



INTERCULTURAL NEGOTIATIONS IN SUPPLY CHAINS ON THE EXAMPLE OF POLAND AND GERMANY

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Abstract: Supply chains in the age of globalisation are becoming increasingly cross-cultural. Since, at the lowest level, each supply chain is essentially based on a seller-buyer relationship, negotiations between individual companies play an extremely important role in the functioning of the whole chain. They are particularly difficult if they come from different cultural backgrounds. This is the case for Polish and German companies. The article attempts to analyze the differences between Polish and German business culture based on indicators of Hofstede's four dimensions of cultures. Comparing the indexes of both countries, based on the literature of practical trends, the sources of certain characteristic features of Germans and Poles, which are of significant importance in the negotiation process, were indicated.

Keywords: cross-cultural negotiations, Polish-German negotiations, supply chain negotiations

DOI: 10.17512/znpcz.2017.3.2.07

Introduction

One of the important features of supply chains in the age of globalisation is their transnational and cross-border nature. This is particularly evident within the EU through a significant impact on the management of logistics processes, including supply chain management (Konopka, Kozerska 2017, p. 1435). This means that the actors in the chain are located in different countries or come from different countries, and even better still – they represent different cultures. Regardless of the size and scope of supply chains, however, the essence of each link is the buyer-seller relationship, and members of the chain need one another to meet consumer expectations (Thomas et al. 2013). It is very often the cooperation of two companies that depends on the success of this relationship. In practice, however, this relationship is based on trust, communication, or the exchange of knowledge (Nowicka 2011; Surowiec 2015). This is how trade negotiations are becoming increasingly important. It results already from the very essence of the supply chain, understood as a flow of information, goods, transfer of ownership rights and money streams (Kot, Starostka-Patyk, Krzywda 2009), that what comes at the crossroads of such two companies is a field for conflicts. These are conflicts mainly related to time, frequency and flexibility of delivery, availability, price and scope of the product, documentation, payment and complaints or returns (Biesaga-Słomczewska 2011, p. 12; Kadłubek 2015). The areas of potential conflict are widened if companies cooperating within the supply chain come from different

cultures (Skowron-Grabowska 2016, p. 11). It turns out that their cultural background causes a number of conflicts in B2B negotiations (Graf, Koeszegi, Pesendorfer 2012, p. 243).

Negotiations against cultural dimensions

Culture-based conflicts might prove difficult to overcome since they are not obvious and often difficult to grasp as opposed to standard conflicts in trade negotiations, for example those on price. They are often hidden and manifest themselves attitudes and in the ways in which problems are solved. It has been found out that culture is almost always revealed during negotiations and is a factor influencing negotiations so much that it is visible even in distance negotiations conducted via the Internet, when negotiating partners do not see each other (Graf, Koeszegi, Pesendorfer 2012, p. 243).

Research on the problems of cultural differences manifesting themselves in negotiations covers two aspects. The first of these, which can be called practical, is based on observations of practitioners and covers the literature of manuals and handbooks providing advice to negotiators. It is a very broad trend offering tips on techniques and strategies, including those concerning contacts with people coming from different cultural backgrounds. The other trend is based on cultural studies and cultural theory. The ambition of the authors of this trend is to scientifically explain cultural differences as sources of conflicts and barriers. In this trend, G. Hofstede's achievements are considered to have been the starting point (Biesaga-Słomczewska 2011, p. 12; Kadłubek 2015), and his cultural model is constantly being improved. Hofstede, a Dutch sociologist, based his model on an analysis of the behaviour of IBM's employees in over 70 countries in the 1960s and 1970s (Hofstede 1983, p. 77). Exploring the values of the managers of that international organization, he proposed a theory of the existence of four dimensions of cultures, i.e. power distance, individualism vs. collectivism, avoidance of uncertainty, and masculinity vs. femininity dimension, and for all dimensions he introduced indicators on a scale from 1 to 120.

The Power Distance Index (PDI) illustrates the relation to the phenomenon of inequalities between people in different countries and the extent to which individuals accept and perceive social inequalities. The low level of power distance is characterised by countries that are more democratic and willing to consult with the public, while a high ratio is characteristic of countries with authoritarian governments. A high PDI is, for example, characteristic of Asian countries (being the highest in Malaysia at 104), while the index at its lowest is found in Western Europe (the lowest index was noted in Austria at 11).

The index of Individualism (IDV) refers to the strength of bonds between individuals in the society of a given culture. In societies for which individualism is characteristic, the individual has in mind himself/herself and his/her closest family. In societies dominated by collectivism, which is the opposite of individualism, people identify themselves with tightly integrated groups that provide care and protection in return for loyalty. According to Hofstede, there is a strong link

between the wealth of a country and its individualism: individualism is characteristic of wealthy countries, while collectivism exists in poorer countries. In Hofstede's research, the United States achieved the highest individualism rate of 91 and Guatemala – the lowest at 6.

The Masculinity Index (MAS) indicates the dominant characteristics of a society, which can generally be considered to be masculine or feminine. Masculine societies are characterised by competition, assertiveness, materialism, ambition and the need for power, while feminine societies place a greater emphasis on relations and quality of life. In masculine cultures, gender differences in gender roles are very clear in opposition to feminine societies, where both women and men share similar values emphasizing modesty and concern for others. The rate of masculinity is in no way correlated with the wealth of a country. The highest masculinity ratio was recorded in Slovakia (100) and the lowest – in Sweden (5).

The Uncertainty Avoidance Index (UAI) describes how individuals deal with uncertainty in situations which are new, unknown or uncertain for them. The feeling of uncertainty is expressed, among others, by stress and need for predictability that can be satisfied by all kinds of legal regulations and customs. The highest index was recorded in Greece (112), and the lowest in Singapore (8). The cultures with a high UAI do not like ambiguous situations and expect clear structures, while a low index of uncertainty avoidance is associated with willingness to take risks in new and unknown situations¹.

The Hofstede's model is an extremely useful tool for supply chains, specifically for the seller-buyer relationship, in which it can be applied to characterise cultural backgrounds, but also to explain and prevent conflicts. The behaviour of individuals is influenced by the cultural backgrounds from which they originate. The cultural dimensions affect people's behaviour in different circumstances, including economic and business behaviour, or e. g. investment or risk (Czerwonka 2015, p. 281).

Cultural dimensions present in the way in which an individual operates are manifested especially visible in confrontation with a representative coming from a different cultural background, and the supply chain is a place where a specific confrontation takes place. On the one hand, the already-mentioned conflict of price-based and other-than-price terms and conditions of sale appears; and on the other hand, there appear two different culturally-conditioned approaches to such conflict. Representatives from different cultural backgrounds sit down at the negotiating table with – what often proves to be – different goals. Some people, as it is customary in their culture, want to sign a contract as soon as possible, while others want to meet the guests and get to know them, and they would like to establish relations without a hurry, the contract is just an episode for them. Should there also be other differences between the parties to the negotiations that do not result from their cultural differences, e. g. the generation gap, temperaments, company size and culture, then it turns out that reaching an agreement could be very difficult.

¹ Description of the Hofstede's indexes based on (Czerwonka 2015).

Not without significance in these contacts are also stereotypes or prejudices concerning other cultures or nations, which as generalisations may become a factor negatively affecting attitudes towards the business partner. Should we add to all this the pressure on customer service, cost pressure, competition factors that exist in today's supply chains, it may turn out that despite the existence of common objectives negotiations may not be successful.

Polish and German business culture in the context of Hofstede's research

Germany and Poland are an example of two cultures that often interact with each other in terms of economy. Germany has been Poland's most important trading partner since 1990 and is ranked first on the list of our suppliers and customers (GUS 2016). In 2016, the value of Polish-German economic exchange is reported to have exceeded EUR 100 billion for the first time in history. This result is a confirmation of the fact that Poles and Germans achieve success in negotiations. However, it needs to be assumed that the success has not been achieved without difficulty, as Poles and Germans, despite their geographical proximity and common history, are culturally very different. The practical literature on negotiations abounds in publications with very detailed, reliable and valuable guidelines for both sides which are meant to help to avoid misunderstandings and frustration among business partners due to their cultural differences. The indexes suggested by Hofstede above provide an explanation of the reasons for these differences.

PDI for Poland amounts to 68, whereas for Germany it is 35. Thus, both countries differ significantly in the value of this index and thus in relation to social inequalities and distance to power. Against the background of other countries, Poland is characterised as a country where social inequalities are accepted, while Germany is characterised by a low level of acceptance of social inequalities and at the same time a smaller distance to power.

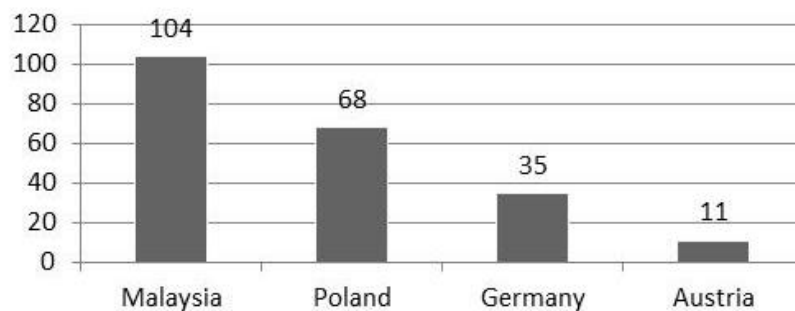


Figure 1. Poland's and Germany's PDIs compared to two countries with extremely low and extremely high PDIs

Source: Author's own study on the basis of G. Hofstede (<https://www.hofstede-insights.com>)

At the rate of PDI at 68, Poland is in a group of hierarchical societies, in which the hierarchical order is commonly accepted and every person has their place in such hierarchy, which does not need any special explanation. In this particular kind of society, hierarchy in an organization is perceived to be reflecting inherent inequalities and centralization of power, and authority is common here. Subordinates expect to be told what to do and the ideal boss is a considerate autocrat. Unsurprisingly, Germany, which is highly decentralised and with a strong middle class, is not among the lower power-distant countries (index at 35). Co-determination rights are comparatively extensive and need to be accounted for by the management. The meeting style which is common is conducive to direct and participative communication where control is disliked and leadership is challenged to show expertise and best accepted when it's based on such.

The degree of acceptance of social inequalities and the attitude to power are the factor that determines human behaviour to a large extent, and this is particularly evident in B2B business relations. It manifests itself in attitudes such as division of competences, rather flat organisational structures of companies, the use of titles and surnames in conversations, but also in terms of interpersonal professional contacts. This is the reason why Germany, as a low PDI country, avoids using titles as opposed to Poles. In Poland the titles are used in the place where Germans use the surname and it is usually rounded up, which is surprising for Germans. Germans are also more democratic in parent-child, superior-subordinate, officer-soldier or professor-student relations (Wojciechowski 2007, p. 10).

This may be important in the negotiation process and, depending on the negotiating situation, may lead to some kind of surprise or misunderstanding and consequently - reluctance. The German side may be surprised by excessive respect with which some of the people in the delegation of a Polish partner are treated, while Poles may feel that they are disrespected when their titles are omitted.

The relationship to power is also revealed in the way in which the rules of the game are understood. Wojciechowski mentions two approaches. The first one originates in the Prussian tradition, which is based on the belief that the rules of the game, i.e. laws and regulations, are respected because they have been established by a reasonable and sensible authority. In the other approach, coming from the Anglo-Saxon culture – also known as the fair play approach, observance of the rules of the game is guided by the principle “I treat others as I myself would like to be treated”. As Wojciechowski points out, in everyday behaviour of societies and individuals these traditions occur simultaneously, but with different intensity. Germany's adherence to the rules is guided by authoritarian thinking in 90% and in 10% by fair-play rules. In terms of compliance to the rules Poles reveal – 40% of authoritative thinking, 40% of fair play, and shrewdness in 20% (Wojciechowski 2007, p. 10).

The way in which the rules of the game are understood results to a large extent from the history of both nations. Germany is a country that has always cultivated the tradition of federalism, which has been based on equal cooperation between smaller states, and which has been able to operate thanks to a rational and logical exchange of information. The bases of the German system rely on loyalty,

punctuality and honesty. Unlike Germany, Poland has always sought to create a strong central state and national symbols, which is still visible today. The history shows that Poles fought for independence for a long time (Grünnefeld 2005, p. 3).

The authorities were at that time identified with the enemy who the Polish fought against, and officials and regulations established by the enemy needed to be circumvented. This difference might well be a source of conflict in the supply chain between Polish and German companies. It seems that the most problematic approach to formal issues, such as observance of regulations and rules of the game, how contracts and agreements are formulated, as well as compliance with them and respect for them, may appear to be the most problematic in the buyer-seller relationship.

In the case of Germany, the individualism rate was 67 and 60 in the case of Poland, thus it can be considered that both societies are characterised by quite strong individualism.

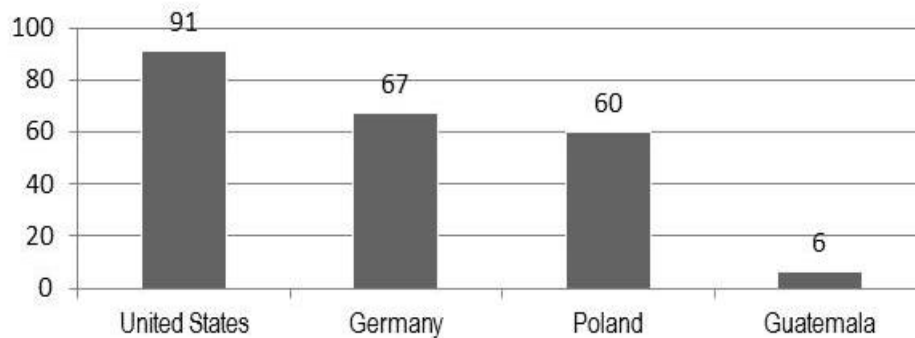


Figure 2. Poland's and Germany's IDVs compared to two countries with extremely low and extremely high IDVs

Source: Author's own study on the basis of G. Hofstede (<https://www.hofstede-insights.com>)

The lower IDV in Poland is surely a legacy left behind by the socialist era in which the idea of collectivism dominated and managed to take root quite well in the Polish mentality, so that until now it has played a quite significant part, which fortunately is losing its intensity. In this respect, therefore, Polish and German business partners can expect understanding and cooperation between business partners in the supply chain. It should be noted, however, that there is a certain difference here as some of the characteristics of Poles differ from individualism and move towards collectivism.

Hence, for Polish business partners the main source of information are personal contacts and relationships. People-to-people relations are often more important than task implementation, and some clients are sometimes treated better due to the very fact that they belong to a particular group or organization, or due to their acquaintance with a particular person. IDV is strongly correlated with the prosperity of a given country. The large degree of individualism is characteristic of wealthy countries and the low level of individualism is found in poor countries.

With regard to Poland and Germany, this thesis is confirmed, and Germany, as a country more economically developed than Poland, is characterized by a higher individualism rate.

Poland and Germany make a similar case in relation to the MAS index, which for Poland amounts to 64, and for Germany – 66. The indexes achieved by both countries are in the middle range – from 61 to 80, and thus, they are societies with a medium degree of masculinity.

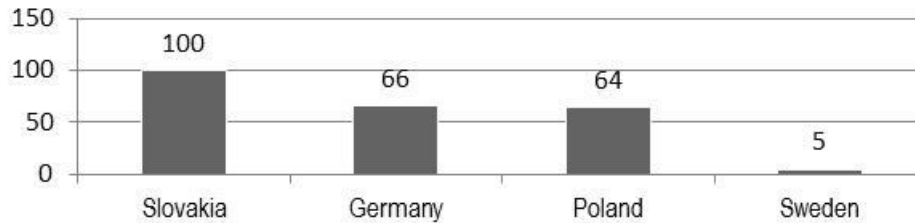


Figure 3. The MAS indexes for Poland and Germany compared to two other countries with an extremely low and extremely high MAS indexes

Source: Author's own study on the basis of G. Hofstede (<https://www.hofstede-insights.com>)

Both countries are therefore reported to be halfway between a high and low-indexed society, although there are certainly some differences. Thus, German people, especially German managers, are attributed “hard traits of personality” such as composure, self-control, punctuality, orderliness and love for order although these values appear to have been experiencing a certain crisis recently. They are also characterized by will power and ability to concentrate. This gives German managers an advantage in negotiations. On the other hand, Poles have a greater talent for improvising and tendency to come up with solutions which depart from established rules (Wojciechowski 2007).

The masculinity dimension of society is very well defined by the characteristics that are extremely important in individual negotiating situations. This area in relation to individuals can be often modified by very individual personal characteristics. In the case of a buyer/seller relationship, these characteristics may play such an important role that, depending on the arrangement/structure of the people involved in the negotiations, they may meet with the other party's disapproval and hinder the conclusion of an agreement. Therefore, the selection of negotiators who have personal qualities that are welcome by the other party plays a vital role here.

The last of the discussed indicators – UAI – is 65 for Germany and 93 for Poland.

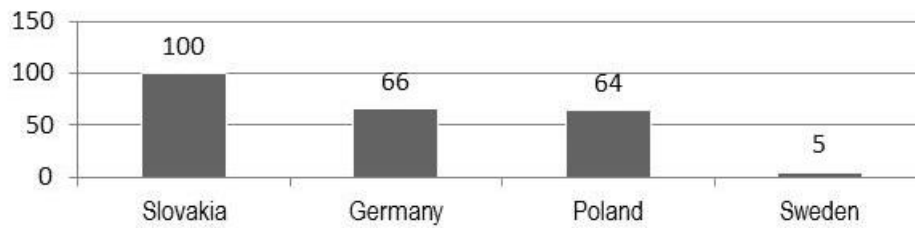


Figure 4. Poland's and Germany's UAIs compared to two countries with extremely low and extremely high UAIs

Source: Author's own study on the basis of G. Hofstede (<https://www.hofstede-insights.com>)

Germans are not very comfortable when it comes to uncertainty as they tend to plan everything carefully in order to avoid it. Germany has the society that relies on rules, laws and regulations. Germany wants to reduce its risks to the minimum and proceed with changes step by step. Poland lands the index at 93 in this dimension and thus has a very high preference for avoiding uncertainty. Countries exhibiting high Uncertainty Avoidance maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. In these cultures there is an emotional need for rules (even if the rules never seem to work). For them time is money and hence, people have an inner urge to be busy and work hard. Precision and punctuality are the standards to be followed, and while innovation may be resisted, it is security which is an important element in individual motivation.

In business contacts, this means that Poles have a stronger need for clarification and formal procedures than Germans, and innovativeness of employees is sometimes constrained. Poles have a strong need to be occupied and adhere to the principle that time is money. They also make more conservative investment decisions than Germans. In the supply chain negotiations there may be misunderstandings between German and Polish partners in this field, particularly with regard to joint decisions requiring investment or signing contracts.

Conclusions

The use of the Hofstede indexes in the above analysis shows that Polish and German companies are quite culturally different in two out of four areas and when representing the links in supply chains negotiations, they might encounter many problems that have not only a purely economic or organisational bases. Creating a lasting relationship in this configuration must begin with showing empathy and patience, which over time will be likely to turn into mutual trust. This can only happen through good communication, good dialogue, and creating the win-win type of negotiations (in which each party is satisfied) from the very beginning. Many negotiators and entrepreneurs are aware of this and both sides gain more and more experience in this area by adopting appropriate attitudes during negotiations, which undoubtedly enables closer cooperation in supply chains.

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NEGOCJACJE MIĘDZYKULTUROWE W ŁAŃCUCHACH DOSTAW NA PRZYKŁADZIE POLSKI I NIEMIEC

Streszczenie: Łańcuchy dostaw w dobie globalizacji stają się coraz bardziej międzykulturowe. Ponieważ na najniższym poziomie każdy łańcuch dostaw opiera się zasadniczo na relacji sprzedawca – nabywca, negocjacje pomiędzy poszczególnymi przedsiębiorstwami odgrywają niezwykle ważną rolę w funkcjonowaniu całego łańcucha. Są one szczególnie trudne, jeśli pochodzą z różnych środowisk kulturowych. Dotyczy to firm polskich i niemieckich. W artykule podjęto próbę analizy różnic między polską i niemiecką kulturą biznesową w oparciu o wskaźniki czterech wymiarów kultury Hofstede. Porównując wskaźniki obu krajów, na podstawie literatury trendów praktycznych, wskazano źródła niektórych cech charakterystycznych dla Niemców i Polaków, które mają istotne znaczenie w procesie negocjacji.

Słowa kluczowe: negocjacje międzykulturowe, negocjacje polsko-niemieckie, negocjacje w łańcuchu dostaw