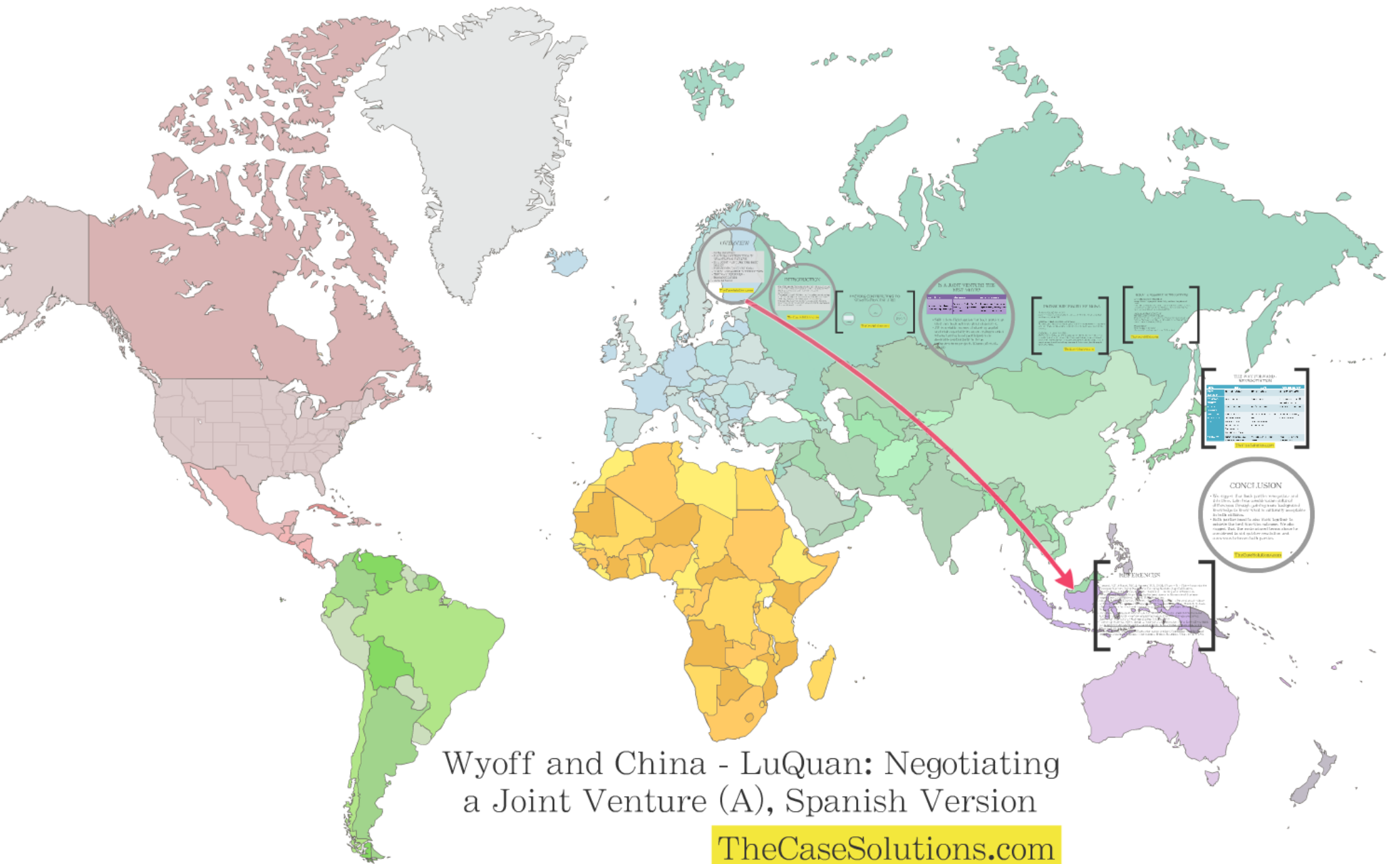


Wyoff and China - LuQuan: Negotiating a Joint Venture (A), Spanish Version

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Wyoff and China - LuQuan: Negotiating a Joint Venture (A), Spanish Version

OVERVIEW

- INTRODUCTION
- FACTORS CONTRIBUTING TO NEGOTIATION FAILURE
- IS A JOINT VENTURE THE BEST MOVE?
- PRESSURES FACED BY NORA
- NORA' S POSSIBLE ALTERNATIVES
- THE WAY FORWARD - RENEGOTIATION
- CONCLUSION

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- Nora Holding in early May (TMB) project infrastructure
- The project is switching with switching exc
- Following the enter into a J the undertak

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INTRODUCTION

- Nora Holdings Sdn Bhd entered into a bid with Sakari Oy and in early May 2003, was awarded the Telecom Malaysia Bhd (TMB) project to develop the country's telecom infrastructure.
- The project is worth RM400m for the replacement of analogy switches with digital switches and the installation of digital switching exchanges in various parts of the country.
- Following the success of the bid, both companies decided to enter into a Joint Venture (JV) agreement for the purposes of the undertaking the project.

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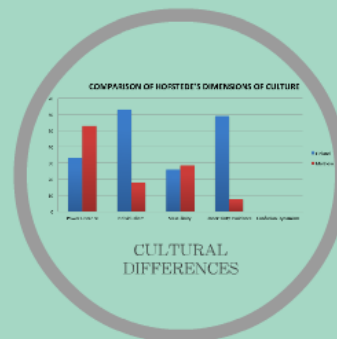
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5/1/2003	5/1/2003
6/1/2003	6/1/2003
7/1/2003	7/1/2003
8/1/2003	8/1/2003
9/1/2003	9/1/2003
10/1/2003	10/1/2003
11/1/2003	11/1/2003
12/1/2003	12/1/2003

REQUIR
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FACTORS CONTRIBUTING TO NEGOTIATION FAILURE

ASPECT	USA	CHINA
LANGUAGE	English	Mandarin
RELIGION	Christianity	Buddhism
ETHNICITY	White	Chinese
VALUES	Individualism	Collectivism
COMMUNICATION	Direct	Indirect
NEGOTIATION	Competitive	Harmonious
CONFLICT	Confrontational	Avoidance
DETERMINANTS	Individual	Collective
PERFORMANCE	High	Low

REQUIREMENT DIFFERENCES



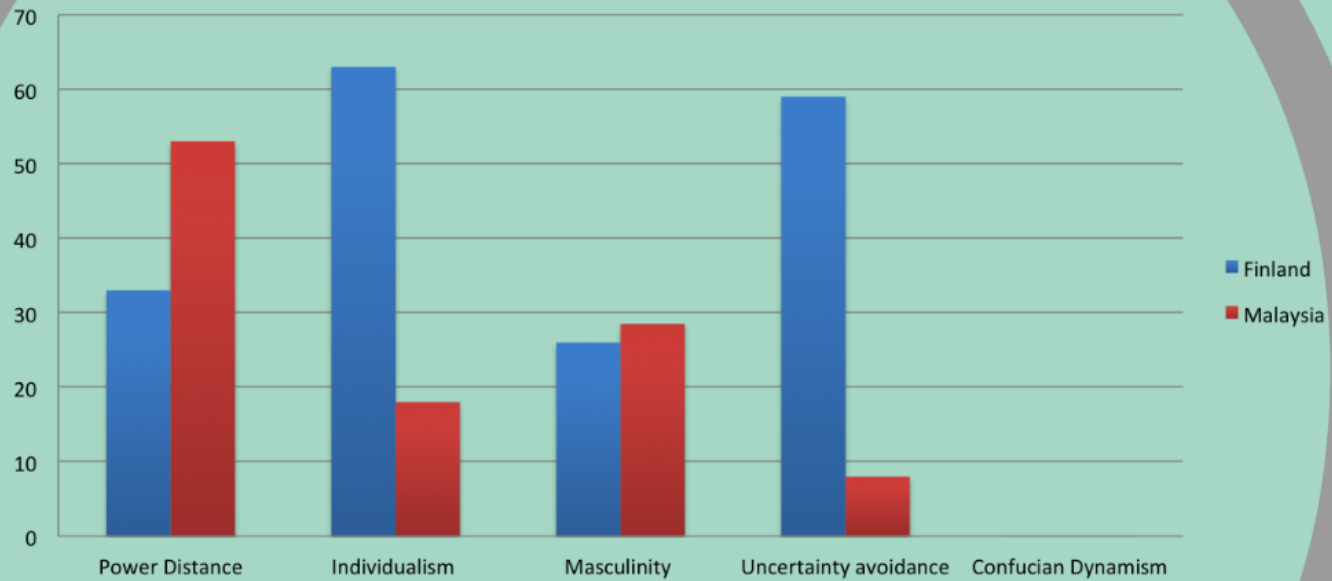
CULTURAL DIFFERENCES

LACK OF TRUST

- Nora's capabilities - product quality and product deliveries
- Access to the South-East Asian (SEA) market - core aim of Sakari

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COMPARISON OF HOFSTEDE'S DIMENSIONS OF CULTURE



CULTURAL
DIFFERENCES

PRESSURES FACED BY NORA

PARTNER UNCERTAINTY

Sakari's uncertainty whether to proceed with the JV or to bid for another project in UK

COMPANY REPUTATION AT STAKE

Following the success in winning the bid, Nora must fulfil the contract as it is a high profile contract and involves the best companies in the country.

CROSS-CULTURAL TENSION

Studies have indicated that negotiations in IJV between parties from completely different cultures like Nora and Sakari, show additional sources of tension during the negotiation process which might lead to negative emotions thus adding pressure to both sides (Lee, Huang & Graham, 2006).

NORA' S POSSIBLE ALTERNATIVES

ACCOMMODATION STRATEGY

Accept Sakari' s proposed terms, fully, and bear the potential losses.

Although this strategy is a useful tool in diffusing conflict, if used, Nora faces the risk that Sakari may read it as an invitation for more demands (Ghauri & Usunier, 2003).

COLLABORATION STRATEGY

Renegotiate for a win-win situation.

Requires both parties to analyse conflicts and its causes, and work towards finding an acceptable solution whilst creating mutual trust (Ghauri & Usunier, 2003).

WALK AWAY

End this deal with Sakari

Choose a different partner for the TMB contract

THE WAY FORWARD - RENEGOTIATION

ISSUE(S)	NORA	SAKARI	RESTRUCTURED TERM
EQUITY OWNERSHIP	70 % (30% to Sakari)	49% (51% to Nora)	60% NORA, 40% SAKARI
TECHNOLOGY TRANSFER	Core technology	Basic technology	JV company to assemble + manufacture for export
ROYALTY PAYMENTS	2% of JV net sales	5% of JV gross sales	3% Royalty on JV net sales
EXPATRIATES' SALARIES AND PERKS	Salaries range for permanent exerts: RM20,700 - RM27,900 + Benefits monthly Temporary experts: RM1,170 -RM1,350/day	Short-term experts: US\$1260/ day Permanent experts: US \$20,000 /month	Remuneration following Malaysian standard
ARBITRATION	Preferred location: Kuala Lumpur (KL), Malaysia	Preferred location: Helsinki, Finland	Singapore International Arbitrage Centre

CONCLUSION

- We suggest that both parties renegotiate and this time, take into consideration cultural differences through gaining more background knowledge to know what is culturally acceptable in both cultures.
- Both parties need to also work together to achieve the best win-win outcome. We also suggest that the restructured terms above be considered to aid quicker resolution and consensus between both parties.

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