

# ALPHA BETA ROBOTICS

## NEGOTIATIONS

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### Confidential Information for Beta Robotics, Inc.

Five months ago the CEO of your firm approached and held preliminary discussions with local representatives of Alpha Robotics, Inc. on a possible robot manufacturing and marketing relationship. Some tentative understandings were reached regarding the general nature of a collaborative arrangement, but a number of specific details still need to be worked out. A negotiation team was appointed to work out these points with Alpha Robotics, Inc. The CEO's of both organizations suggested that it might be useful to have a facilitator assist in this final negotiating stage to ensure that the deal can be wrapped up as soon as possible. You agreed to this.

In preparing for your negotiations you read a number of articles on Alpha. While Alpha is a large country, with some regional variations, it appears that Alphans generally exhibit behaviors which are characterized as "individual", "informal", "impatient", "direct", "emotional", and "aggressive".

Your company's strategic plan calls for significantly boosting overseas sales of robots so as to attain greater scale economies in production. You especially want to develop a presence in the currently small but rapidly growing Alphan market. This implies, of course, the need for a high quality industrial sales, distribution and service network. You have considered the options of exporting directly to, or establishing a joint venture or wholly-owned subsidiary in, Alpha. However, given the large cultural differences between Alpha and Beta, the difficulties of servicing robots overseas, and the rapid technological changes in robotics, Beta Robotics, Inc. has decided (as have other Betan robot producers) that the Alpha market at this time can probably best be served via a licensing arrangement with a local Alpha company. You can offer that company proven, high quality robotics, either in the form of fully assembled units or the technology and components needed to produce them.

Alpha Robotics, Inc. looks like an ideal candidate to become your licensee--it has the desired technical competence, industrial marketing expertise, service network, quality control, distribution system, general management and business reputation. You are a bit concerned, however, that by helping Alpha Robotics, Inc. you may create a competitive monster that may come back to haunt you in the future.

In preliminary talks with Alpha Robotics, Inc., it was tentatively agreed that 1) the relationship will be for 7 years; 2) initially Alpha Robotics, Inc. will receive fully assembled Beta Robotics, Inc. robots from Beta Robotics, Inc.'s current model lines to be sold under Alpha Robotics, Inc.'s name; 3) later on Alpha Robotics, Inc. will begin to assemble robots using Beta Robotics, Inc. technology and components; 4) the agreement will be non-exclusive, meaning that Beta Robotics, Inc. can enter Alpha Robotics, Inc.'s markets directly at any time and can also enter into relationships with other firms in Alpha.

Five issues that still need to be decided include:

**1) The number of different models to provide to Alpha Robotics, Inc.**

You currently have eight models in production. You would like to provide Alpha with only four of them, and will under no circumstances provide more than six models. If you must go to six, you would still prefer to provide only four models in the first year or two. Supplying Alpha Robotics, Inc. with robots will require increasing production capacity. You would like to control capital expenditures by phasing in the increased capacity.

**2) The number of Beta Robotics, Inc. units to be imported and/or produced under license by Alpha during each year.**

You would like the number to be as close to 400 per model as possible, since your strategic goal is deep penetration of the Alpha market. As with the number of models, however, you prefer to move up to the desired number gradually.

**3) The matter of technology sharing.**

You very much want access to Alpha Robotics, Inc.'s R&D technology related to artificial vision. You are certain that with your manufacturing expertise and your line of universal assembly robots, you and Alpha Robotics, Inc. could be the first to market the low cost universal robots with vision. This is the most important issue for you.

In the initial discussions, your company reluctantly agreed to help Alpha develop its own robotics manufacturing processes. Just when this transfer of technology will occur was left open. You will only make a firm commitment regarding the transfer for manufacturing technology if you get access to their artificial vision technology.

**4) The royalty rate.**

You believe a rate of 5% on gross sales is just and reasonable. If absolutely necessary you might consider a royalty rate as low as 3% in order to get access to the artificial vision technology.

**5) The dispute resolution clause.**

In the preliminary talks with Alpha Robotics, Inc., they indicated their desire for a contract clause to provide that all disputes would be resolved by binding arbitration pursuant to the rules of the International Chamber of Commerce. Betans generally perceive arbitration as too adversarial a process for parties to a long-term relationship, and you share this distaste for arbitration. You would rather have no provision at all for disputes, counting on the strength of the relationship and the parties' need for each other to lead to a negotiated resolution of any difficulties. Thus, the most you will agree to is a clause requiring each party to negotiate in good faith to resolve any misunderstandings, as well as provision for outside assistance, such as mediation, for the negotiators.

While there are other firms distributing robotics, no other organization in the world has adopted Alpha Robotics, Inc.'s strategy of being a full-service supplier of automation equipment. If no agreement with Alpha Robotics, Inc. is forthcoming, you will have to negotiate with several other distributors in order to have the distribution capacity that your strategy requires. This will cause a delay in the implementation of Beta Robotics, Inc.'s strategy since there have been no negotiations with other distributors.

## The Betan Negotiation Style

Negotiators from the Beta culture typically employ a style (i.e., a set of behaviors) which is collective, formal, patient, indirect, unemotional and passive. It is vitally important that your team exhibit this “style” in your bargaining with Alpha Robotics, Inc. Guidelines on how to do so are provided below. You should discuss each guideline as a group and plan how each will be followed in the negotiating session. A little practice may be useful in regard to some of the prescribed behaviors. In your negotiations you must:

**1. BEHAVE COLLECTIVELY** Loyalty to the group is essential and takes precedence over personal feelings. “We” is more important than “I” (the word “I” should not be used today). Any decisions by your side must be reached via group consensus. If all of you cannot agree, then defer making the decision.

**2. BEHAVE FORMALLY** Betans are “polite to a fault.” They attach considerable importance to fixed customs, rules and ceremonies. Betans frequently open negotiations by giving gifts to opposing negotiators. (This is a ceremony intended to show that the negotiations are only part of a broader relationship.) Betans bow when greeting others, and use last names only (using first names is embarrassing for you), exchange calling cards if available, and often sit throughout negotiations with erect posture.

**3. BEHAVE PATIENTLY** Patience and endurance are cardinal Betan virtues. As noted above, the negotiations are only part, though an important part, of a long-term relationship that will be established if the negotiations are successful. Thus, it would not be out of character for you to start the negotiation session with a discussion of something completely unrelated to the licensing deal.

Stick with your demands as long as you can; you have faith in the righteousness of your bargaining goals--they are just, proper and fair. Betans seldom make piecemeal concessions; make any concessions only at the very end of the bargaining session.

**4. BEHAVE INDIRECTLY** In Beta, tentativeness, vagueness and playing hard to read are standard behaviors. Don’t look members of the Alpha team in the eye when you are talking to them, look down instead (facial gazing is considered aggressive and individualistic). Use the word “yes” when you mean “I hear you talking” or “I’m trying to understand.” The word “no” is hardly every employed in Beta. Answering in the complete negative would lead to embarrassment and loss of face. So instead of “no”, substitute “that would be very difficult” instead.

**5. BEHAVE UNEMOTIONALLY** Betans do not show emotion easily or quickly. They go to great lengths to hide their inner feelings. You do not laugh easily with strangers, emphasize reserve and modesty, and limit your facial expressions. Do not openly disagree or lose your temper in a negotiation session.

**6. BEHAVE PASSIVELY** Betans dislike crude or Machiavellian bargaining tactics such as bluffs, threats or escalating demands--“crude tactics cause great injuries.” You dislike bold use of power and excessively logical or pushy people. If pressed or challenged, try to change the subject or just remain quiet. You know how to pause and wait in silence for long periods before proceeding with further talk.