

Negotiation Simulation: Case Scenario Outline


**Aim:**
In this exercise you will learn how to prepare for and practice negotiations with business people from a target culture and develop sensitivity for the culture, patience in dealing with people, who come from other cultures and skills for solving conflict and seeking mutually acceptable results during a negotiation process.

**Case Scenario:**
**Aus- biopharma Limited** (Aus- bio) is a publicly listed leading multibillion dollar Australian research and development company, with its head office in Adelaide Australia, specialising in biopharmaceutical research and manufacturing.

Aus- bio has made the decision to establish its first joint venture manufacturing operation with **Dong- Fang Pharmaceutical Factory** (Dong Fang) in Beijing. Dong Fang is a state owned medium sized pharmaceutical enterprise located in Beijing China and was established in 1950 after the establishment of the People’s Republic of China (PRC) in 1949, specialising in manufacturing both western and traditional Chinese medicine.

Aus- bio and Dong Fang are preparing for formal business negotiations after being successful in business initiations. The two companies have reached the following agreement on the negotiation matters:

***Negotiation Venue:***
There will be two (2) rounds of negotiations; **Round 1** will be hosted by Aus- bio in Adelaide, Australia (hypothetically) and Dong Fang will organise **Round 2** in Beijing, China.

***Negotiation Team Members for Each Side:***
Three negotiation teams from each company will participate the exercise, representing independently Aus-Bio or Dong-Fang. **Each team consists of 7 members, namely:**

* General Manager and team leader
* Deputy General Manager
* Negotiation coordinator / interpreter/ secretary
* Production Manager/ Engineer
* Marketing Manager
* Finance Manager
* Consultant (e.g. someone with rich knowledge about Australia and/or China. Can have more than one)

**Note:**

1. The **team leader (General Manager)** is responsible for organising his/ her own team’s activities during the preparation and process of the negotiation and to be present at the final round of the negotiation, so as to make the final decision and sign the contract.
(*Please note that the General Managers of the both sides* ***are NOT*** *allowed to meet outside of the negotiation venue for the purpose of making ‘under the table’ dealings. Doing so will lead to mark deductions for all the members of the team.)*
2. The **Deputy General Manager** should lead the team and play a major role during the course of negotiation at the negotiation table, and may need to make many joint decisions ( with team members) at different stages of the negotiation.
3. The **negotiation coordinators** are responsible for communications between the two sides and should make contact and discuss all the relevant issues, such as plans and agenda for the negotiation immediately after the negotiation teams are formed. The coordinators are responsible for arranging, organising and monitoring the entire negotiation process during the course of negotiation.
4. All **functional managers** should have some specific knowledge and expertise in his/ her functional area.
5. **Consultants** should provide advice on strategies and tactics to the team and provide accurate information and data and to justify claims and arguments the team may make. Consultants can also be a member of the negotiation team sitting at the negotiation table.
6. **It is advisable that for each negotiation round, 5-7 members from each side should sit at the negotiation table.** Both sides of teams can discuss and decide who from each side should sit at the negotiation table for each round. Each member of a team must sit at the negotiation table and participate in the face- to face negotiation for at least one round.

***Terms for Negotiation:***
To negotiate and decide on:-

* The level of management control ( strategic control, operational control, joint venture structure, number and appointment of board executives etc)
* Share of ownership (investment ratio, or percentage from each side, the evaluation of Intellectual property and other intangible asset like brand awareness)
* Profit allocation ratio
* Resource contribution from both sides
* Technology transfer (4th or 5th Generation of technology)
* Length of the joint venture contract for the proposed joint venture in in Beijing, China

***Essential Information about Each Team:***
**Aus-biopharma Limited**

**Pros:** Sufficient capital, 5th generation (assuming the latest) technology, research & development capacity, managerial skills in planning, operation ( e.g production, inventory, modern human resource management ( staff training and development) and access to other international markets

**Cons:** No experience in the Chinese market, no foreign direct investment experience in China and other Asian countries, lack of understanding of Chinese social and business cultures.

**Dong Fang Pharmaceutical Factory**

**Pros:** 3rd generation technology, sufficient capital, local knowledge, technical personnel, land and plant site, well established market channels in the Chinese market, experienced sales and marketing force , local ( China) human resource and good relationship with local government officials.

**Cons:** Lack of advanced technology and modern (Western) organisational management skills, limited research and development capacity, and limited international marketing experience.

 **Please note:** Conflicts will occur during the negotiation process. You must solve the conflicts and reach an agreement on the issues specified and achieve a WIN- WIN negotiation result. **Your final agreement on the terms MUST be well justified!!**

*Source: This negotiation material is adopted from the teaching material written by Prof Fuming Jiang at Curtin University of Technology.*