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Let's Establish a Negotiation: The Influence of Ecuadorean SMEs Culture on their International Negotiations

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Let's Establish a Negotiation:

The Influence of Ecuadorian SMEs Culture on their International Negotiations

Nicole Lopez

Spring 2013

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International Management

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Abstract

The hackneyed phrase “to be or not to be” seems to apply to everything, and everyone. So deciding whether being a good global manager or not depends entirely on us. However, some of us think that this is an innate characteristic, and if one lacks it, there is nothing we can do about it. Luckily not everyone shares this ideology. According to Percy Barnevik, the CEO of the Swedish firm ABB said, “Global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way...Global managers are made, not born” (qtd. in House, Hanges, Javidan, Dorfman, and Gupta 5). Having this in mind there is nothing that can stop someone from succeeding in the business world. Nevertheless, there are important things that one should take into consideration; even though at first sight they might seem unimportant actually they are essential. A good global business manager knows how businesses work. An excellent global business manager knows how to conduct, manage, and negotiate business across boundaries. He/she is an expert in differentiating and understanding cross-cultural factors.

How can culture, business, and negotiations possibly be connected? Well, studies have proved that cultural factors have a large impact on how to do business in each country. A major factor that we tend to oversimplify is MEDC's and LEDC's. Taking Ecuador as an example, just like other countries, it has its unique and different characteristics with a potential for success. However, not knowing which these are makes it hard for a business manager to deal with it. Even if Ecuador offers a lot of opportunities for great business deals, it can be an extreme challenge when it comes to try and understand this culture. Therefore, this thesis will serve as a guide and a reference for Ecuadorians and foreigners to understand its culture for a successful negotiation.

Take into consideration:

- “The greatest barrier to businesses’ success is the one erected by culture” – Edward and Mildred Hall
- “International business is like international soccer games: The rules are international and just for all, but the games are local” – Geert Hofstede

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Introduction

A successful negotiation in such globalized world is a phenomenon that is advancing day by day. Indeed, it is evident how international businesses and trade are increasing by leaps and bounds which leads us, today, to a globally interconnected world. However, this process has to be carefully done since there are a number of factors that influence it. For instance, when interacting and crossing boundaries among countries. Therefore, everyone has to be updated and knowledgeable with this aspect since we are part and will be part of this diverse workforce.

Every continent, country, city and individual is different from each other. Therefore, successful international managers and negotiators are the ones who truly understand, recognize, accept and are able to adapt to these differences. Since “intercultural competence should be the goal of the goal of every effective expatriate manager and international negotiator” (Gesteland 14). Throughout time there has been previous examples of how people fail to do business in other countries due to a major and huge aspect, that might be thought to be small with no influence, but it certainly has a strong impact. This phenomenon is culture; culture is the “acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influence behavior” (Luthans 108). A more complex and detailed definition of culture is,

the cumulative result of experience, beliefs, values, knowledge, social organizations, perceptions of time, spatial relations, material objects and possessions, and concepts of the universe acquired or created by groups of people over the course of generations. It is socially constructed through individual and group effort and interactions. Culture manifests itself in patterns of language, behavior, activities, procedures, roles, and social structures and provides models and norms for acceptable day-to-day communication, social interaction, and

achievement of desired affective and objective goals in a wide range of activities and arenas. Culture enables people to live together in a society within a given geographical environment, at a given state of technical development, and at a particular moment in time (Moore).

As a result it has a profound influence on the way people think, communicate and behave. It should be one of the utmost goals of a negotiator to bridge these cultural gaps, especially since “ample evidence shows that cultures of the world are getting more and more interconnected... as economic borders come down, cultural barriers will most likely go up and present new challenges and opportunities in business” (House 1). However, a negotiator should see these opportunities and differences as advantages as opposed to threats.

Before entering or doing business in a country it is essential to focus on some of the following aspects: how firms in the country do business; how they operate; what strategies, communication, decision-making and structure they use; which methods do they apply; among others. All of these aspects are part of their culture and management style that has prevailed during years. Therefore, understanding the environment is required since this impacts the relationships and business operations (Moran 2011). Consequently, people should learn about cross-cultural negotiations and these international business negotiators have to take into account that they are separated from other negotiators “not only by physical features, a totally different language and business etiquette, but also by a different way to perceive the world, to define business goals, to express thinking and feeling, to show or hide motivation and interests” (Hendon).

In order for one to succeed in today’s business world, an individual should be knowledgeable and understand not only another country’s economic, political and social aspects, but also more in depth: its people, culture, language, and many other characteristics. Most people take into account only MEDCs (Most economically developed countries),

however by doing so, one might overlook at grand opportunities. Ecuador, and LEDCs (least economically developed countries) offers opulent business chances, especially since we live in a changing and evolving world where new opportunities and options are opened: the “new image reveals Latin America as an emerging powerhouse in today’s world economy, a new market frontier, beyond which profitable business opportunities are coming to life” (Brecker 3). Consequently, all of this will help individuals to achieve a better approach to successful business relationships and negotiations.

As a matter of fact, Brazil and India both developing countries, have recovered from their economical crisis into one of the most promising countries to offer strong market opportunities. Also, in the case of Saudi Arabia, now, the world’s major oil exporter and everyone wants to do business there. Accordingly, Ecuador has strong resources that many countries are and will be interested in negotiating with them. So this leads to question: What if Ecuador, in future years, becomes one of these evolving and strong countries? What should foreign negotiators take into consideration when trying to do business there?

Therefore, scholarly studies such as the ones made by Hofstede and the GLOBE are used as a guide to have an idea of Ecuadorian culture. Then, the results from the research made through the interviews are used to analyze by comparing and contrasting them, and to follow with contributions to these studies. After, possible suggestions and recommendations, based on findings and research, are made to SMEs in order to have better negotiations with foreigners. Lastly, there is an analysis of how Chinese people can negotiate with Ecuadorian SMEs. In this aspect, their culture is also taken into consideration to figure out how these gaps can be reduced and minimized to successfully have a cross-cultural negotiation.

Throughout this thesis various aspects of Ecuadorian small and medium-sized enterprise (SME) culture will be discussed in order for foreigners to know and have an idea when they plan to negotiate with them. The focus towards SMEs is because these type of businesses

were the ones interviewed on the research; according to the interviews held with professionals, big companies today (that are not classified as SMEs) do not have the same culture as SMEs; and they are very important in Ecuador since in 2011 27, 646 were considered SMEs (84.3% of all the existing companies), and they are mostly located in the province of Pichincha 43.29% and in Guayas 40.46% (“PYMES:”). Also, one of the disadvantages that these companies have is the lack of capacity, knowledge, and comprehensiveness of negotiation and global strategies (Morales 55). For the reader to have a brief overview of what is an SME in Ecuador, according to the Internal Revenue Service (SRI), the small and medium enterprise usually perform different types of economic activities such as: wholesale and retail; agriculture, forestry and fishing; manufacturing; construction; transport, storage and communications; real estate and business services companies; and community, social and personal services.

Finally, the purpose of this thesis is to guide this large group of Ecuadorian businesses and help them understand and/or realize the importance of their culture, as whole, and how this affects their negotiation with another country. Considering that many people do not consider this topic to be important they need of strategies in order to strive in the current competitive global world. It will also serve as background knowledge for those who want to learn more in depth the characteristics of Ecuadorian SMEs’ culture and to use it as a source. Hence, the following research question was used for focus: *How does Ecuadorian SME culture influence on how SMEs conduct international negotiations?*

Background

Ecuador

Geography and Demographics

Ecuador is located right on the Equator in South America and it is known to be the “Center of the Earth”. It borders to the North with Colombia, to the South and East with Peru, and to the West is the Pacific Ocean. The country is 256,370 square kilometers (“Informacion del Ecuador”) with a huge and wide diversity, not only due to its four different regions the Andes Mountains, the pacific coast, the Amazon basin and the Galapagos Islands, but also its people since Ecuador’s population of 15,439, 429 (July 2013) is ethnically mixed: 71.9% mestizo (mixed Amerindian and white), 7.4% Montubio, 7.2% Afroecuadorain, 7% Amerindian, 6.1% white, and .04% other ("South America: Ecuador"). Quito, located on the Andes Mountains (highlands), is its capital and Guayaquil, located on the coast, is its main and major port. The official language is Spanish, and a minor group speaks Quechua and Shuar. Even though there is not an official religion, Roman Catholic predominates in the country.

In Ecuador there is a high poverty rate due to its income inequality, but the government is trying to reduce this by implementing different projects through increased social spending; nevertheless there are major critics of the efficiency (“South America: Ecuador”). Additionally, Ecuador has an estimate of 2 to 3 million people living abroad, and a growing immigrant population mostly from Colombia and other Latin American countries.

History

In the 1450s the power of the Inca Empire prevailed until the Spanish conquered Ecuador on 1534 (“Ecuador timeline”). Ecuador “became part of the Spanish viceroyalty of Peru, [but] the colony got off to a poor rule when the conquistadores began assassinating one another” (Morrison 91). Independence was declared in 1822 where Antonio Jose de Sucre

“defeats Spanish royalists at the battle of Pichincha and Ecuador becomes part of independent Gran Colombia” which is composed by Colombia, Panama and Venezuela (“Ecuador timeline”). Nevertheless, in 1830 Ecuador became an independent nation naming itself The Republic of Ecuador, and as a result there was a lot of suffering, revolts, political unrest, and border disputes where in 1941 Peru invades and obtains 200,000 square kilometers of territory (“Ecuador timeline”).

In 1948-1972 there was an economic recovery due to growth in banana trade and emerging oil production. However, from 1980 to 1990 there was a lot of turbulence and economic deterioration because of the lack of leadership and political instability since most presidents were overthrown, there was constant reelection, and the constitution was modified. In 2000, when Jamil Mahuad was president, a big change occurred since Ecuador adopts the US currency. The decision made by the president led to complete chaos. The president reassured that it wasn't an improvised decision since different economists and entities of the government had previously studied it, yet thousands of people lost their savings and were left completely bankrupt (“DOLARIZACION”). In 2002, Gutierrez was elected, but in 2005 he was ousted. Today, Rafael Correa is the president, elected in 2006. During his mandate he has made various changes, for example he rewrote the constitution in 2007, decreased relations with the US, and enacted new laws such as increasing state control over 100% of oil and gas produced (“Ecuador timeline”).

Economy

According to the Central Intelligence Agency (CIA), Ecuador substantially depends on its petroleum resources; in 2009 its economy slowed to 1% growth due to its global financial crisis, but growth picked up in 2011 to 8% and in 2012 it fell to 4%. Today, China has become “Ecuador's largest foreign lender ... [since] Ecuador contracted with the Chinese

government for more that \$9 billion in oil for cash and project loans as of December 2012 ("South America: Ecuador").

Important information to take into account (2012 est.):

- GDP (official exchange rate): \$72.23 billion USD
- GDP- real growth rate: 4% (comparison to the world 82/220)
- GDP- composition by sector: agriculture 6.4%; industry 36.1%; and services: 57.5%
- Unemployment rate: 4.10% (comparison to the world 33/202)
- Inflation rate: 5.3% (comparison to the world 147/224)
- Exports: \$23.77 billion
 - o Exports- commodities: petroleum, bananas, cut flowers, shrimp, cacao, coffee, wood, fish
 - o Export- partners: US 37.8%, Panama 9.9%, Peru 6.2%, Venezuela 5.2%, Chile 4.9%, Russia 4.6% (2011)
- Imports: \$24.67 billion
 - o Imports- commodities: industrial materials, fuels and lubricants, nondurable consumer goods
 - o Imports- partners: US 27.6%, China 10.1%, Colombia 9%, Panama 4.6%, Peru 4.5%, Brazil 4.3%, South Korea 4% (2011)

Literature Review

Cultural Behavior and Negotiations

In order to analyze the cultural behavior of a country or group of people it is important to look for certain patterns that lead to a better understanding of the culture where one wants to conduct business. No human being can act or behave the way they do in one's home country in another since what you do there could be inappropriate and disrespectful in some other place. According to Gastland, "just be polite wherever you are" is a misconception of differences since what is polite in one country it is impolite in another (13). Therefore, understanding these differences and overcoming them will lead to a better interaction with different people. Yes, it can be quite complex and confusing because each culture includes its outliers, meaning that they "vary significantly from the norm and are outside the cultural cluster" (Moore) since their views and behaviors might be significantly different and similar to other cultures, yet they are still part of the range of their own culture. You never know with whom you are going to encounter; therefore, it is important to have a clear overview of the culture to follow those patterns, but always take into consideration that every individual can be this "outlier". Consider this statement by Morris: "remember that you will work with individuals, and there are always exceptions to every rule... the success of your intercultural interactions depends upon you, and the quality of information" (viii). Your cultural orientation part will help you predict how people in certain cultures speak, act, negotiate and make decisions, among other aspects. Consequently, to be a global leader influencer you can follow Cohen and Bradford model by assuming any individual can be an ally, be clear on what you want, understand the culture's influence, identify your own and other's currencies, build relationships and develop patterns, and use formal and informal influencing skills (Moran 26).

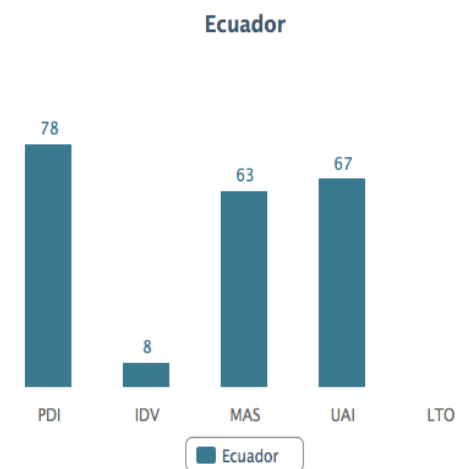
When this is clear in your mind, then negotiations can take place. Negotiations “emphasize the presence of incompatible positions or preferred solutions, a bargaining or problem-solving process based on an exchange of positions to address contested issues, or a process that results in specific tangible outcomes or substantive exchanges” (Moore). Hence, in an intercultural negotiation cultures will try to define their relationship, clarify the goals and outcomes to be achieved, communicate among different issues, develop options to address different topics, influence and persuade each other, and implement and agreement. However, different cultures emphasize and do these aspects differently. For this reason, “negotiators have to take time to understand the approach that the other parties are likely to use and to adapt their own styles to that [culture]” (Hendon); especially when it comes to figuring out what each party wants from that negotiation, and trying to successfully negotiate by obtaining a win-win situation. Again, problems arise in a negotiation because there is insufficient understanding of all the cultural patterns that each culture has.

When going abroad, there are two important “Iron Rules” to consider: *Rule #1*: “In international business, the visitor is expected to understand the local (host) culture” (Gasteland 22). *Rule #2*: “In international business, the seller is expected to adapt to the buyer” (Gasteland 22). A culture can have numerous behaviors, but there are some patterns found by different scholars that are related among them. Gasteland points out different patterns of cross-cultural business behavior. (1) *Deal-focused (DF) vs. relationship focused (RF)*: DF people are more task-oriented where talk of business is done right from the start and there is a reliance on written agreements, contracts and lawyers. Whereas RF are people oriented where first a relationship has to be built in order to proceed with business and businesses are done mostly with known people/network/connection where trust exists. (2) *Direct (low-context) vs. Indirect (high-context) communication*: DF tend to be low-context since they are explicit in their communication, in other words, they “say what the mean and

mean what they say” (Gesteland 39). RF cultures tend to use indirect communication since they prefer to preserve harmony, future relations, and not embarrass themselves. (3) *Informal (egalitarian) vs. Formal (hierarchal)*: Formal structure value status conscious and power, and in egalitarian structure they value status equality by having a small difference in power and status. (4) *Rigid-Time (monochromic) vs. Fluid-Time (polychromic)*: Rigid cultures worship the clock and punctuality is critical for their fixed agendas. Polychromic have a sense of relaxed time. (5) *Emotionally Expressive vs. Emotionally Reserved*: Expressive cultures use verbal (tone of voice) and body gestures while emotionally reserved do not.

Hofstede

Geert Hofstede conducted studies that focused on five dimensions in order to evaluate how values in each country’s workplace are influence by its culture. These dimensions are: Power distance (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance (UAI) and Long-term orientation (LTO). The chart in Figure 1 shows how his findings apply to Ecuador.



(1) *Power distance*: Ecuador shows a high score of 78, meaning that this society has inequalities among its individuals. This inequality is mainly due and linked to the race and social class that people belong to. Inside this “elite group” the military are also part of it ("What about Ecuador?").

(2) *Individualism*: Ecuador has a low score of 8 meaning that it is a high collectivistic society rather than an individualistic. People are more concerned with their ‘in-group’, which can be linked to their race or class within society. Also, they think of the group as a whole; in other words the “we” instead of the “I”. Therefore, conflict is highly avoided to maintain

harmony and save face between the people you have relationships with, and this is a priority over tasks. “Ecuadorians can show a lot of solidarity towards members of their in-groups, [and] those perceived as ‘outsiders’ can easily be excluded or considered as ‘enemies’; foreigners can easily be found in that position, unless they cultivate relationships” (“What about Ecuador?”).

(3) *Masculinity*: With a score of 63 Ecuador is considered a masculine society where they are driven and oriented by success. Ecuadorians are competitive and status oriented through their ‘in group’. They seek actively status and rewards based on their performance, and sometimes they sacrifice leisure for work (“What about Ecuador?”).

(4) *Uncertainty avoidance*: Ecuador has high uncertainty avoidance with a score of 67. This country tries to find means and mediums in order to avoid risk and ambiguity. The unknown brings Ecuadorians to openly express their emotions and to be socially conservative. Finally, “rules are not necessarily followed, however: this depends ultimately, on the decision of power holders, who make their own rules, and on whether the group feels the rules are applicable to their members” (“What about Ecuador?”).

(5) *Long-term orientation*: N/A

GLOBE Studies

The GLOBE studies emerged with the idea to extend and enhance some of the major studies that have been made regarding leader charisma and cross-cultural behavior. It is a multinational research program where its information “can be used as a guide when individuals from different countries interact with each other” (House 1). Sixty-two countries participated in this study and among them they were classified in cultural clusters, refer to Appendix A, where Ecuador belongs to the Latin America cluster according to GLOBE. Nine attributes were considered in order to classify these cultural clusters: **(1) Future Orientation**: “degree to which individuals in organizations or societies engage in future-oriented behavior such as

planning, investing in the future, and delaying individual or collective gratification” (House, Hanges, Javidan, Dorfman, and Gupta 12). **(2) Gender Egalitarianism:** “the degree to which an organization or a society minimizes gender role differences while promoting gender equality” (House, Hanges, Javidan, Dorfman, and Gupta 12). **(3) Assertiveness:** “the degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in relationship” (House, Hanges, Javidan, Dorfman, and Gupta 12). **(4) Humane Orientation:** “degree to which individuals in organizations or societies encourage reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others” (House, Hanges, Javidan, Dorfman, and Gupta 13). **(5) In-Group Collectivism:** “degree to which individuals express pride, loyalty and cohesiveness in their organization or family” (House, Hanges, Javidan, Dorfman, and Gupta 12). **(6) Institutional Collectivism:** (laws, social programs, or institutional practices) “degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action” (House, Hanges, Javidan, Dorfman, and Gupta 12). **(7) Performance Orientation:** “degree to which individuals in organizations or society encourages and rewards group members, for performance improvements and excellence” (House, Hanges, Javidan, Dorfman, and Gupta 13). **(8) Power Distance:** “the degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government” (House, Hanges, Javidan, Dorfman, and Gupta 12), and **(9) Uncertainty Avoidance:** “the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices” (House, Hanges, Javidan, Dorfman, and Gupta 12). From this, each cultural cluster was classified on each dimension as seen in Appendix B. Since Ecuador belongs to the Latin America cluster, the following scores obtained make us have an idea of its culture. Latin America has low-scores on performance orientation, future orientation, institutional

collectivism, and uncertainty avoidance; mid-scores on assertiveness, humane orientation, gender egalitarianism, power distance; and high-score for in-group collectivism. In appendices C to J there is a brief explanation of possible tendencies or characteristics that these societies may have depending on the score on each dimension. This, again, gives us an insight of Ecuadorian culture.

Terri Morrison and Conaway

This book portrays in detail each Latin American country's culture and way of doing business. It gives the reader the important aspects of each country that he/she has to know when planning on visiting each particular country in order for him/her to avoid any errors. For each country there are sections that review information such as tips on doing business, country's background, know before you go, cultural orientation, business practices, and protocol. In the case of Ecuador, the following information is given in order for us to understand what to do and/o avoid. Some tips on doing business in Ecuador are: do not discuss other Latin American countries with Ecuadorians since it can be seen as a comparison, especially with respect to Peru due to historical relationships; the Galapagos Islands are a major ecotourism for Ecuador and they praise their wonder; Ecuadorians who live in the highlands are different from those who live in the coast line since *Quiteños* (inhabitants of Quito) "tend to be formal and conservative" (Morrison 90) while the people from the coast tend to be "more liberal and serene" (Morrison 90); and visitors should take into consideration its laws since they constantly change due to political issues.

When looking at the Cultural Orientation theory, Morrison and Conaway points out three main branches. The *first branch is Cognitive Styles* which looks at the way people organize and process information. Here, people can fall into three categories: (1) Close or Open-minded: "the open-minded person seeks out more information before making a decision... the closed-minded person has tunnel vision—he or she sees only a narrow range

of data and ignores the rest” (Morrison, and Conaway xii); (2) Associative thinker or Abstractive thinker: “a person who thinks associatively is filtering new data through the screen of personal experience... [whereas] the abstractive thinker can deal with something genuinely new” (Morrison, and Conaway xiii); and/or (3) Particular or Universal thinking: “the particularistic person feels that a personal relationship is more important than obeying rules or laws... on the other hand, the universalistic person tends to obey regulations and laws” (Morrison, and Conaway xiv). The *second branch is Negotiation Strategies* where it looks at what people accept as evidence by faith, facts and/or feelings (“go with the gut”). Finally, the *third branch is the Value Systems* where it looks at the basis of behavior. Three categories are taken into consideration: (1) Locus of Decision-Making: “how much culture prizes individualism as opposed to collectivism” (Morrison, and Conaway xv); (2) Sources of Anxiety: handling anxiety by “interpersonal relationships, religion, technology, and the law” (Morrison, and Conaway xvi); and (3) Issues of Equality/Inequality: “division of power [gender and class], who controls the government, and who control the business resources” (Morrison, and Conaway xvi).

Ecuador’s Cultural Orientation is as follows:

COGNITIVE STYLES:

- They arrive at their beliefs through association and experimental thinking
- They look at each detail of the situation and particular reason

NEGOTIATION STRATEGIES:

- Person’s feelings are a major source of truth
- Information by only quantified data does not convince the majority of Ecuadorians

VALUE SYSTEMS:

- Social distance between the upper class and the common people
- Locus of Decision-Making:
 - o Concern of one's status and position with relatives and society
 - o Self-identity is based on social class and extended family
 - o Kinship and friendship is important
 - o Collectivist society
- Sources of Anxiety Reduction:
 - o Stability of life is based on the social structure, extended family and kinship groups
 - o Strong work ethic
- Issue of Equality and Inequality:
 - o Sierra elite-upper class by birth and intermarriage
 - o Struggle between the Sierra (conservative) and Coast (liberal)
 - o Higher power distance meaning that there is an extreme contrast between the rich and the poor
 - o Machismo widespread

Furthermore, the following information is given in order to know the business practices and protocol:

PUNCTUALITY, APPOINTMENTS, AND LOCAL TIME:

- As a foreigner you are expected to be punctual, but Ecuadorians do not stress punctuality among themselves.
- Writing the date: first day then month then year
- Make appointments 2 weeks in advance
- Best to arrive in Quito before in order to adjust to altitude

- Business schedules 9:00am-1:00pm and 3:00-6:00pm

NEGOTIATING

- Relaxed and informal
- Hire local contact either consultant or lawyer
- Business cards: one side English other Spanish
- Ecuadorians feel that they are negotiating with the people of other countries not the corporation; therefore, do not change the people who will be negotiating
- Expect delays and repetition of processes
- Avoid discussion of politics and relations with Peru
- Very sensitive if foreigner wants to stand out. Do not compare how things are done in Ecuador with how it is done “home”
- Be informed of culture and history to show curiosity in Ecuador

BUSINESS ENTERTAINING

- Lunch is popular for business meeting and main meal
- Host makes first toast
- Do not suggest ending time of social meeting
- Acceptable to order cocktail
- Heavy meal accompanied by alcohol midday
- Very friendly, if established a good relationship you could be invited to someone’s house. Hence, never decline an offer (it is an honor).
- Men will pay always the bill

GREETINGS

- Handshake to greet and depart
- Among friends women kiss each other on cheek and men embrace

TITLES/FORMS OF ADDRESS

- Do not address my first name unless invited to do so
- Use Ecuadorian's professional title, if he or she has one

GESTURES

- Stand close together in conversations
- There is more contact such as touching arm, or shoulder
- Use verbal "yes" and "no's" instead of head movement
- Nervous movements should be avoided since it is disturbing
- In restaurants, call a waiter by raising their hands

GIFTS

- If given a gift accept it
- When invited to a house bring flowers, pastries, chocolates, wines, or liquor
- Select brand name gifts

DRESS

- Sierra: Formality, conservative business attire, and dark colors
- Coast: Casual dress
- Women should be conservative and modest

Research Methodology

Qualitative Inductive Study

In order to test the main and primary research question, qualitative research methods were used in order to study these social and cultural phenomena. This type of study will help to get a better and deeper understanding of each individual's perspective, experience and application in Ecuadorian culture businesses. These interviews were done in a face-to-face basis in Ecuador (some are recorded) and two of them were done by the use of Skype. It is important to highlight that these questions could change or vary a little, depending on the direction that the interview takes place, since the interviewee's response may create or change a view. For example, the interviewee could perceive Ecuadorian culture nowadays to be more feminine than masculine; therefore, the questions have to change shift in this part in order to fit this description and find contextual information of why it is feminine and not masculine. This would create a better focus and emphasis on trying to understand what he/she has perceived and experienced.

Two parts were done when trying to elaborate this research and interviews. One part was on January 2013, in Ecuador, where there was a research of which people to interview, obtaining a deeper knowledge of where and what I wanted to achieve, and what direction I wanted to take. Based on this part the questions for the interviews were elaborated. It was concluded that two different questionnaires had to be elaborated: One questionnaire focused and directed towards Ecuadorian professionals in the field (see appendix K). The other questionnaire had to be focused towards small medium-sized enterprises since the obtained appointments with business owners were specifically with this type of companies; and when appointments were obtained with professionals they suggested that I had to focus on SME's (PYMES in Spanish), since today large companies have different culture due to an increase

of studying abroad and expatriates involved. Additionally, I had to focus on Quito, the capital, due to a high diversity that there is in Ecuador's culture (see appendix L).

The second part was done on March 2013, in Ecuador, where the interviews took place in Spanish. First, six interviews with professionals in the field took place, these included consultants/trainers/coaching, professors, lawyers, and chambers of commerce directors. After these were concluded, six interviews with business owners were done, which included companies of telecommunications, textiles and truck components (all of them imported). The interviews varied from 45 minutes the shortest, and 90 minutes the longest one.

Research Findings and Discussion

Interviews with Professionals

In this part of the thesis results are presented based on interviews made to professionals in the field. Information is sorted based on aspects that overlapped among interviewees since they complemented and enriched the idea. Additionally, some personal interpretations are made based on the information gathered.

Following, there is a brief introduction of interviewees: **(1)** *Ruben Dario* studied Law in Ecuador and Colombia, and International Relations at Tufts University School of Law and Diplomacy. Currently, he is a Lawyer consultant for embassies, companies, and consuls, among others in Ecuador. **(2)** *Ing. Daniel F. Orduz* was a business consultant in Colombia, obtained a Masters in Coaching and International Management, and currently he is a professor and consultant/training of businesses in Ecuador. **(3)** *Galo Abril* obtained his Masters at Stockholm University in Sweden and now he is President of the Ecuadorian Nordic Chamber of Commerce and Sweden's Consul in Ecuador. **(4)** *Ing. David Sotomayor* is professor at Universidad Catolica and Universidad de las Americas in Quito and is a business consultant. **(5)** *Maria Jose Borja* is the Coordinator of the Department of International Business at Universidad de las Americas in Quito. **(6)** *Ing. Roberto Rosales* is a business consultant of Proecuador and other businesses. The research findings of these interviews are as follows:

Influencing factors that affect negotiation with Ecuadorian SMEs are legal security, economic credit and culture. In an international level there is a positive look on how Ecuador now days has no longer frequent and constant change of presidents; nevertheless, interviewees agreed with the fact that, Ecuadorian companies have to speed up with globalization, especially knowing how to do negotiations with other countries.

Unfortunately, after several trips, Ruben Daio noticed the big gap between the high and peasant/lower class. In one trip that he had to the outskirts of Quito he says, “it caused me much shock to see a huge house that occupied an entire block, surrounded by guards, with several rooms bathed in gold, and impressive luxury, and right on the outside you could see peasants dying of hunger” (Dario). In other words, there is high power distance and inequality in the society.

People do not use resources such as the foreign trade, chamber of commerce, or any other institution. Dario says, “I have encountered a lot of issues that people come to me after the problem is big and they are stuck. For example, I had to deal with payments they’ve done to people that do not even exist”. In addition, he states that the Ecuadorian likes to know with who he/she will speak, and when the meeting starts they always like to break the ice by beginning with topics that don’t relate to the meeting such as jokes, travel experience, soccer and family. However, Ecuadorians won’t investigate in depth the person or company they will possibly negotiate with. Therefore, it is better to have previous relationship with the negotiator (Abril), especially since the people who will go to negotiate will be the owner of the SME and they are the ones making the decision. Also, there is not an analysis and follow up of the process made in the negotiation. All of this is due to the lack of planning and preparation (Orduz). Additionally, since there is a lack of knowledge of the international market, Galo Abril says that SMEs “offer too much, they do not lie, but they do not know what it has to be done or the actual volume of production they have to make, in order to fulfill the negotiation”. Maria Jose Borja comments that this lack of planning is because usually the owner is the president and the manager of different departments. She even believes that the time and structure of an SME is a big influence on this aspect.

Moreover, Daniel Orduz comments that one of the principal and most important values for Ecuadorians is trust and respect. If this is prevailed in a negotiation, then things

with SMEs are done smoothly. Also, previous relationships and connections are important, especially since in Ecuador “whom you know” counts a lot (Rosales). Additionally, honesty will endure and strengthen the relationship and the following negotiations done. Expertise and experience of the person that will come to negotiate is very important, especially if he/she is a woman or a younger person; nevertheless an older man is preferred (Borja).

In addition, there is a short-term orientation principally due to economic and political insecurities and instabilities. This could be linked to why Ecuadorians avoid taking risks because they think, “that the outcomes from this risk will be seen in future years and not that moment, especially since they want to take advantage of every situation, get the most out of it, and make money fast” (Abril). Hence, Ruben Dario has often heard the following in a negotiation process “lets do business, how much will I win, lets do it!” meaning that they want to do negotiations quick. Ecuadorians are price sensitive, they base themselves a lot in the price when making a decision; therefore, if the price is high no negotiation is done. Again, this can be a factor that makes them negotiate quickly since other things aren’t as important as the price. Ecuadorian SMEs have a high resistance to change, “we often tend to think and consider that our world is Ecuador... or because we are in Quito, this is the way things are done” (Orduz), and this doesn’t permit us look out to those important things. David Sotomayor states that Ecuadorian’s believe, “I have this, and I will sell it” without taking into consideration the different tastes of other people, their preferences, etc. All of these aspects can contribute to the close-minded society. Moreover, the Ecuadorian is very trustful (*confiado*), he "always acts in good faith" and this aspect influences a lot. For example, there are numerous SMEs that rely heavily in negotiations done through this Internet globalization and they “go with the gut or throw themselves to a business” without a good market research (Dario).

In regards to the social etiquette, all of the interviewees agreed that it is very significant for this culture. The first encounter with an Ecuadorian should be made with a firm handshake, but it is very warm and friendly. After, if a relationship is developed, there is embracing between men and a kiss on the cheek between men and women or in between women. Also, the proxemics is not too distant; however in Guayaquil, a main city, this distance is closer than in Quito. The attire expected is elegant, well matched, and well-presented since people do look at this aspect (Abril). The title, if the person has one, it is very important followed by his/her last name, but when the “ice breaks” or the person itself asks you to do it otherwise, then you will refer to him just by his first name (or by how it was indicated by the person). However, Galo Abril states that most SMEs owners or merchants do not have a title; therefore, they prefer to be called by his/her name followed by the last name. It is important to consider that in Ecuador the use of “*usted*” and “*tu*” have different meanings. When a foreigner doesn’t know the person, he/she should use “*usted*” since it is a more respectful way to address someone. Nevertheless, if the person that is being referred to authorizes you to use “*tu*” instead of “*usted*”, then “*tu*” can be used. Usually this happens when the “ice is broken” and a relationship or trust has been created (Orduz). Business cards are preferred to be in Spanish, but when an Ecuadorian doesn’t have a business card, due to its informality, it is not a concern since it could be solved by him saying, “write me on the back of this card”, “doesn’t matter, I’ll save it on my phone”, or “just send me an email with the information” (Rosales).

When coming to Ecuador people should be aware of the velocity that one speaks, the use of constant hand gestures, the direct and straightforward eye contact, and the different meanings of the words. People shouldn’t generalize that all the Spanish words spoken in one country means the same in the other (Sotomayor). When a foreigner doesn’t speak, Ecuadorians often believe he is not an experienced person (Rosales). Additionally,

Ecuadorian's are very vague in their response since "we are indirect in our communication and we like to spin things around and around as the negotiation proceeds, and we expect that the other person interprets and know what we want to say" (Orduz). The Ecuadorians won't say "we don't want to", they will try to figure out other ways to say it (or actions can be used), to say "no" (Borja). For example, Dario points out that when an Ecuadorian is not interested on the matter they gaze their look towards another direction and tries to finish the conversation quickly. Principally, this is linked to the fear that people have to what society will say (Rosales). Hence, Daniel Orduz states that Ecuador is a collectivist society since they are drifted by what most people think.

All the interviewees refer to punctuality as a major issue, where people from other countries have had trouble understanding its concept. However, if the foreigner knows this he/she will use it as a means to "break the ice". Ecuadorians are known for its "Ecuadorian hour", which means that since we are in Ecuador, this allows us to be late and we have plenty of apologies for it, such as: "it was the traffic", "it was the rain", "there was no light", and among other justifications (Orduz). Additionally, when coming to Quito, it is important to know what "Pico y Placa" means. This is a new transit law that doesn't permit on weekdays for some cars to transit in the city depending on its car plate. For example, on Mondays the car's ending on 1 and 2 can't be used from 7:00am to 9:30am and from 4:00pm to 7:30pm. For a foreigner, this is vital to know because previous scheduling and planning have to be done when considering to transit in Quito. If not, delays can happen since tickets are given and the car is taken away, when the rule is not followed (rule doesn't apply to yellow taxis).

A major factor that prevails in the Ecuadorian country is hospitality and entertainment. However, Ruben Dario comments that even though Ecuadorians use this a lot in a negotiation process, they sometimes aren't careful and negotiations have been damaged due to the alcohol, especially since there is a high alcohol environment. Sotomayor

comments that there have been negotiations broken due the importance party has over negotiations. Sometimes “the negotiation can be finalized in the bar” says Daniel Orduz.

Furthermore, in Ecuador machismo prevails and even if progress has been made there is still a high tension when a businessman encounters a businesswomen, especially since there are sexist commentaries and most of the hospitality and entertainment won't be the same as with a men (Dario). Also, people tend to be skeptical of good negotiations with women (especially if they are attractive) and misleading assumptions are made (Orduz). However, according to Maria Jose Borja, Roberto Rosales and Galo Abril there is an impressive increase in Ecuadorian businesses of women who participate in low and high levels of an organization.

As a whole some of the suggestions made are as follows. Ecuadorian people in a business should plan ahead very precisely and analytically before, after, and during a negotiation. Negotiators should be surrounded by and consult people who are familiar with the other party's culture. Managers should try to use human capital on lower levels more when it comes to participate in the negotiation; even though managers are concerned of the benefits for the entire company, the ones who will vote and plan will be top managers, and who decide is usually the owner and president (Dario). Daniel Orduz comments that the Ecuadorian has made a progress in believing in its capacity and potential; nevertheless, he believes that there should be a bigger progress in this aspect, which will indeed, influence for a better negotiation. The short-term orientation has to be changed (Orduz). Also, Galo Abril, comments that Ecuadorians should be careful on recognizing its non-verbal language and also the other parties'. In other words, there is not a focus on this aspect when it comes to cross-cultural negotiation.

Discussion and Evaluation

Interviews with Business Owners

In this part of the thesis results are presented based on interviews made to business owners. The information is sorted based on the answers obtained and further discussion is made by comparing them to the findings of the interviews with professionals. By the end, the reader should have a view of what is the culture of these SMEs, how it compares with what was previously discussed, and it serves as an actual view (or real life application) of people's procedures and thoughts in the business environment.

The business people interviewed are all business owners. In the textile sector where: **(1) Galo Velastegui**, **(2) Diego Lopez**, and **(3) Amad**. In the telecommunications sector: **(4) Erica Muñoz**, and **(5) Miguel Chavez**. In the truck components sector **(6) Luiz Pozo**.

When it comes to establish an international negotiation these companies take into consideration the following things. All of the business owners highlight that a huge factor that influences in the negotiation process, especially with countries that are far from Ecuador, is the time distribution. They have to get almost double the capital to invest on something; therefore, the price is an important factor. This process is as follows: once they place the order they have to pay a certain percentage to secure its merchandise; when this is ready to be shipped, they have to pay the rest of the balance; it takes around a month to get to Ecuador and depending on customs it takes 10 to 15 days more for all the paper work to be done; when it gets to their company they start with all the process such as verification of inventories, allocation of prices, etc. in order for it to be ready for sale. By this time, they already have to place a new order; yet, they haven't recovered capital from previous orders since they are just selling it to customers, and if they sold some products, it depends if it is in accounts receivables or cash. Additionally, the change of laws in regards to tariffs and taxes are a big factor, which prevents them, to invest on more or look towards the future because

one day the government can increase the tax for importation and then the next month they can prohibit the imports of certain products. Consequently, this is a huge aspect that can contribute to the short-term orientation.

All of these companies faced a challenge when negotiating with people from other countries. They never thought that their holidays or special dates would affect them when making a negotiation. For example, Diego Lopez and Luiz Pozo didn't know that on Chinese New Year (Spring Festival) Chinese people didn't work for at least a month. The first time that they encountered this problem, they had a huge delay on the distribution of their product. This was a huge loss for them since they had already paid for these products, they had delayed distribution to their customers and there was a shortage of supply in their stock. Therefore, for the following years they learned that they had to plan ahead on how to place the orders for them to have merchandise after and before that date. Again, price and distribution time is an important factor. Luis said, "I knew that the Chinese New Year was a huge feast because I've read about it, but I didn't know what happened in regards to businesses schedule and other aspects" (Pozo). Erica faced another similar situation because they didn't know that during the holy week in Israel every business "paralyzed". Indeed, this proves the lack of knowledge and planning that Ecuadorians tend to have when dealing with an international negotiation, and how they wait until facing a problem in order to learn and know about it. This let's us question, will they focus on finding more information about other aspect of Chinese or Israel's culture, or will they keep on figuring things out as they face the problem by?

Erica comments that they face problems as they come, but it is an opportunity to learn from them. Luis and Erica's businesses find their suppliers by Internet; therefore, when asked what did they know about the person who they were doing business with in Israel she said, "we know that this country has high level in electronic research". Also, Luis Pozo said that

there has never been a contact with his suppliers in China since everything has been done by internet, and until today “we have had luck on finding the proper businesses... when it is time to select a company we base on information that they give such as examples of some of their suppliers” (Pozo). However, when they find the company that suits their needs they stay with them for long terms. In other words, as findings suggest, the tendency of Ecuadorians to not plan ahead and know its negotiator, indicates that they rely on basic information of the company itself and do not research in depth about the culture or negotiator that they are dealing with. What will happen when this negotiator some day will want to come to Ecuador? They do not know with whom they are doing business. Indeed, this also contributes to the short-term orientation since they might not think about: what if the negotiator changes, or what if policies are removed or added in a near future. Since they are facing positive outcomes now, that is what it matters for them. What will they do when facing the problem?

Furthermore, most of them struggled when trying to explain and educate the people of other countries, what were the details needed and procedures to follow in order to ship a product to Ecuador. There were situations where the merchandise, as soon as it got to Ecuador, had to be delivered back due to an error made on the foreigner’s behalf. In the case of Diego Lopez, due to laws in Ecuador, a type of label, besides the one that is already in every piece of clothing, has to be added. Companies in China had to stitch this label over theirs. Some companies were angry, others didn’t accept it, and others send it badly stitched, or others would charge a higher price. Nevertheless, once he created and established a relationship with the Chinese people, they did it with no extra charge or problem. Would he have prevented this problem if he knew that in China guanxi and previous relationships are important?

Moreover, Erica and Miguel had similar situations regarding their trust on third party people. They believed that most of their errors have been made due to this aspect. Again,

professionals in the field touched this factor. Throughout time Galo has notice that, including him, Ecuadorians are very resentful which has led to a delay in efficiency. He states, “We tend to get resentful and then angry at the person who tells us that we are wrong or that found a fallacy in our work. Because of this, we try to find the answer to prove our ‘innocence’ instead of trying to find the solution rapidly. We take things too personal” (Velasategui). Ecuadorians might act this particular way because of the importance they attribute to what others think of them, and their fear of a bad image.

When it comes to decision-making and negotiating, the owners are the ones who make decisions and involved in the process. People such as managers of sales and finance will contribute with ideas in separate meetings between them and the owner; especially if there is information that they do not know since “two or three heads think better than one” (Lopez). Therefore, when most of them have or had to encounter with something unfamiliar they wouldn’t like to work with it, they will try to avoid it, or they would have to investigate a lot. Consequently, the owners are the ones who take the last decision since they will be the ones confronting the big financial challenges or risk if something goes wrongly in the future. Yet, they want and look after the well being of their employees and see if their goals are also achieved. Moreover, all of the interviewees strive for competition and success by setting short-term goals, and they know that after this is achieved, it will lead to a better quality of life. All of these aspects contribute to the masculinity, uncertainty avoidance, short-term orientation and power distance. Also we see a linkage between uncertainty avoidance and short-term orientation since they will try to prevent risks due to the fact that these outcomes are seen in the long run and not the short run.

The social etiquette for all of the interviewees is essential and important. “This says a lot of the person itself” (Velasategui). The title was important for Miguel Chavez since he likes to be referred as Ing. Miguel Chavez, but to the rest of them they preferred to be called

by their name. At the beginning it is important a firm and “good” handshake with a straight look towards the eyes since “the eyes are the window to the soul and the heart” (Puente). The distance should be a prudent one, meaning not too far and not too close. Yet, they comment that when the relationship is established distance is shorter and the greeting is by embracing. For them, business cards weren’t essential, but if the foreigner has one they should be in Spanish. When touching the aspect of non-verbal language most of them said, “I don’t have something in specific that I do, what did you notice, do I do something?” Diego Lopez was the only one who said that he uses a lot of corporal language by the use of his hands. All of these aspects contribute to the importance of social etiquette for Ecuadorians. Also, it motivates/suggests for further study on finding the non-verbal language that is typical inside Ecuadorian culture. Due to the fact that studies and research indicates that non-verbal language, “body language”, and/or “silent language” is an aspect that affects the communication process by creating a cross-cultural conflict, and a study by “Ting- Toomey found that 65% (an estimate that goes up to 90%) of a message’s meaning is set through nonverbal cues” (Moran 58).

Erica and Amad said that they thought that the use of an interpreter wasn’t essential since most of the negotiators abroad spoke English, and when they didn’t understand something they used a translator application. Diego said, “If I knew Mandarin I wouldn’t use an interpreter in China, since then it is not necessary”. Luis commented that he does not use an interpreter because all the communication with the Chinese is done by email and in English where he uses “Google translate”, or when he went to Brazil he believed that the Portuguese wasn’t a difficulty for him since people are very similar to him and he didn’t see a change of culture. Also, he says that whenever he receives information from other companies that is in Mandarin, “I do not understand a thing, and unfortunately, I avoid them” (Pozo). On the other hand, Miguel and Galo did use an interpreter for any transaction when

necessary. As seen, communication is a barrier, but they do not realize how big this barrier is. In the case of Luis, he could be losing a huge opportunity to negotiate with a company in China, or in the case of Diego he might not be aware that this interpreter was also a help to understand the Chinese culture and he might not realize that it has helped him a lot when he first encountered this culture (since he didn't face the problem, he may not understand this aspect and the positive decision he made of having an interpreter). They didn't say some errors that they may have had, but due to previous answers, it can be deduced that they could've encountered problems by using just translation means, but they faced the problem and tried to avoid or fix it in another way.

When it comes to punctuality, most of the companies said that for them being on time is essential. They always try to be 15 or 10 minutes before the appointment or meeting. Yet, Erica had an anecdote about this aspect, she commented, "I have had many problems when trying to be on time, there was an occasion where a person from Israel came to give a presentation at Movistar, we considered that leaving the house 8:20 am we were going to get there, but no, we didn't, there was traffic, delays on our way, and I thought that I could be on time. Unfortunately, the Israeli had to go alone to the presentation at Movistar (a big telecommunications firm)" (Muñoz). In this aspect, there is a contradiction to what it has been read and found because "the Ecuadorian hour" does not apply to most of them.

In regards to hospitality and entertainment, they all agree that it is a "must" on their list. Diego does them depending on the person, if he doesn't know the person then he will invite them from the beginning and during the process or until his/her stay, but if he does know the person he will do it after. They usually take people on tours, go for dinners, and/or lunch. They believe that this is essential in a negotiation process because it is a way to build the relationship with the other counterpart. Miguel comments, "We have to have a well based friendship, if not, then how?" (Chavez). Erica mentions that she will try to break the ice, so

there is a more friendly and relaxed environment. In addition, some of the values mentioned by all of them, which they considered are fundamental in their negotiation process is trust, respect and honesty. Amad states, “when in the business there is trust, every negotiation goes well” (Puente). Velastegui agrees that building a relationship is important he says, “the more love that it exists, the more respect there is” (Velastegui). Hence, the foreigner should use a “link person” after this trust is established (not before) since they believe that trust is what predominates.

Machismo is, unfortunately, part of the Ecuadorian culture. Erica Muñoz said that it was not positive for her husband to negotiate with a woman since courtesies can be misunderstood. However, she thinks that with foreign women things would be done quicker and the situation would certainly be different. Luiz Pozo said, “I haven’t had a negotiation with women, because in the environment that my business operates, I believe that this products traditionally have been done by men” (Pozo). Nevertheless, they believe that if they had the opportunity to negotiate with women it would be an enriching experience, but she should demonstrate her knowledge and experience. Also, when asked how women were incorporated in their organization, they mentioned that there is a balance between men and women who participate in the labor force.

Finally, it makes me question and think: do owners of these SMEs realize how other culture is affecting their negotiation? To what extent and what aspects do they consider a cultural barrier? It can be evaluated that they might not be aware of how their culture is or could be affecting a better and successful negotiation.

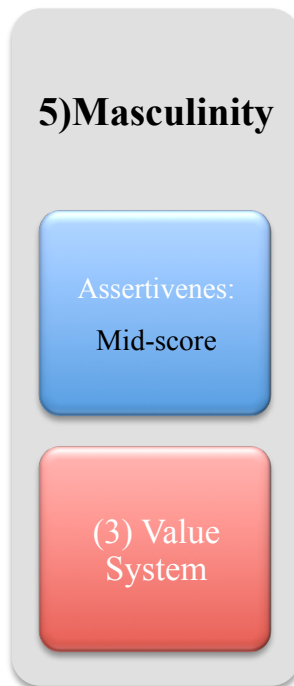
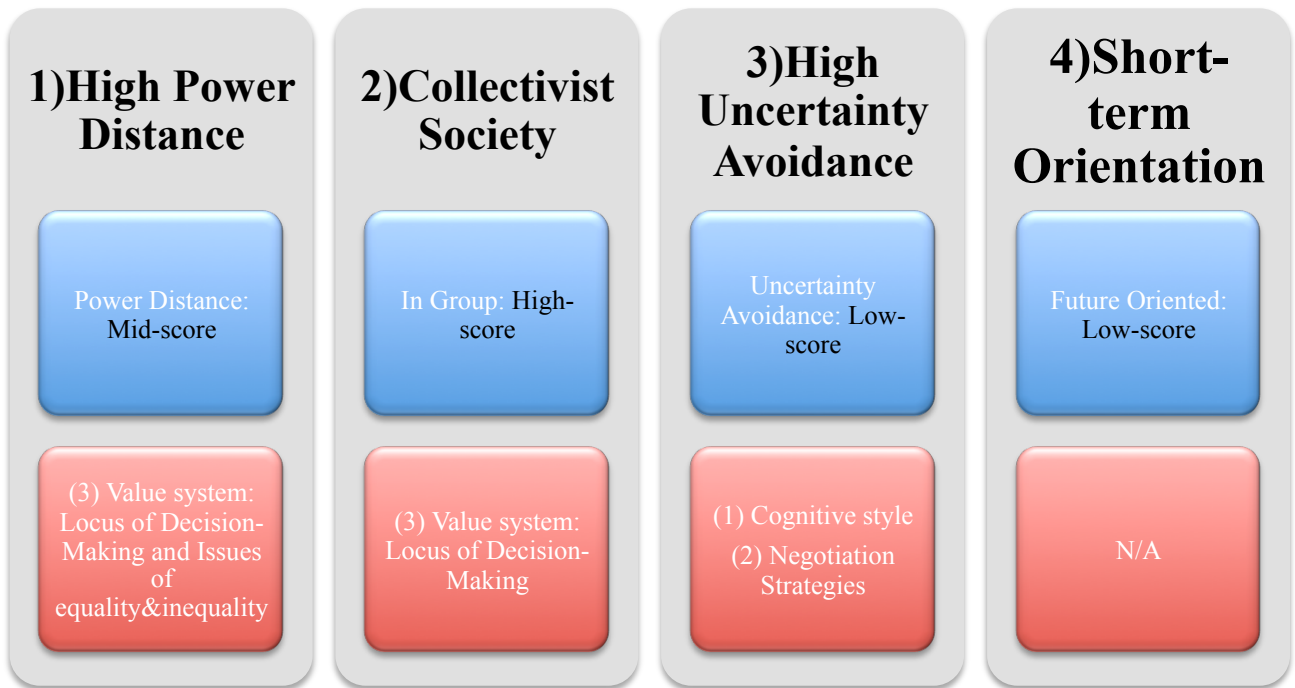
Analysis and Recommendations

Comparison and Contribution to Studies/Literature

In this section a meta-analysis is used in order to contrast and combine results from Hofstede, the GLOBE and Terry Morrison and Wayne A. Conaway's studies/theories with the findings on the interviews made. This will help to identify patterns among results, and further relationships and contributions that have been evaluated and discussed.

First, Hofstede and the GLOBE studies are combined in order to form 5 groups for a better correlation and understanding among their findings towards each dimension. With this, just the descriptions that the GLOBE summarizes for each dimension that supports the Ecuadorian culture (see appendices C to J) are selected to incorporate them under each group (descriptions that do not fit would be disregarded). This selection will be made based on the assessment of which point relates better to the interviews made to professionals and business owners. Then, the branches and categories of the Cultural Orientation theory proposed by Terri Morrison and Cayne Conaway will be added into its respective group. Finally, contributions by the author will be incorporated to each group by the information gathered from interviews that supports, strengthens and enriches the understandings and correlation.

These groups are as follows:



Key:

GLOBE

Hofstede

Morrison & Conaway

*Note: the short-term dimension in Hofstede group is a contribution made by the author to apply it in Ecuadorian culture and the Morrison and Conaway results were interpreted to fit into the corresponding group (3 dimensions of the GLOBE weren't considered).

In-group 1, under the GLOBE section, since there is a mid-score given to Latin American clusters, some characteristics from high power distance and low power distance are considered when selecting to fit Ecuadorian culture (refer to appendix I).

1) High Power Distance

Power Distance: Mid-score

- Social inequities: society differentiated into classes on several criteria
- Social mobility: limited upward social mobility
- Information control: Information is localized
- Governance: Different groups have different (e.g., women) have different involvement, and democracy does not ensure equal opportunities

(3) Value System:

- Locus of decision making: concern of one's status and position
- Issues of Equality/Inequality: Sierra elite-upper class by birth and intermarriage, there is an extreme contrast between the rich and the poor

This high power distance is mainly due to the separation of classes that it is clear in Ecuador. What people think (who belongs to their social group) is an influence to this power distance because upper class will do things based on what would other's of their group might critique or see. Therefore, this also helps to explain their collectivist nature in this society with their 'in group'. In an organization, there is also power distance between the owner/president of the company with its subordinates since the owner of an SME is generally the president and manager of different fields, and the one who will encounter the one-to-one relationship with a negotiator. Therefore, there is a very low possibility that his/her employees "replace" or become part of the upper management.

In-group 2, there is a high-score therefore some characteristics from high collectivism are considered (refer to appendix G).

2)Collectivist Society

In Group: High-score

- Organizations take responsibility for employee welfare
- Important decisions tend to be made by groups
- Selection can focus on relational attributes of employees

(3) Value system:

- Locus of Decision making: kinship and friendship is important; collectivist society

The owner is aware of the well being of its company, but in this case the GLOBE states that groups make important decisions in a high collectivist society. However, in the case of Ecuadorian SMEs, groups do not make the decisions, the owner is the one who makes the final decision but the group does contribute to the analysis (Remember, only on outside meetings with the owner and other colleagues, not during the negotiation process/meetings). In addition, this relates to the importance of their values of trust, building a relationship and honesty.

In-group 3, there is a low-score therefore some characteristics from low uncertainty avoidance are considered (refer to appendix J).

3)High Uncertainty Avoidance

Uncertainty Avoidance: Low-score

- Have a tendency to be more informal in their interactions with others
- Rely on the word of others they trust rather than contractual arrangements
 - Rely on informal interactions and informal
 - Be less calculating when taking risks
 - Show less resistance to change
- Show more tolerance for breaking rules

(1) Cognitive style:

- Close-minded, Associative and Particular thinking

(2) **Negotiation strategies:** person's feelings are a major source of truth, and data only in quantifiable is not enough

In this aspect, Hofstede puts Ecuador as high uncertainty avoidance society, but the GLOBE classifies Latin America with a low-score. According to the characteristics mentioned before regarding Hofstede findings they do match with the interviews made since Ecuadorian SMEs have resistance to change, avoid ambiguity, and do not take frequent risks. Also, Morrison and Conaway's classification proves this aspect. On the other hand, even though there is a high-score some characteristics of the GLOBE do apply to Ecuadorian SMEs. For example, most of the values considered by the SMEs contribute to these characteristics. Yet, two of them contradict: one characteristic is that a low-score society shows "less resistance to change" (House, Hanges, Javidan, Dorfman and Gupta 618), but in the case of Ecuadorian SMEs they show a stronger resistance to change due to this close-minded thinking, and political and economic instability; the other characteristic states, low-

score societies are “more moderate when calculating risk” (House, Hanges, Javidan, Dorfman and Gupta 618). Ecuadorian SMEs actually will take moderate steps by investigating if the company is reliable with its products. Nonetheless, they won’t take *more* calculated steps due to this lack of planning and the observation made that they “face the problem” and then learn.

In-group 4, there is a low-score therefore some characteristics from low future orientation are considered (refer to appendix E).

4) Short-term Orientation

Future Oriented: Low-score

- Have organizations with a shorter strategic orientation
- Have inflexible and maladaptive organizations and managers
- Value instant gratification and place higher priorities on immediate rewards

N/A

This short-term orientation has to do with the uncertainty avoidance and with SMEs desire of wanting to do “quick business”, generate fast money, and see the outcome as soon as possible.

In-group 5, there is a mid-score therefore some characteristics from low and high assertiveness are considered (refer to appendix D).

5) Masculinity

Assertiveness: Mid-score

- Value assertive, dominant, and tough behavior for everyone in society
- Value competition, success, progress, warm relationships, expressiveness, revealing thoughts and feelings, and ambiguity
- Build trust on the basis of capability and predictability

(3) Value system:

- Sources of Anxiety reduction: strong work ethic

In this dimension there is a perfect description of why Ecuadorian SMEs are a masculine society, which is also linked to their values (as mentioned before).

Propositions

Based on all of the information, four big propositions are taken:

1. The lack of confidence that Ecuadorians have can be due to their unawareness of their strengths and weaknesses of their culture which makes them to be risk avert
2. They “face problems and then learn from them” due to the lack of planning and reduced information that they gather in regards to the negotiator and its culture
3. SMEs aren’t aware of the impact culture has had on their negotiation
4. There is a clear correlation between Uncertainty Avoidance, Power Distance, Collectivism, Masculinity and Short-term orientation with Ecuadorian values, way of thinking, and procedures, among others. The importance of relationships, honesty and trust influences on their collectivist approach since they will try to look for the benefit of their group with a strong working ethic (masculinity). Although people do

cooperate with ideas and contribute, the owners are making the last decision and are the ones who manage and deal with the negotiation process (high power distance). Their short-term orientation is influenced by the high uncertainty avoidance because they want to see outcomes fast and they do not plan for the future. Also, this is linked to the high power distance since there is no control of the organization over this economic and political instability due to the power that the state has. Hence, making them risk averts, especially since they believe that if they take a risk then the outcomes will be seen on the long-run.

Recommendations

Some recommendations have been done on previous discussion, but there are some key points that are worthwhile to mention. After all these findings and analysis, the principal and most important factor that has to be improved by these SMEs, is to understand how this culture of not planning ahead affects them. They have to recognize their own culture by knowing what they value, how/what they think, how they behave, and how their strengths and weaknesses are affecting their success and better results. This planning has to be done before the negotiation, during, and after it. They have to understand that the need of an interpreter and people who know and are familiar with cultures is very important in today's business world. They shouldn't wait for the problem to come in order to learn from it. They should plan ahead to avoid problems and this can reduce their risks advertence. They have to open their mind to seek for more information since this can affect them.

It is very difficult, due to economic and political instability that they look for the long-term instead for the short-term, but at least they can try to establish long-term goals that can endure these important relationships (according to their values) with other countries that can lead to a better and more prosperous results. As seen, this also has a link to their uncertainty avoidance and risk taking. If they prepare with more information they will be

more encouraged to take risks. Hence, there should be cooperation from the government by not changing laws and procedures frequently, so companies are less risk avert and have the confidence to plan for future years.

Furthermore, managers should let more people to participate during the negotiation process, not only on separate meetings, because there will be an enriching process with new perspectives and ideas formed. Also, while one person is focused on the ideas, the other person can be focused on the other party’s nonverbal language or analyzing other aspects. This could lead them to take more risks because more information is gathered precisely and more people are participating on the final decision. Certainly, these people will look after the best for the company due to this high collectivism aspect, and their common goal of striving to success. All of these aspects can lead them to increase their confidence on their potential as an Ecuadorian organization.

Negotiation with Chinese Culture

Since all of the SMEs have started to do business with China. According to what it has been said, and using Hofstede and the Globe studies, the following suggestions are recommended to these cultures, in order to use these differences and similarities among their cultures as an advantage for them. Also, the Chinese people can use this thesis as whole to have a better understanding of Ecuadorian culture.

Minimizing the Cultural Gap

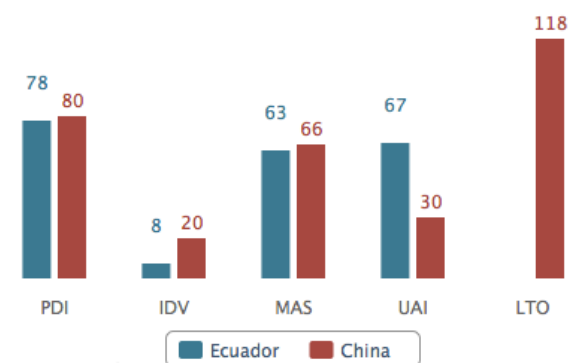


Figure 2: Hofstede

	High-Score	Mid-Score	Low-Score
ASSERTIVENESS		BOTH	
FUTURE ORIENTATION		China	<i>Ecuador</i>
IN-GROUP COLLECTIVISM	BOTH		
POWER DISTANCE		BOTH	
UNCERTAINTY AVOIDANCE		China	<i>Ecuador</i>

Figure 3: GLOBE

Considering these similarities and differences presented by Hofstede and the GLOBE, there are aspects that both cultures have to be aware of to obtain better results from a business negotiation. Both cultures have a high power distance, are collectivist and masculine society (assertive) (“What about China?”). Both take and follow these dimensions in different ways, but they can use this as an advantage for them. In other words, since there is a high value towards relationships in both cultures, they should use this as a source by creating a stronger and solid relationship among themselves. Both Ecuadorians and Chinese rely on “whom you know” (guanxi); therefore, if both create a relationship and build their guanxi among them, then they can definitely create a positive outcome. Also, they will create a strong relationship among negotiators and the decisions made will be definite and solid since both of the cultures could be using their senior management or owners to do business (due to high power distance); therefore, the trust and honesty is stronger. Additionally, they both are driven by and strive for success. Once this relationship is established, they can try to figure out the best outcome to fulfill their work ethic value and compete strongly in the market. Hence, taking into consideration their concern for “the group”.

The two dimensions that are different among them, and could create major problems are the uncertainty avoidance dimension and the long/short-term orientation. While Ecuador has high uncertainty avoidance, China has a low score, according to Hofstede (mid-score in GLOBE). Chinese are comfortable with ambiguity but Ecuadorians aren't. Also, while China has a long-term orientation, Ecuador has a short-term orientation. In this aspect, they could both work together to have a balance of risks. For example, some risks taken can be designated for the long-term, and some decisions or risks can be taken for a short term, but these have to follow the long-term outcome or goal. This will have a better and efficient result for both of them since they can review the progress better. In other words, they might

say, “by doing X we will have in 10 years a better market share, but X have to show us in a monthly basis the progress of our product to; this will show us if X can be achieved”.

Some other aspects that can be interpreted are as follows. For both cultures, the social etiquette is very important. Nevertheless, they do have specifics that have to be studied before hand, such as in China, people are referred to by their last name first, then their first name followed by their middle name (Morrison and Conaway, “Asia” 13). Another aspect is that Chinese maintain their distance with the other person, there is a very low touching contact, indirect eye contact, and they maintain a “poker face” (Gasteland 65). Surely, there is a contrast with Ecuador. In addition, punctuality does defer in both cultures, especially in the meaning of it. Even though Ecuadorian SMEs are changing, as it has been observed, it is important that they know that whenever they are late with the Chinese people there is no justification such as “there was too much traffic”. They have to consider that Chinese people value punctuality and it is considered an affront if they are late regardless (Morrison and Conaway, “Asia” 9). Therefore, this awareness that SMEs have shown helps a lot. The Chinese people can follow the previous tips and guides of how to make the best impression with these Ecuadorian SMEs in regards to social etiquette.

As presented, there is a quick view and it shows to Ecuadorian SMEs how these and a range of other aspects should be considered when trying to establish a solid understanding of how to do business with the Chinese culture. As observed, if these two cultures understand and try to overcome their differences and connect their similar values, they can “eat the world”.

Conclusion

This thesis is a key product to demonstrate that culture is a wide and extensive factor that has to be analyzed in specific parts. The literature provided is for a general view in order to have an idea of how to operate in another country that we aren't familiar with. Yet, sometimes we may not understand how this actual application is in the real life in businesses, how do they connect between each other or why do people act or think the way they do. Therefore, at this point, the reader should have a clear view of the linkage between what studies and theories show with examples of why Ecuadorian SMEs display this qualities and features. As many research, literature and studies refer, we can never generalize or stereotype because we never know if the people who we will encounter will be as we "studied". Therefore, when it comes to negotiate with specific businesses in Ecuador, or any part of the world, it is better to analyze them one by one since one could be ahead in one aspect, while the other one can behave in another way.

In conclusion, Ecuadorian SMEs culture, as seen with examples and findings, does affect the way they negotiate. Nevertheless, they have to recognize those barriers that aren't allowing them to have a better or successful outcome. Do they understand the implications of language barriers, or the need of using an interpreter? How can they use their strengths, such as building a relationship, for a better outcome? To what extent, they believe that studying one's and the other's culture is important? What is the probability that they will start understanding this phenomenon and planning ahead? Indeed, once they recognize these aspects, they will become more open and better to this globalized world. A small demonstration of how they can do this with the Chinese culture is given that suggests how they can use their strengths as an advantage, but also how they can adapt and understand the other culture.

Indeed, future research can be done in order to enrich this thesis process by answering the previous questions elaborated. Similarly, a study can be organized and planned by focusing on the non-verbal communication that it is unique for Ecuadorians. Also, it will be rewarding to comment the findings to the companies interviewed and help them see their weaknesses when it comes to realizing their understanding of how their and other's culture has or could have affected previous negotiations. Consequently, this will lead to help and orient them on future negotiations with Chinese companies. There is a positive expectation that these Ecuadorian SMEs can succeed in this globalized world with all the things mentioned in the thesis.

Appendix A: Countries Participating in GLOBE
 (House, Hanges, Javidan, Dorfman, and Gupta 12)

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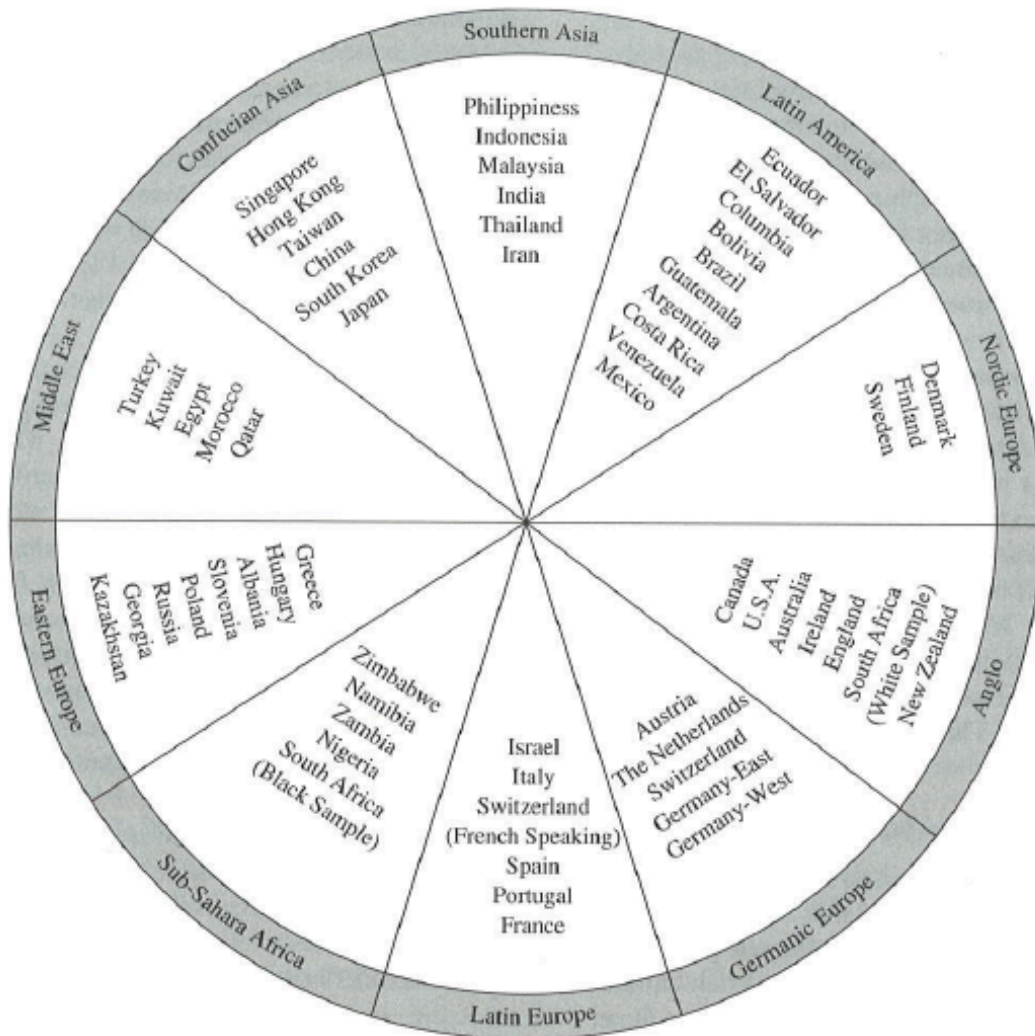


Figure 10.1 Country Clusters According to GLOBE

Appendix B: Cultural Cluster Classified on Societal Culture Practices (As Is)
(House, Hanges, Javidan, Dorfman, and Gupta 193)

Table 10.3 Cultural Clusters Classified on Societal Culture Practices (As Is) Scores

<i>Cultural Dimension</i>	<i>High-Score Clusters</i>	<i>Mid-Score Clusters</i>	<i>Low-Score Clusters</i>	<i>Cluster-Average Range</i>
Performance Orientation	Confucian Asia Germanic Europe Anglo	Southern Asia Sub-Saharan Africa Latin Europe Nordic Europe Middle East	Latin America Eastern Europe	3.73–4.58
Assertiveness	Germanic Europe Eastern Europe	Sub-Saharan Africa Latin America Anglo Middle East Confucian Asia Latin Europe Southern Asia	Nordic Europe	3.66–4.55
Future Orientation	Germanic Europe Nordic Europe	Confucian Asia Anglo Southern Asia Sub-Saharan Africa Latin Europe	Middle East Latin America Eastern Europe	3.38–4.40
Humane Orientation	Southern Asia Sub-Saharan Africa	Middle East Anglo Nordic Europe Latin America Confucian Asia Eastern Europe	Latin Europe Germanic Europe	3.55–4.71
Institutional Collectivism	Nordic Europe Confucian Asia	Anglo Southern Asia Sub-Saharan Africa Middle East Eastern Europe	Germanic Europe Latin Europe Latin America	3.86–4.88
In-Group Collectivism	Southern Asia Middle East Eastern Europe Latin America Confucian Asia	Sub-Saharan Africa Latin Europe	Anglo Germanic Europe Nordic Europe	3.75–5.87
Gender Egalitarianism	Eastern Europe Nordic Europe	Latin America Anglo Latin Europe Sub-Saharan Africa Southern Asia Confucian Asia Germanic Europe	Middle East	2.95–3.84
Power Distance		Southern Asia Latin America Eastern Europe Sub-Saharan Africa Middle East Latin Europe Confucian Asia Anglo Germanic Europe	Nordic Europe	4.54–5.39
Uncertainty Avoidance	Nordic Europe Germanic Europe	Confucian Asia Anglo Sub-Saharan Africa Latin Europe Southern Asia	Middle East Latin America Eastern Europe	3.56–5.19

Appendix C: Performance Orientation
 (House, Hanges, Javidan, Dorfman, and Gupta 245)

Table 12.1 Higher Performance Orientation Societies Versus Lower Performance Orientation Societies

<i>Societies That Score Higher on Performance Orientation, Tend to:</i>	<i>Societies That Score Lower on Performance Orientation, Tend to:</i>
<ul style="list-style-type: none"> • Value training and development • Emphasize results more than people • Reward performance • Value assertiveness, competitiveness, and materialism • Expect demanding targets • Believe that individuals are in control • Have a “can-do” attitude • Value and reward individual achievement • Have performance appraisal systems that emphasize achieving results • View feedback as necessary for improvement • Value taking initiative • Value bonuses and financial rewards • Believe that anyone can succeed if he or she tries hard enough • Believe that schooling and education are critical for success • Value what you do more than who you are • Attach little importance to age in promotional decisions • Value being direct, explicit, and to the point in communications • Have a monochronic approach to time • Have a sense of urgency 	<ul style="list-style-type: none"> • Value societal and family relationships • Emphasize loyalty and belongingness • Have high respect for quality of life • Emphasize seniority and experience • Value harmony with the environment rather than control • Have performance appraisal systems that emphasize integrity, loyalty, and cooperative spirit • View feedback and appraisal as judgmental and discomforting • View assertiveness as socially unacceptable • Regard being motivated by money as inappropriate • View merit pay as potentially destructive to harmony • Value “attending the right school” as an important success criterion • Emphasize tradition • Have high value for sympathy • Associate competition with defeat and punishment • Value who you are more than what you do • Pay particular attention to age in promotional decisions • Value ambiguity and subtlety in language and communications • Have a polychronic approach to time • Have a low sense of urgency

Appendix D: Assertiveness
(House, Hanges, Javidan, Dorfman, and Gupta 405)

Table 15.1 Higher Assertiveness Societies Versus Lower Assertiveness Societies

<i>Societies That Score Higher on Assertiveness, Tend to:</i>	<i>Societies That Score Lower on Assertiveness, Tend to:</i>
<ul style="list-style-type: none"> • Value assertive, dominant, and tough behavior for everyone in society • Have sympathy for the strong • Value competition • Believe that anyone can succeed if he or she tries hard enough • Value success and progress • Value direct and unambiguous communication • Value being explicit and to the point in communications • Value expressiveness and revealing thoughts and feelings • Have relatively positive connotations for the term <i>aggression</i> (e.g., aggression helps to win) • Have a just-world belief • Try to have control over the environment • Stress equity, competition, and performance • Have a “can-do” attitude • Emphasize results over relationships • Value taking initiative • Reward performance • Expect demanding and challenging targets • Believe that individuals are in control • Value what you do more than who you are • Build trust on the basis of capabilities or calculation • Act and think of others as opportunistic 	<ul style="list-style-type: none"> • View assertiveness as socially unacceptable and value modesty and tenderness • Have sympathy for the weak • Value cooperation • Associate competition with defeat and punishment • Value people and warm relationships • Speak indirectly and emphasize “face-saving” • Value ambiguity and subtlety in language and communications • Value detached and self-possessed conduct • Have far more negative connotations with the term <i>aggression</i> (e.g., aggression leads only to negative outcomes) • Have an unjust-world belief • Value harmony with the environment rather than control • Stress equality, solidarity, and quality of life • Emphasize tradition, seniority, and experience • Emphasize integrity, loyalty, and cooperative spirit • View “merit pay” as potentially destructive to harmony • Value who you are more than what you do • Build trust on the basis of predictability • Think of others as inherently worthy of trust

Appendix E: Future Orientation
(House, Hanges, Javidan, Dorfman, and Gupta 302)

Table 13.1 Higher Future Orientation Societies Versus Lower Future Orientation Societies

<i>Societies That Score Higher on Future Orientation, Tend to:</i>	<i>Societies That Score Lower on Future Orientation, Tend to:</i>
<ul style="list-style-type: none"> • Achieve economic success • Have a propensity to save for the future • Have individuals who are psychologically healthy and socially well adjusted • Have individuals who are more intrinsically motivated • Have organizations with a longer strategic orientation • Have flexible and adaptive organizations and managers • View materialistic success and spiritual fulfillment as an integrated whole • Value the deferment of gratification, placing a higher priority on long-term success • Emphasize visionary leadership that is capable of seeing patterns in the face of chaos and uncertainty 	<ul style="list-style-type: none"> • Have lower levels of economic success • Have a propensity to spend now, rather than to save for the future • Have individuals who are psychologically unhealthy and socially maladjusted • Have individuals who are less intrinsically motivated • Have organizations with a shorter strategic orientation • Have inflexible and maladaptive organizations and managers • See materialistic success and spiritual fulfillment as dualities, requiring trade-offs • Value instant gratification and place higher priorities on immediate rewards • Emphasize leadership that focuses on repetition of reproducible and routine sequences

Appendix F: *Humane Orientation*
(House, Hanges, Javidan, Dorfman, and Gupta 586)

Table 18.11 Summary of Major Connotations and Variations of the Humane Orientation Differences in Terms of Organizational Practices and Values

<i>High Humane-Orientation Organizations</i>	<i>Low Humane-Orientation Organizations</i>
Informal relationships.	Formal relationships.
Social control based on shared values and norms.	Social control based on bureaucratic practices.
Practices reflect individualized considerations.	Practices reflect standardized considerations.
Mentoring and patronage support.	Supervisory support.
Organizations are trusted more and are autonomous in human resource practices.	Organizations are controlled by legislation and unionization.
Organizations are relatively autonomous in their employee relations.	Organizations are restricted in their employee relations by the concept of <i>social partners</i> .
Less influence of trade unions and the state on the business system.	Greater influence of trade unions and the state on the business system.
Higher emphasis on contractual sale of labor.	Lower emphasis on contractual sale of labor.
Shareholder's approach.	Stakeholders' approach.
Primary focus is on profits.	Primary focus is on social responsibility.
Organizational members prefer to work with others to get jobs done.	Organizational members prefer to be left alone to get jobs done.

Appendix G: Individualism vs Collectivism
(House, Hanges, Javidan, Dorfman, and Gupta 459)

Table 16.2 Higher Individualism and Collectivism for Organizations Versus Lower Individualism and Collectivism for Organizations

<i>Organizations That Score High on Collectivism</i>	<i>Organizations That Score High on Individualism</i>
<ul style="list-style-type: none"> • Members assume that they are highly interdependent with the organization and believe it is important to make personal sacrifices to fulfill their organizational obligations • Employees tend to develop long-term relationship with employers from recruitment to retirement • Organizations take responsibility for employee welfare • Important decisions tend to be made by groups • Selection can focus on relational attributes of employees • Jobs are designed in groups to maximize the social and technical aspects of the job • Training is emphasized more than selection • Compensation and promotions are based on what is equitable for the group and on considerations of seniority and personal needs • Motivation is socially oriented, and is based on the need to fulfill duties and obligations and to contribute to the group • Organizational commitment is based on expectations of loyalty and in-group attitudes • Prosocial behaviors, or organizational citizenship behaviors, are more common • Avoidant, obliging, compromising, and accommodating conflict resolution tactics are preferred • Accountability for organizational successes and failures rests with groups 	<ul style="list-style-type: none"> • Members assume that they are independent of the organization and believe it is important to bring their unique skills and abilities to the organization • Employees develop short-term relationships, and change companies at their own discretion • Organizations are primarily interested in the work that employees perform and not their personal or family welfare • Important decisions tend to be made by individuals • Selection focuses primarily on employees' knowledge, skills, and abilities • Jobs are designed individually to maximize autonomy • Selection is emphasized more than training • Compensation and promotions are based on an equity model, in which an individual is rewarded in direct relationship to his or her contribution to task success • Motivation is individually oriented and is based on individual interests, needs, and capacities • Organizational commitment is based on individuals' rational calculations of costs and benefits • Prosocial behaviors, or organizational citizenship behaviors, are less common • Direct and solution-oriented conflict resolution tactics are preferred • Accountability for organizational successes and failures rests with individuals

Appendix H: Gender Egalitarianism
(House, Hanges, Javidan, Dorfman, and Gupta 359)

Table 14.2 Higher Gender Egalitarianism Societies Versus Lower Gender Egalitarianism Societies

<i>Societies That Score Higher on Gender Egalitarianism Tend to:</i>	<i>Societies That Score Lower on Gender Egalitarianism Tend to:</i>
<ul style="list-style-type: none"> • Have more women in positions of authority • Accord women a higher status in society • Afford women a greater role in community decision making • Have a higher percentage of women participating in the labor force • Have less occupational sex segregation • Have higher female literacy rates • Have similar levels of education of females and males 	<ul style="list-style-type: none"> • Have fewer women in positions of authority • Accord women a lower status in society • Afford women no or a smaller role in community decision making • Have a lower percentage of women participating in the labor force • Have more occupational sex segregation • Have lower female literacy rates • Have a lower level of education of females relative to males

Appendix I: Power Distance
(House, Hanges, Javidan, Dorfman, and Gupta 536)

Table 17.2 Higher Power Distance Societies Versus Lower Power Distance Societies

<i>Parameters</i>	<i>Higher Power Distance</i>	<i>Lower Power Distance</i>
1. Social inequities	Society differentiated into classes on several criteria	Society has large middle class
2. Power bases	Power bases are stable and scarce (e.g., land ownership)	Power bases are transient and sharable (e.g., skill, knowledge)
3. Role of power	Power is seen as providing social order, relational harmony, and role stability	Power is seen as a source of corruption, coercion, and dominance
4. Social mobility	Limited upward social mobility	High upward social mobility
5. Information control	Information is localized	Information is shared
6. Governance	Different groups (e.g., women) have different involvement, and democracy does not ensure equal opportunities	All the groups enjoy equal involvement, and democracy ensures parity in opportunities and development for all
7. Indigenous orientation and independence	Strong nonnative historical influences and recent independence of the society	Strong native historical influences and long standing independence of the society
8. Civil freedom	Civil liberties are weak and public corruption high	Civil liberties are strong and public corruption low
9. Resources and capabilities	Only a few people have access to resources, skills, and capabilities, contributing to low human development and life expectancies	Mass availability of tools, resources, and capabilities for independent and entrepreneurial initiatives, as reflected in wide educational enrolment
10. Consumption	High growth rates of consumption and high need for resource coordination	Mature growth rates of consumption and high per capita purchasing power
11. Technology	Mass use of technology, which supports general power distance reduction	Need for specialized technology, adapted to each user

Appendix J: Uncertainty Avoidance
(House, Hanges, Javidan, Dorfman, and Gupta 618)

Table 19.1 Higher Uncertainty Avoidance Societies Versus Lower Uncertainty Avoidance Societies

<i>Societies That Score Higher on Uncertainty Avoidance Tend to:</i>	<i>Societies That Score Lower on Uncertainty Avoidance Tend to:</i>
<ul style="list-style-type: none"> • Have a tendency toward formalizing their interactions with others • Document agreements in legal contracts • Be orderly, keeping meticulous records, documenting conclusions drawn in meetings • Rely on formalized policies and procedures, establishing and following rules, verifying communications in writing • Take more moderate calculated risks • Inhibit new product development but facilitate the implementation stage through risk aversion and tight controls • Show stronger resistance to change • Show stronger desire to establish rules allowing predictability of behavior • Show less tolerance for breaking rules 	<ul style="list-style-type: none"> • Have a tendency to be more informal in their interactions with others • Rely on the word of others they trust rather than contractual arrangements • Be less concerned with orderliness and the maintenance of records, often do not document the conclusions drawn in meetings • Rely on informal interactions and informal norms rather than formalized policies, procedures and rules • Be less calculating when taking risks • Facilitate the new product development especially in the initiation phase, through higher risk taking and minimal planning or controls • Show less resistance to change • Show less desire to establish rules to dictate behavior • Show more tolerance for breaking rules

Appendix K: Questionnaire for Interview with Professionals

**Note: interviews were done in Spanish; therefore, questions were translated

1. What is your job/title?
2. Please, describe a typical day of your life (job and life included)?
3. How has the Ecuadorian market shaped your knowledge, experience, etc?
4. What do you think about today's interdependent global market place?
5. How has this affected, both negatively and positively, to Ecuadorian businesses?
6. Specifically, taking into consideration international negotiations, how do you think Ecuadorian businesses handle this situation?
7. What should a negotiator, from any part of the world, take into consideration when negotiating with Ecuadorians?
8. Which main factors do you think influence international negotiations between Ecuador and other countries?
 - a. Internal/External?
 - i. Specific, China/Korea (Asian countries)?
9. Do you think that our culture does influence on the negotiation process?

❖ Ecuadorian Business Culture

1. How important do you think is the social etiquette (r.e: greeting, protocol)
 - a. What is the social etiquette?
 - i. Greeting
 1. Handshake or kiss?
 2. Personal Space?
 - ii. Way to address someone
 1. Names and Titles
 2. Hierarchy? Or Egalitarian?
 3. Other
 - iii. Business Cards?
 - iv. Need of interpreter or "link person"?
 - v. Personal Appearance (Dress code, Appearance)
 - vi. Punctuality
2. What are the values taken into consideration in a negotiation process?
 - a. Religion?
 - b. Hospitality and Entertaining
 - c. Others
3. Are there communication barriers?
 - a. Non-verbal
 - b. Verbal
 - c. Language
4. Is the decision-making process long or short?
5. How is "Machismo" part of Ecuadorian culture, and does it affect the negotiation process?
 - a. Women's role
6. Looking to Hofstede and other scholars how do you think these aspects affect the negotiation and to what extent do you agree on these dimensions?
 - a. Power Distance (Ecuador High)
 - b. Individualism (Ecuador Low—collectivist)
 - c. Masculinity
 - d. Uncertainty Avoidance (High)
 - e. Long-Term or Short-Term Orientation?
7. Have you witnessed or known about any big problem in a negotiation that has taken place in a company?
8. If you had the opportunity to make a presentation or address Ecuadorian businesses, what are some recommendations you would suggest for a successful international negotiation?

Appendix L: Questionnaire for Interview with Business owners

****Note:** interviews were done in Spanish; therefore, questions were translated

1. Tell me about your business?
2. Please, describe a typical day of your life (job and life included)?
3. How has the Ecuadorian market shaped your knowledge, experience, etc?
4. What do you think about today's interdependent global market place?
5. How has this affected, both negatively and positively, to your business?
6. Which main factors influence an international negotiation between your company and other companies of different countries?
 - a. Internal/External?

❖ Your Business Culture—Picture yourself in any negotiation that you have had with another country, based on these:

1. How important is the social etiquette? (r.e: greeting, protocol)
 - a. How do you greet someone?
 - b. How do you like to be addressed?
 - c. Business Cards?
 - d. Is professional image important?
 - i. Dress
 - ii. Appearance
 - e. Is there a need of an interpreter or “link person”?
 - f. Punctuality
 - g. Others?
2. What are the values taken into consideration in a negotiation process?
3. When negotiating with different companies, who are involved in these process?
 - a. Who takes the decisions?
4. In your organization, people look after themselves and their direct family, or do you take care and look for the group?
5. What do you drive for the most:
 - a. Competition, achievement, standing out from the rest, and success (winner) or quality of life and caring for others
6. How do you handle ambiguity or the unknown?
 - a. Are you a risk-taker or risk avert? Why?
7. Are there communication barriers when negotiations take place?
 - a. Non-verbal (gestures, tone of voice, “looks”)
 - b. Verbal
 - c. Language
8. Do you expect or view result in a short or long-term basis? Why?
 - a. Do you plan for the short or long-term?
9. How are women incorporated in your business?
 - a. Have you had a negotiation with women?
 - i. If so, how was that experience?
10. What strategies would you take in any future International negotiation?

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