’s sensitivity and says that the communication style of people in South America is more tuned to their feelings. That people do not criticise each other on meetings is an issue that has to do with dignity and honour.
Tayeb (1998) states that people in different culture take their believes and manners to the negotiation table. If the culture is more relaxed and relationship concentrated, it can more easily use somebody’s first name after the relationship started to build, for example. This manner can also show trust and believe in the other part. Andritz explained that this is not the case in Sweden, where people are stricter and less relaxed. It takes longer time a Swedish negotiator then a South American, to use somebody’s first name. To do it too early can be seen as disrespectful. In South American cultures this is different. After a relationship is built, people become more familiar and close to one and other. Tayeb (1998) also mentions that cultural misunderstandings can easily destroy the negotiation process. Some negotiators are more formal and want to have everything written down in the contract. Others are more informal. This situation can lead to misunderstanding and frustration if the negotiator is not informed and prepared for the other party’s negotiation style. Andritz recognises this situation. Negotiations can take much longer time in South America than in Sweden. Even such a “small” issue can lead to frustration and make it impossible to plan forward. A simple issue, like looking at your watch can be interpreted as a disrespectful manner.

According to Johansson (2000) the face-to-face negotiations in international business are always a part of the process and every culture require its own kind of approach. Andritz agrees with this statement by saying that Swedish companies must be prepared and informed about the foreign country’s cultural aspects. This is needed because in some cultures for example, the first impression can be hard to change and mistakes hard to correct. In some countries people are stricter when it comes to respect and personal space. We cannot assume that our culture can be applied everywhere in the world.

Johansson (2000) has collected some general rules that companies going abroad are recommended to follow. The first rule Johansson mentions is that knowledge about the foreign culture and people’s characteristics is an extremely important issue. Johansson’s other rules concern different types of negotiator styles, understanding of the culture’s respect for family and trying to have the long-term relationship building in mind.

Andritz informed us about respect and attitudes when it comes to South American cultures. We can not force our own culture on people and assume that they are fine with it. When a Swedish company is entering another country for negotiations it is extremely important that
this country’s culture is respected. We must be open for these cultural differences and do our best to adapt to them. When it comes to people in Brazil, Andritz says that they really are friendly and kind and much more relaxed than people in Sweden. This can sometimes be seen as a negative cultural issue, because people and suppliers many times do not respect the time issues and resources can be wasted because of this. The negotiations can take much more time than we are used to, and therefore it is difficult and sometimes impossible to plan ahead.

Culture, once again becomes an important issue when it comes to respect for the other part’s family and privacy. Andritz means that it is a good idea to prepare the personal before sending them abroad. It is valuable if they have an insight into the new culture, so disrespect and misunderstandings can be avoided or at least minimized.

Andritz mentioned to us that people is South America often wants to build a long-term relationship and even buys service agreements from Andritz. Sometimes it is maybe important to go beyond the contract, which can imply more patience when it comes to delays and time issues. But, there is always a limit that must be held.

According to Andritz, when it comes to negotiations, South American countries are much more calm and relaxed then we are used to. They take things slow and in for example Brazil, the contract is seen as a document that covers all possible outcomes so that the risks become minimal. This is more of a Type B negotiator style, according to Johansson’s classification.

Rugman (2000) writes that because every culture, even if they are near to each other when we look at their geography, is different from one and other. This can be noticed even in the negotiation process and is something that must be held in mind. Andritz agree with this, and says that even if Chile and Brazil for example are not far from each other, people’s behavior can be very different. This can be compared with for example Sweden and Norway.

5.1.4 Price negotiations

Regarding pricing on the international market, Onkvisit (1993) mentions several issues that affects the outcome. Terpstra (1994) talks about the same type of issues and summarized these in a table that can be found on page 26. According to this table, issues like for example different types of costs, customer demands and political matters influence the pricing process. Andritz explained that international business increases the transportation costs and many
times forces the company to buy elements locally. When it comes to South America, it is
almost impossible to transport the different types of machines from Scandinavia because of
both time and resource consuming issues. Andritz therefore must buy at place and negotiate
the price. This price in turn affects the price that Andritz customers receive. Terpstra (1994)
support this way of thinking by saying that transportation costs and insurance costs must be
included in the price negotiations. Andritz explained that because people in South America
are more relaxed and do not take time very seriously, delays in deliveries are not uncommon.
This leads to waste of time and resource for Andritz. To find a reliable seller in a foreign
country can be a difficult process.

Market specific factors, like distribution channels and infrastructure are also issues a company
must be able to handle. In some countries for example it can be difficult to find reliable
transportation modes, even if this was not the way in South America. Andritz also mentioned
that competitors could be difficult to handle for a company that is new on the foreign market.
Andritz, as a seller, only have one competitor in its field, but as a customer, the company must
be aware of the different suppliers and their pricing and advantages. Different countries also
have different customer demands and needs. Some customers want to buy, apart from the
actual plant also service deals. Other customers are not interested in this. The company must
be prepared for these different demands and cope with this issue.

All this above mentioned matters influence the price negotiation and the final price the
company can set.

Pricing issues are even influenced by other issues then the type of the negotiator. An
important matter is culture. Onkvisit (1993) states that price negotiations can be very different
in different parts of the world. How the price is set and discussed is different from country to
country. To be informed and understood with these differences before going abroad, can be
extremely important when it comes to negotiate effectively.

According to Andritz, Brazil for example is a pretty complicated country to negotiate price
with. The prices were set extremely high in the beginning and decreased only a little bit at the
time. Uruguay was also a country where price negotiations were difficult. They went a few
percent up or a few percent down, and this process was extremely time consuming. In general,
the most important thing to have in mind is to find out what the acceptable price is. In some
countries, price dumping for example is accepted. This is not the case in Europe.
Terpstra (1994) even includes inflation and exchange rates in the issues that are affecting international pricing. Exchange rates can change rapidly and in the worse case scenario, lead to a large loss in revenues. Andritz is selling highly expensive and entire plants. The building of these plants take time after the price negotiations and take sometimes up to 2 years to complete. During this time exchange rates are changing many times, which at the end affects the revenue that Andritz is receiving from the buyer. This is something that must be kept in mind during the price negotiation and included in the price settlement.

5.1.5 Andritz’s overall recommendations

When it comes to building trust and being able to do business with the other part even in the future, Johansson (2000) mentions that negotiators must be able to behave in a way that is not disrespectful and superficial. This kind of a behavior can be interpreted as false and insincerely. Andritz’s most important advice to companies that are thinking about going international or just entered the international market is, to always respect the foreign culture and try to adapt to it. This is something that must be done in the right forms, of course. If trying to hard, the outcomes can be the opposite and thereby can create a situation and impression that can be hard to recover from.

According to Ball and McCulloch (1996), there are some rules of thumb when it comes to being successful in doing business with another culture. These rules state that trust, respect and understanding for the foreign culture are crucial when doing business. To be prepared and try to learn the language, are also important issues that are included here.

When we asked the personal at Andritz to give some overall recommendations and suggestions to what Swedish and other European companies should consider, they gave us answers that can be compared with the above-mentioned rules from Ball et al. (1996). They believe that it is crucial to always have the different values and attitudes in mind when dealing with another culture. To be prepared for the challenges that South American countries have to offer in form of time consuming meetings and relationships that go beyond the conference room. In some countries, trust is something that must be earned and this process can take time. Respect the foreign country and its culture and try to learn the language to be able to negotiate more easily and in a less time consuming way.
Bradley (2002) uses a model to describe the different elements that a company going abroad must be able to handle. These can be differences in manners, family and customer needs. Bradley (2002) means that it is extremely important to manage these differences and to minimize the tension between the two cultures. Andritz agree with this statement and is extremely concentrated on respect and trust when it comes to the foreign country’s culture.

It is a good idea to inform the employees before sending them abroad, but today, Andritz do not have any special education program. People who are going abroad talk with others who already been in that specific country. This way, they can exchange experiences and learn from each other. Czinkota (2007) states that it is important for a company to do a cultural analyse before entering a new country. This statement does not necessary means that people need to be educated about the country, but means more that the company must evaluate the country and its cultural fitness. It is important to analyze if the country, its religion, its political issues are corresponds with the company’s. Hoecklin (1994) also believes that it is important to build a strong corporate culture internationally and to leave every culture alone. Andritz states that this might be the most important issue and that it is extremely important not to force your own believes and manner on other people.

Johansson (2000) believes that even if going far away from home raises the transportation costs and the risks, it even leads to learning and experiences that the home market cannot offer. This is something that Andritz agrees with and mentions that the experiences and the understanding they obtained cannot be replaced.

When it comes to Andritz, and the special product they are selling, going international is necessary for the company’s survival. The uniqueness of the product and service is also something that makes Andritz a highly competitive company in its field. The buyer does not have the option of choosing from a large number of sellers when it comes to buying the plant. Andritz becomes one of the few companies offering these kinds of equipments. This also leads to the need for Andritz to make connections outside its home borders to be able to survive. Because of this, international business and negotiations becomes a large part of the company’s every day work.
5.1.6 Andritz’ company characteristics

Tayeb (1998) states that the company’s size on the domestic market, its production capacity and financial issues are decisions that affects its internationalization process. By analyzing the mentioned issues, the company can be placed on a scale from domestic single nation company to a totally globally firm. Going abroad depends not just the environmental issues but also on the company’s size.

When we asked Andritz to place the company somewhere among the five company characteristics presented on page 21, Olaf Büttner and Hans Hjelm choose to put Andritz in the last group, as a global firm with various business activities all over the world. John Ericsson choose the last second group, and placed Andritz as a multi-nation firm with manufacturing and/or service units abroad. According to this, Andritz is mostly seen as a totally global firm. A global firm is a company that has many different projects and manufacturing all over the world. Andritz have businesses not only in South America, but also in for example the United States of America. The company headquarter is located in Austria. Because of these worldwide activities, the company is considered as a global firm.
6. Final discussions and recommendations

In this chapter we are going to discuss our findings and analysis. We will answer our research questions and also give recommendations that can be helpful for companies who want to enter the international market. We will even give propositions for future investigations in this business area.

6.1 Final discussion

The theoretical model we have constructed earlier can be used to summarize or conclusions because this model includes all the three investigated elements and the interconnection between them.
The model according the three important elements that influence international business shows the interactions between these issues. Culture being placed in the middle, we can see as a crucial and central issue. The interviewes with Andritz confirmed our opinion. Culture is a central issue when it comes to international business and must always be handled carefully. Companies cannot avoid culture when going abroad. If the country they enter has a cultural dimension that is far from the home country’s culture, the affects of this element can be even greater.

Culture in turn affects both the negotiation and the price negotiation process, just as the model implies it. Without considering culture at the new location, negotiations and pricing can be difficult or impossible to handle. Culture is an underlying issue that always seems to be present even if it is sometimes buried under the surface.

After analyzing our empirical findings, we can see that the theoretical models and statements agree with these empirical results. What the authors in the theoretical chapter state correspond with the information we received from Andritz.

6.2 Conclusions

By repeating our research questions, we can investigate further if they have been answered during the paper.

The research questions were as follows:

- How do cultural differences influence the international business?
- What are the most important cultural issues a company going abroad must consider?

Our results show that culture affects both the negotiation process and the price negotiation, sometimes to a crucial level. Failing to negotiate correctly because of cultural issues that the company do not consider as important, can lead to an overall failure in doing business. Thereby, these three issues seem to be connected with each other. When a company is going abroad, culture must always be considered as an important issue that affects the entire co-operation in the foreign country.

Cultural differences that can affect the business can be many. For example can we mention language, manners and behaviour and differences in the negotiation process. Culture can thereby influence the company’s entire co-operation with a foreign country and not being able
to handle the cultural differences can lead to conflicts and misunderstandings. Companies who are not aware of this fact can suffer large losses and thereby fail to be able to manage future business abroad. Mistakes can be difficult to correct and future co-operations therefore sometimes can become impossible.

The elements of culture, negotiations and price negotiations that affect the business can be summarized in a model. On the following page we developed a model that includes all these affecting elements. We have even included different types of outcomes that the company can be faced with, either in successful co-operations or in less successful encounters. This model can also help us to answer our second research question. To find out what the most important issue for a foreign company to consider is, we used the answers from our interviews with Andritz and came up with the following conclusion.

The most important issue is to be prepared for the different culture and all that comes with it. If people are open and respectful for the country’s way of living and thinking, without forcing its own beliefs on people, co-operations have a good chance to be successful. To give information to personal before sending them abroad can be a good investment that a larger number of companies should consider. We believe that this is a crucial issue and must be handled in a correct way. Because culture and all the differences that culture includes, being prepared and to know what to expect makes it possible to minimize the risk for misunderstandings and conflicts. As we can see in the model on the next page, whenever a conflict cannot be solved and cannot lead to agreement, the co-operation will be difficult to continue. Smaller mistakes, of course, can be managed but if the mistake continue or grow, they can be very difficult to correct. Mistakes can come from for example sending the wrong kind of personal abroad which in the worse case scenario can lead to failures that cannot be corrected. Some cultures are very strict when it comes to mistakes and cultural reverences. Trying to cope with mistakes can be a much more difficult assignment then being properly prepared and do the right things from the very start.

The companies should also have a follow-up system, which helps them to analyze both mistakes and successes. This is also a good way to learn from its own failures and try to correct them so that they do not influence international business in the future. We can even see in the model that if all the underlying factors in culture are handled correctly, successful collaborations are the outcome. The companies and the countries are learning from each other and can in the future do business with each other much more easily.
Figure 10. Authors model. Summarized model over the elements of culture.
6.3 Recommendations

Today, every company that like to do business internationally must understand beliefs and values that underlie their own country’s business and management practices, avoid cultural mistakes and understand the organizational and national culture of others.

People with different cultural backgrounds often do not share the same basic assumptions and this has an influence on international business negotiations on several levels. For example, the trust between parties, attitudes toward each other during negotiations and tactics and flexibility while negotiating can be affected.

When the company is preparing for negotiation, it must think in the other side of culture, such as on the elements of another country’s culture. This is one of the reasons why culture is a main issue that affects international business. From the elements of culture, language is one of the most important issues that can affect international business.

Because Andritz already has been doing business in South America, and already faced most of the challenges that international business and the different kind of culture include, they are aware of the difficulties. We can point out that the most important thing that we can recommend Andritz in Växjö to think more about in the future is to improve their language communication with Latin American people. The company’s employees and staff should learn Spanish or Portuguese before going abroad. As we discovered during our investigations, language was one of the main problems for Andritz in almost every country in South America. The company do not have any language education courses and rely heavily on the personnel’s own language skills. This can be a mistake in the long run, especially if Andritz wants to enter a completely new country where they are not aware of the different possibilities and translator availabilities. Because of this, time and money can be wasted and it can become more difficult to gain the country’s trust and respect. When entering a new location, it is a great advantage to speak the local language. The advantage can come from easier negotiations and respect earnings. It is even easier to understand contracts and to interact with business associates during leisure time. This in turn can also lead to gaining respect and the trust of the other part. Because language is a part of a country’s culture, the foreign negotiator can thereby feel that the company invests in the co-operation and thereby even in the cultural issues.
6.4 Future investigation

We think that it can be hard for the conclusions to be realized and tested as we do not know if the thesis will be used as a tool or not. The theories included in the thesis raise more questions that cannot be included due to the narrow purpose. These questions and problems can be studied further, perhaps as another thesis, and should be. Problems such as a more in-depth analysis of the internationalization process and international business, including numbers and exact cost analyses, we deem to be interesting problems. Other examples of future studies can be analysis of economical, political, legal factors that can affect the international business. As these studies are conducted, a model could emerge in which other firms and industries could take part of and thus a general internationalization model could be developed.

We believe that even in the subject “culture”, further studies can be developed. Culture is a wide issue that can cover many different points of the international business area. Researches can be done in for example deeper investigations of language difficulties and how these affect the co-operation. Further studies can be done in for example different behaviours and manners of foreign negotiators.

All these studies can be helpful for both Swedish and foreign companies that do not have experiences in the foreign market but wishes and are thinking about entering this unknown area. Because this field holds many obstacles the company’s ability to prepare for them and handle them becomes a crucial point.
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7.3 Literature


8. Appendix

8.1 Interview with Olaf Büttner

1. Do you believe that culture is one of the main issues that affect international business?

Yes, I think culture affects, but if there is a main issue I’m not sure but definitive affect the business, because you really have to know how the culture in the different countries. We don’t have some education on culture; instead we ask others that have experience. We don’t have that kind of training. You talk to colleagues that have been there before.

2. What are the main obstacles you believe Andritz has to overcome when it comes to doing business abroad?

I think that we must be more open to the culture issue of each country, and must be more aware of it, that there are culture differences that can in some way affect the business. Otherwise I think Andritz have succeeded very much in doing business abroad. But I think to overcome well it’s important to be more open minded.

3. How does culture affect the negotiation process?

Of course affect in terms of how long is the negotiation, the time for example. Language is important, both verbal and non verbal is important, it’s how you expressed your self, how do you translate you thoughts on words, etc.

4. When it comes to pricing negotiations, are there many differences between the international market and the home market? What are these differences?

I don’t remember if there was a big difference on price in Chile, because in Chile we have Andritz office that has taken care of the purchasing. We were the only division who send people like my over to help and to watch over the negotiations. So I was involved with some supplier but not so many.
5. How can language affect the negotiation process with a foreign company? What are the main issues to have in consideration?

Brazil for example is more difficult, it’s always discussions of prices, Brazil is very expensive to buy from, but it’s always discussions. I think that is, even you have the discussion here, the negotiation in Sweden it’s seems to be most strict way here to come to a right price faster than you do in South America. Here is not so more bargaining, in South America is much talk.

6. Did you notice many cultural differences in the country you visited? (When it comes to face-to-face negotiations)

It it’s, I think compare to Sweden if we talk about South America, is more that friendly attitude, it’s still formal by calling you for surname. In Sweden we can have formal people but maybe not friendly at all.

7. Did you ever feel that culture affected business negatively?

Yes, in specially Brazil that I know, when we have some deliveries that have been delayed and that a little bit the kind of problem, always, “mañana”, is that I feel, they don’t take seriously the time, feels that you must push them all the time to really make the delivery on time. In Uruguay we don’t have use many companies, but they were also delayed, but it’s not the same situation, I can not said that it was for the same issue we have in Brazil. It seems some times more that in Sweden in general we consider the deliveries times and in South America they promise more than they can give. We have to be aware of this; I’m not said you should mistrust them or not trust them, but be aware. That maybe every think they said is not 100% expected to be like they said.

8. What kinds of positive differences did you noticed? Something that companies operating on thee home market also should apply?

Maybe to be more open, positive attitude when you meet other people. I think this have help us in negotiations, you become more open to know more cultures, more open minded, you know that people acting differently and you are more prepared than others.
9. Other overall recommendations?

For making business in other countries, in general I will said like I have pointed before, to be more prepare, to at least to be prepared that people are not necessary the same as you are in Sweden, people act different in other countries. I think in Brazil they are open for the Swedish culture, in some points they learn from us. To not talk around the subject, we said that we must make a structure, and go through the point because we can not sit the all day without making any decisions, is not possible. But I think they learn, of course.

10. Do you believe that it is important to educate the personal (about culture) before sending them abroad?

Yes, that is what I said before; I mean it not will be bad to at least have some wise words on the road to what people really should think about if there is any thing to think about. But maybe not to educated the people with some week’s courses, but to prepared them.

11. At what point during the negotiation process does culture becomes important?

I think is all the time, of course the beginning is very important, when you meet the person for the first time; you make a picture of what this person like, the first impression. Depending of the culture background it’s maybe not so important for other, but in Sweden it is important the first impression. Like I said before, Swedish people are straighter forward, and in South America they are naturally not so very interested in the first impressions since they have more meetings.

12. When it comes to pricing and contracts, how can culture affect this area pf business?

We have talk about this before.

About the conclusion model: If there is some problem or something goes wrong, we have a feed-back system, so everything in the internal or external area we putting in there in the system and we analyze why and how many it cost. In general, we have always
meetings after the projects. What it’s important is to focus on the projects that didn’t went as expected and there we have a good feed-back system for that. We take all this kind of feed-back seriously.

8.2 Interview with John Ericsson

1. Do you believe that culture is one of the main issues that affect international business?

Yes, it must be one of the main issues that effect international business. However I think that business is always, ....., in the first place is mean from the both sides to get something done, to get the business done, and that in Andritz is about money, maybe that is the main issue.

2. What are the main obstacles you believe Andritz has to overcome when it comes to doing business abroad?

I think when it comes to purchasing, to understand what the local suppliers need in order to minimize the risk allowance, cause there can we get the best price and of course in order to understand that, you have to understand the behaviour and the culture around.

3. How does culture affect the negotiation process?

(In the table)

4. When it comes to pricing negotiations, are there many differences between the international market and the home market? What are these differences?

I always work in the international market; I almost never work here in Sweden. I can’t really make the comparison. But when it comes to price, I can said that there is a big differences, in Brazil there is a big bargaining, you can reduce the price considerable so you have to have a considerable margin. In Chile also, but not to the same extend, and in Uruguay we negociated with the finish customer basically, so this is also when we negociated with suppliers. So it takes more time to decide the final price in Brazil.
5. How can language affect the negotiation process with a foreign company? What are the main issues to have in consideration?

Well, if we talk with our supplier in Brazil, and we talk the language, you understand when the other part maybe lies, invent something, so if you don’t understand the language, all this things get wrong. You can understand when they make a joke; sometimes people make jokes without showing with the body language. It is easier to understand if you understand the culture and language. When I do business in Brazil, I do it in Portuguese but in the other countries in English. Sometimes they don’t speak English so we must have a translator, is different from case to case. So it is very subtle effect of speaking the same language. English is the second language for us and also for them, and if you speak English better and faster than they do, automatically you have better position in the negotiation, they tend to be more nervous.

6. Did you notice many cultural differences in the country you visited? (When it comes to face-to-face negotiations)

He has answer this in the points to consider when doing business in South America

7. Did you ever feel that culture affected business negatively?

I can’t remember something specific. Of course sometimes it makes you stop and think what they really mean, are they angry about something, or there is something we must change, and them you must ask for some time out. For example in Chile there was a customer that was angry and we couldn’t understand why he was upset about, he didn’t felt treat as a customer and we didn’t understand that.

8. What kinds of positive differences did you noticed? Something that companies operating on the home market also should apply?

In general I think it will be more joking, friendlier atmosphere, and it seems that both sides want to create this atmosphere. You keep business and relationship separately.
People tell you that money is money and outside, even if you have a tuff negotiation, you can go to a lunch and have a beer, and this is good, I miss that sometimes here in Sweden.

9. Other overall recommendations?

Well, of course to listen well and to help to create this friendly and positive atmosphere even if you have a tuff negotiation. To be positive and to respect other people’s culture, how they want to be privacy, not trying to force Swedish or European beliefs or ideas down their thoughts.

10. Do you believe that it is important to educate the personal (about culture) before sending them abroad?

Yes, why not, or at least to give each person that is going to a certain area an attitude that he or she has to adapt to the local way and also to be interested in the local way. I think is not easy to educate somebody. You have to experience, learn when you are there.

11. At what point during the negotiation process does culture becomes important?

All through the process, especially at the beginning. When you meet the people, the first time meeting. When you go to another country is the first meeting that cost, if something goes wrong it will be more difficult to repair later on.

12. When it comes to pricing and contracts, how can culture affect this area of business? (pulp and paper)

In pricing you have to know what is acceptable as negotiation margin in each country and what is consider as not serious. In Sweden if you dump the price you are not considering as a serious business man, they may not even accept your price. In Brazil you should start high but is not the same in Chile. I think in Chile is almost the same than in Sweden, but in Brazil you can go down step by step and even 1% is accepted. There is less bargaining in Chile and in Uruguay is something in the middle.
About the contracts, for suppliers we have negotiated with contracts in English since we are the customers and we use English contracts and is almost the customer that choose the model, terms and conditions of the contract. The suppliers can comment on the contract but in general they comment very little. I think because they don’t have the resources to get lawyer to look at the conditions we have set up. I don’t think the contracts are different than the contracts here in Sweden. In the other hand, when we are the supplier, the contracts in Chile are always in English, in Uruguay in English and in Brazil are used to be always in Portuguese but we have an English translation but the Brazilian version was the prevailing one. I think the law in Brazil that you have to have the prevailing contract in the local language. I think this take more time and in Brazil the contracts are more complicated. For every year they get more complicated and the contracts are less build on trust than in other Latin-Americans countries, they have traditions of inflation periods in Brazil to have compensation for all different kinds of cost increases which is not the same at all in Chile.

8.3 Interview with Hans Hjelm

1. Do you believe that culture is one of the main issues that affect international business?

I think is important to know the culture if you are going to make business in that country. I think is an issue that you need to think about the culture, not just in South America, but round the world also.

2. What are the main obstacles you believe Andritz has to overcome when it comes to doing business abroad?

I think is the language, since Andritz is a global company and we want to do business, we must think about this, to have the people that know the language.

3. How does culture affect the negotiation process?

(table)
4. When it comes to pricing negotiations, are there many differences between the international market and the home market? What are these differences?

In Uruguay the price negotiations was very hard to negotiated, it was very hard to get down because they said, “this is our price, we don’t give price up here and we try to give you already the correct price.” So you have only few percent compare to Brazil there they give us a very high price, we couldn’t buy that, it is double the price than in Sweden. In Brazil if they want an order, it is difficult to negotiate because the price level in Brazil is extremely high. Because they have import taxes and all the material they are imported from Europe is very high, we only purchase for my project because of the transportation. We couldn’t’ be getting cheaper prices in the same range in Europe than in Brazil. But then we are gaining 8 weeks transportation time because it takes us from Europe 8 weeks by boat.

5. How can language affect the negotiation process with a foreign company? What are the main issues to have in consideration?

We use English in all our negotiations and text. Sometimes the English in the text is difficult for me, so if they don’t understand English it is even worse. But for me, for example in Uruguay, the company that we purchased, he sends all the text to his lawyer. And the text comes back with notes, in Brazil they just read through very quickly and sign the contract, so in the reality I don’t think they understood what they were sign. They just read the contract very briefly and just sign because they wanted to have the order.

6. Did you notice many cultural differences in the country you visited? (When it comes to face-to-face negotiations)

I think is, I will said that it takes long time when we start but when we come to the finally negotiation it’s the same like in Sweden, but coming takes longer time.

7. Did you ever feel that culture affected business negatively?

I mean even if we have like in Uruguay and in Brazil, even if we have agreed on delivery times it takes a couple of weeks, but in Sweden it is also comes more and more that the companies in Sweden don’t keep their delivery times, but I think in Uruguay and Brazil is
even worse. And this means that we need to spend more time, more handling time in that country to change the schedule in order for us to not have problems later in the process. So I think they have different “culture” about the delivery time, if we said that we must have it on Friday, they delivery on Wednesday the week after. They don’t take the time so important, but now we give them penalties, if they don’t deliver on time, they have to pay penalties because we have cost on side because they are late. But I think after those penalties, they now realize that time cost and must respect the delivery time. Then if they have problem, maybe in the workshop that make the delivery time late, it is not a problem to inform us when, how many days the delivery will be late so we know that.

In Uruguay I have had problems, I must say 5 times to them to take the delivery time seriously and focus on that. In Uruguay a problem is that if they have a problem, they don’t talk about that, in Sweden we say, we have a problem and together see if we can solve then.

8. What kinds of positive differences did you noticed? Something that companies operating on thee home market also should apply?

I will say, I don’t and honestly I don’t think there is something we can learn from them because Uruguay is a very small country, and it is very new for them to have this kind of manufacturing and business.

9. Other overall recommendations?

You need to have extra time.

10. Do you believe that it is important to educate the personal (about culture) before sending them abroad?

I think is important to educate the personal about other cultures. We tried to educate if we see that this is a good company. For my project I think is important that the people understand the culture. If we do purchase in Uruguay, them we send Olla since he has already been there and understand the culture. We don’t send anybody new since we have people that have the experience. And even if we must send someone we tried to inform what he/she has to do, what they have to expect.
11. At what point during the negotiation process does culture become important?

For me it is always the first impression. Normally we are two people when we go out. If we have already done business with the country, then during the process is important. The first meeting is not so important since we know each other already. I think if it is the first time you meet the people it is important to know and understand the culture. For example how to answer the person, how to behave.

12. When it comes to pricing and contracts, how can culture affect this area of business?

In Uruguay we have always in English, some times for example in Spain the contract is in Spanish but then we translate it into English.

8.4 Andritz pictures

Full service med egna specialistkompetenser

Picture 1: Andritz in Sweden
Picture 2: Andritz business area and their share of the total Andritz concern.

VERACEL, Brasilien

Picture 3: The pulp and paper plant in brazil
Picture 4: Andritz – Complete line for fiber

Picture 5: Five Strategic business areas
### 8.5 Geert Hofstede - Cultural Dimensions

#### The 5D Model of professor Geert Hofstede

- **PDI**  Power Distance Index
- **IDV**  Individualism
- **MAS**  Masculinity
- **UAI**  Uncertain Avoidance Index
- **LTO**  Long-Term Orient

#### Sweden vs Brazil

- **PDI**
- **IDV**
- **MAS**
- **UAI**
- **LTO**

#### Sweden vs Chile

- **PDI**
- **IDV**
- **MAS**
- **UAI**
- **LTO**
The 5D Model of professor Geert Hofstede

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PDI  | Power Distance Index
IDV  | Individualism
MAS  | Masculinity
UAI  | Uncertain Avoidance Index
LTO  | Long-Term Orient