

Negotiating International Business - Hungary

This section is an excerpt from the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz. It has been updated with inputs from readers and others, most recently in March 2008.

Owing to its history within the former Eastern Bloc until 1990, when it held its first multi-party elections and started to become a free-market economy, businesspeople and officials in Hungary may have only limited exposure to other cultures except for neighboring countries. Its culture is quite homogeneous. However, many, especially among younger generations, have gained greater international experience after the reforms and can be very open-minded.

Though the country's current political and economic role may be modest on a world scale, keep in mind that back in its days of being part of the Austro-Hungarian Empire it wielded huge power and influence. Hungarians tend to be very proud of their country.

Relationships and Respect

Building lasting and trusting personal relationships is important to most people in this country. Such relationships are not necessarily a prerequisite to doing business, as Hungarians may be interested in quick deal making with foreigners. However, you will have to prove yourself as a trustworthy partner before they may be agreeable with any extended engagements. This may include asking and answering very personal questions since people expect to get to know you well. Holding back would be viewed very negatively. People in the country are very sensitive to being treated disrespectfully. In addition, they are generally suspicious of outsiders, especially foreigners. Establishing productive business relationships is therefore a slow process that requires a long-term perspective and commitment. As a reward, they may last forever.

Business relationships in this country exist between individuals or groups of people, not between companies. Even when you have won your local business partners' friendship and trust, they will not necessarily trust others from your company. That makes it important to keep company interfaces unchanged. Changing a key contact may require the relationship building process to start over.

In Hungary's business culture, the respect a person enjoys depends primarily on his or her status, education, and achievements. Admired personal traits include eloquence, poise, and an ability to socialize.

Communication

The country's official language, Hungarian, is not related to any of the Slavic languages. Many businesspeople speak at least some English. With older people, it may be useful to engage an interpreter. To avoid offending the other side, ask beforehand whether an interpreter should be present at a meeting. When communicating in English, speak in short, simple sentences and avoid using slang and jargon. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation.

People in this country usually speak softly. While they may occasionally raise their voices to make a point, they dislike loud and boisterous behavior. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Being loud may be regarded as bad manners. Emotions may be shown openly, though, and discussions may stimulate much passion and excitement. People generally converse standing around two to three feet apart.

Communication is usually quite direct. Hungarians dislike vague statements and openly share opinions, concerns, and feelings with others. They do not find it difficult to say 'no' if they dislike a request or proposal.

Hungarians use body language sparingly, and there is little physical contact between them. They may not understand the American *OK* sign, with thumb and index finger forming a circle. The thumbs-up gesture is positive as it signals approval. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust.

Initial Contacts and Meetings

Choosing a third party intermediary is important, since having a local contact is advantageous for doing business in this country. This could be a business consultant or lawyer who effectively bridges the gap between cultures, allowing you to conduct business with greater effectiveness. This person will be expected to represent you on a continuing basis rather than just being an initial 'door-opener.'

Negotiations in Hungary can be conducted by individuals or teams of negotiators. You may not be able to meet the senior executives of an organization at the first meeting, so be prepared to deal with subordinates. They may have significant influence over the final decision.

If possible, schedule meetings at least two weeks in advance, and do not cancel one on short notice since that can be viewed as very rude. Since Hungarians want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. People generally expect visitors to be punctual. Avoid being more than 5 to 10 minutes late, and call ahead if you will be. Allow ample time since your meetings may run over considerably.

Names are usually given in the order of family name, first name. Use them in that order, or *Mr./Ms.* plus the family name. If a person has a professional or academic title, it is important to use it instead, followed by the family name. Only close friends call each other by their first names, though this is gradually changing among the younger generation. Introductions are accompanied by handshakes. Men should wait for women to initiate handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. You may not always get one in return, though. Most businesspeople in Hungary read English, so there is no need to have your card translated. However, it is very much appreciated if you do. Show doctorate degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. When presenting your card, smile and keep eye contact, then take a few moments to look at the card you received.

Meetings may or may not start with some small talk intended to establish personal rapport. People appreciate a sense of humor, but keep it light and friendly. The first meeting may be quite formal, but this usually gets more relaxed down the road. Its primary purpose is to become acquainted. Business will be discussed, but do not try to hurry along with your agenda.

Hungarian negotiators may try to convince you that they have the background and experience required to be successful. Businesspeople may exaggerate their capabilities or make questionable promises in order to maintain foreign contacts.

Presentation materials should be attractive, with good and clear visuals. Avoid too much text and limit graphs unless they are interesting to look at. It is characteristic of Hungarians to be somewhat pessimistic, so a lack of enthusiastic responses should not discourage you. Having your handout materials translated to Hungarian is not a must, but it will be noted favorably.

Negotiation

Attitudes and Styles – To Hungarians, negotiating is usually a joint problem-solving process. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They may focus equally on near-term and long-term benefits. The primary negotiation style is cooperative, but people may be unwilling to agree with compromises unless it is their only option to keep the negotiation from getting stuck. The culture promotes a win-win approach to negotiating. While people respect a strong achievement orientation, avoid appearing overly pushy and aggressive.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by focusing on logical arguments and facts. However, this may not get you anywhere as long as the relationship with your counterparts is still weak. In extreme situations, try to find a mediator whom both sides respect.

Sharing of Information – Hungarians are very detail-oriented and may spend considerable time gathering information before the bargaining stage of a negotiation can begin. At the same time, they usually play their cards close to the chest, although some may share information as a way to build trust.

Pace of Negotiation – Although the pace of business is increasing, negotiations can be slow and protracted. Be patient, control your emotions, and accept that delays may occur.

Bargaining – While Hungarians are generally not overly fond of bargaining and somewhat dislike haggling, they can be quite good at both. The bargaining stage of a negotiation may take less time than in other Eastern European countries. Though repeated concessions will be made and expected on both sides, prices rarely move by more than 20 to 30 percent between initial offers and final agreement.

Hungarians often prefer a straightforward negotiation style. They use deceptive techniques only infrequently, such as telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, or misrepresenting an item's value. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so might damage business relationships. Hungarians rarely use 'good cop, bad cop;' however, it can sometimes be beneficial to use this tactic in your own negotiation approach. Carefully orchestrated, it may allow you to obtain valuable concessions without damaging the overall relationship. Businesspeople may claim limited authority, stating that they have to ask for their manager's approval. This could be a tactic or the truth.

Negotiators in the country may use pressure techniques that include opening with their best offer or making final offers. When using similar tactics yourself, clearly explain your offer and avoid being aggressive. Silence can be an effective way to signal rejection of a proposal. Be careful when using pressure tactics such as showing intransigence, applying time pressure, or nibbling. Hungarians may consider these inappropriate unless they are strongly interested in your offer and clearly understand the rationale behind the approach. Otherwise, while the negotiation is not necessarily over, it may become less constructive.

Hungarian negotiators avoid most aggressive or adversarial techniques. The risk of using any of them yourself is rarely worth the potential gain. Extreme openings may be viewed as unfriendly. It is best to open with an offer that is already in the ballpark of what you really expect.

Emotional negotiation techniques, such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships, may occasionally be employed. It is best to remain calm. At times, Hungarians may also employ defensive tactics such as changing the subject, asking probing or very direct questions, or making promises.

Introducing written terms and conditions may be effective as this approach could lend credibility to your position.

As the country is moving from a socialist country to a free-market economy, corruption and bribery have become somewhat common in Hungary's public and private sectors. However, people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Also, keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Hungarian may view as only a nice gift.

Decision Making – Companies are often hierarchical, and people may expect to work within clearly established lines of authority. Decision makers are usually senior executives who consider the best interest of the group or organization. Others may be consulted in order to reach greater consensus and support. This process takes time and requires patience. Hungarians usually indicate it if they are not interested in doing business.

When making decisions, businesspeople may not rely much on rules or laws. They usually consider the specific situation rather than applying universal principles. Personal feelings and experiences weigh as strongly as empirical evidence and other objective facts, and they usually consider all aspects. Hungarians are often reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

Agreements and Contracts

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. Although Hungarians usually keep interim agreements, do not consider these final. Only a contract signed by both parties constitutes a binding agreement.

Written contracts are serious matters in Hungary and tend to be lengthy. They often spell out very detailed terms and conditions for the core agreements as well as for many eventualities. Legal aspects may be checked over and over. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your Hungarian partners' commitment.

It is strongly advisable to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table, as this may be taken as a sign that you do not trust your counterparts.

Contracts are usually dependable. Your partners expect you to meet all your committed deadlines and delivery dates. If delays are foreseeable, it is much better to contact your Hungarian counterparts upfront and work out a solution together with them.

Women in Business

While Hungarian society is making progress towards gender equality and some women hold important positions, most of them are still struggling to attain positions of similar income and authority as men. As a visiting businesswoman, emphasize your company's importance and your role in it. A personal introduction or a letter of support from a senior executive within your company may also help.

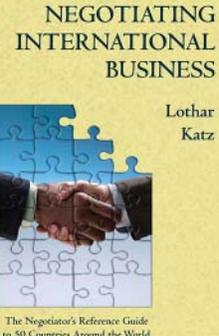
Female business travelers should graciously accept any chivalric gestures they receive. Displaying confidence and assertiveness can be effective, but it is important not to appear overly bold and aggressive.

Other Important Things to Know

Business meals and entertainment are very important as they help advance your relationships. Refusing to participate in these activities is a signal that you are not seriously interested in doing business with your counterparts. Business may or may not be discussed during these events. Wait to see whether your counterparts bring it up.

Punctuality is valued in most social settings. It is best to be right on time for dinners, and to arrive at parties within 5 to 10 minutes of the agreed time.

Gift giving in business settings is rare. It is best not to bring a gift to an initial meeting in order to avoid raising suspicions about your motives.

 <p>NEGOTIATING INTERNATIONAL BUSINESS</p> <p>Lothar Katz</p> <p>The Negotiator's Reference Guide to 50 Countries Around the World</p>	<p><i>Negotiating International Business</i> (Booksurge Publishing, second edition 2007) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 472-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.</p> <p>Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at</p> <p>www.NegIntBiz.com</p>
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