

Cross Cultural Management 007

Learning Outcomes

- Why Alliances and Partnerships
- Benefits of Global Partnerships
- Challenges to Global Partnerships
- The Process to Global Partnerships
- Negotiation Strategies
- Competitive & Problem-Solving strategies
- Managing Conflicts & Compromises
- The Contingency Factors
- The People Strategies
- The Doctrine of Changed Circumstances

Necessity to Create Alliances

- Growth necessitates **Alliances & Partnerships**
- One organization can not do everything on its own
- An important component is **Negotiation**
- Mexico's Carlos Slim Helu is the chairman of Grupo Carso... he is one of the wealthiest persons in the world and carved his business empire within & outside of Mexico through alliances
- “Don't try to be and do everything yourself; rather , create alliances and partnerships with others”

Easier Said Than Done!

- One needs to get into agreements
- Negotiations lead to all types of problems & conflicts
- Partners try and take advantage of each other
- Misunderstandings crop-up
- Negotiation & post-negotiation stages are fraught with challenges

Pfizer: A Global Pharma Giant

- New York based pharmaceutical giant; growth by absorbing other failed pharmaceutical companies
- American Upjohn & Swedish Pharmacia
- Ego, Cultural misunderstanding...
- Top leadership torn apart between Kalamazoo (Michigan), Stockholm and Milan and **London**
- Taken over by Pfizer
- The American way & the Swedish way of doing things & taking business decisions

Bob Iger

- Walt Disney & Pixar

Benefits of Global Partnerships

Potential benefits of global partnerships

1. Promote growth and development.
2. Acquire new technologies for market applications.
3. Respond to government policies or restrictions.
4. Take advantage of exchange rates between countries.
5. Respond to changes in the economic environment.
6. Reduce operating costs and/or increase productivity.
7. Get closer to clients.
8. Diversify operations and markets.
9. Open opportunities for increased vertical integration.

(p. 324)

Strategic Partnerships

- Economies of Scale
- Economies of Scope
- Protection from External Threats
- Increased Revenues & Profits

Peter Drucker

“Alliances, Joint Ventures, Minority Stakes, know-How Agreements, and contracts will increasingly be the building blocks of successful firms in the future”

Samsung: Compete

- **The 4 categories of collaboration:**
- Partnerships
- Ventures
- Accelerators
- Acquisitions



Airbnb in Cuba

- Middleman-Reliant & Cash Driven Tourism sector (B&B domain)
- Airbnb taught the middlemen how to use the website, and helped them to add information
- The company invested in the local partners by providing them better access to Technology & Internet

Challenges to Global Partnerships

- Overlooking Long-term objectives
- Lack of long-term commitment
- Resistance to share key personnel or technology
- Conflict over benefit distribution
- Potential loss of local control
- Changing business conditions negating original reasons for partnerships

Professor Howard Perlmutter

- “If you (a typical western company) have a joint venture with a Japanese company, they will send 24 people here to learn everything you know, and you will send one person there to tell them everything you know”

Sharing of Information

- Ford & Mazda
- Ford bought 33% stakes in Mazda but for years their engineers were not given access to Mazda research laboratory

Reinvest Earnings or Pay Shareholders

- US-based Rubbermaid and Dutch DSM Group
- Distribution partnership for Europe, Africa, and the Middleeast
- DSM refused to reinvest earnings in future product development

Loss of Autonomy

- A study found that of 150 terminated joint ventures involving Japanese firms, 75% ended because the Japanese partner bought out the other partner

Apple iPhone

- Apple (USA), Samsung (South Korea) & Ericsson (Sweden)
- Foxconn, a Taiwanese firm having its assembly plant in Shenzhen, China assembles most of the Apple phones
- They continue working with each other and filing legal cases against one another for stealing of designs and technologies

The Ability to Win Friends & Influence People!

- Finding the right partners
- The Ability to negotiate
- To find compromises

STEP 1: PREPARATION



**STEP 2: BUILDING THE
RELATIONSHIP**



**STEP 3: EXCHANGING
INFORMATION/FIRST OFFER**



STEP 4: PERSUASION



STEP 5: CONCESSIONS



STEP 6: AGREEMENT

Disney & Pixar

- What do you know about them?

1. Selecting the Right Partners

(i) Solid Compatibility of Strategic Goals & Tactics

- GE-Siemens problems

(ii) Complementary value-creating resources

- Samsung Electronics & Corning Glass

(iii) Complementary Corporate Cultures

- Sharing or secretive
- Ford & Mazda

Contd...Selecting the Right Partners

(iv) Strong commitment to the partnership

- Maruti & Suzuki

(v) Strong Philosophical & Operational
Compatibility

- Davidson-Marley

Compatibility & Giving Space

- GM & SAIC
- Shanghai Automotive Industrial Corporation
- The joint-venture sold 2 million cars in 2015
- Set to grow to 12.7 million in the next 10 years
- SAIC received Technology & manufacturing Skills
- GM received New markets Competitively Priced cars

2. Developing a Negotiating Strategy

- The first step in relationship building
- Determine the nature, scope and the ground rules for the partnership
- Learn about each other
- Don't focus only on the deal signing (that is just an event)
- The New Implementation Mindset
- “How do we create value together”

Contd...2. Developing a Negotiating Strategy

- (i) Start with the end in mind
- (ii) Help the other side to prepare (Steve Jobs & Bob Iger)
- (iii) Treat Alignment as a shared responsibility
- (iv) Send one clear message
- (v) Manage negotiations like a business process

3. Managing the Negotiation Process

Good negotiators

- A tolerance of ambiguity
- Patience
- Flexibility & creativity
- A good sense of Humor
- A Solid physical & mental stamina
- Cultural Empathy
- Curiosity & willingness to learn new things
- Knowledge of foreign languages

- A British Lady at Mexican Sun Pyramid

Negotiation Strategies

1. Concentrate on building long-term relationships with your partner, not short-term contracts
2. Focus on understanding the organizational and personal interests and goals behind the stated bargaining positions
3. Avoid over-reliance on cultural generalizations

Contd...Negotiation Strategies

4. Be sensitive on timing

Pronto or Patience

5. Remain flexible throughout the negotiations

6. Plan carefully

7. Learn to listen, not just speak

Trust & Negotiation

- Do we always need to build relationships before we negotiate?

Competitive vs. Problem Solving Strategies

- Competitive Negotiation
 - Tries to give as little as possible
 - Starts with unrealistic demands
 - No thought to long-term relationships
 - Starting from inflexible position
 - Negative attitude over other

Problem solving Strategy

- Seeking mutually satisfactory ground
- Avoidance of dirty tricks
- Focus on long-term relationships
- Objective information sharing
- Honest attempts are made to find common grounds

Positional Bargaining



disputants are adversaries



goal is victory



demand concessions



dig into position



mislead, use tricks



insist on your position



apply pressure



look for win for you alone

Integrative Bargaining



disputants are joint problem-solvers



goal is wise decision



work together to determine who gets what



focus on interests, not positions



be open about interests, use fair principles



insist on objective criteria; consider multiple answers



use reason; yield to principle, not pressure



look for win-win opportunities

Negotiation Lifecycle



- Identify the issue
- Define the problem
- Decide whether to negotiate, dominate, acquiesce or avoid

- Understand the problem
- Define goals
- Build relationships
- People/roles
- Use standards
- Define your BATNA & improve it
- Define their BATNA & worsen it

- Generate alternatives
- Evaluate alternatives
- Select
- Reiterate agreements
- Capture agreements in writing
- Create an action plan & timeline

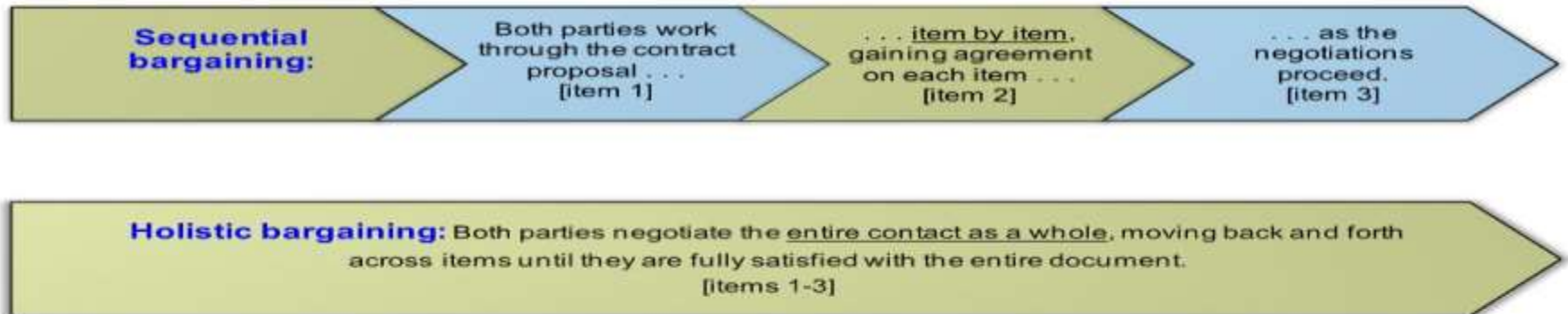
- Congratulate the other parties (never gloat)
- Follow up to assure the action plan is implemented
- Carry out the agreed upon solution

- Nurture relationships
- Check compliance (build this into the agreement!)

Bargaining & Concessions

- Sequential or Holistic?

Sequential and holistic bargaining strategies



Managing Conflicts & Compromise

- Conflicts likely to emerge
- Also opportunities of look deeper & analyze

5 Process strategies



The Contingency Factors

1. How crucial is a particular solution
2. How much power does each party have
3. The viability of a given strategy is also dependent on the timing with which a solution needs to happen
4. Also important to think about any precedents that may be created by negotiators looking for expediency

People Strategies

- (i) Prepare People
- (ii) Assess the Situation
- (iii) Explore past & present
- (iv) Envision the Future
- (v) Create Solutions
- (vi) Rejuvenate & Reflect
- (vii) Don't Forget Relationships

Agreements & Contracts

- All written?
- Guanxi in China
- Trust, Intentions, Reputations....

The Doctrine of Changed Circumstances

Contracts and the doctrine of changed circumstances

Doctrine of fixed circumstances

- Personal relationships follow contract
- Contract very specific and inflexible, regardless of changed circumstances
- Long, detailed, legalistic
- Contracts backed by legal system

Doctrine of changed circumstances

- Contract follows personal relationships
- Contract general and flexible based on changed circumstances
- Short, less detailed, less legalistic
- Contracts backed by personal integrity and relationships

Different Approaches

- “A handshake is only as good as the paper it’s written on”
- COSCO of China
- The largest Shipping Company
- A lot of resources...a government owned firm
- The West & the East