

Future Global Marketing Negotiations: A Strategic Scenario

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Abstract

Global corporations are on an everyday hunt, seeking new business opportunities. Every now and then, we hear about the new emerging economies of untapped potential which represent huge growth opportunity for such businesses to expand their empire through licensing, exclusive distributorship or service contracts. Hence, Global marketing negotiations are becoming of more importance to businesses and researchers because it is the key determinant of whether this corporation is going to expand in this market or others. We must not limit the negotiation concept to business deals and bargains, since negotiation is said to be a complicated social process rather than a business one (1). What makes it complex is that it's being determined by various elements of cultural, social and business aspects being influenced by the past, present and perception of the future. Thus, in order to properly understand this complex process we must take a look inside cultural and societal aspects of the process. This research Paper aims to establish an interactive model to identify future global marketing negotiations process between multinational enterprises and their host partners and countries. This will be done through designing meaningful marketing negotiations scenarios and introducing a strategic planning model, in order to maximize successful outcomes for the two parties.

Keywords: Marketing, negotiation, Strategy

Introduction

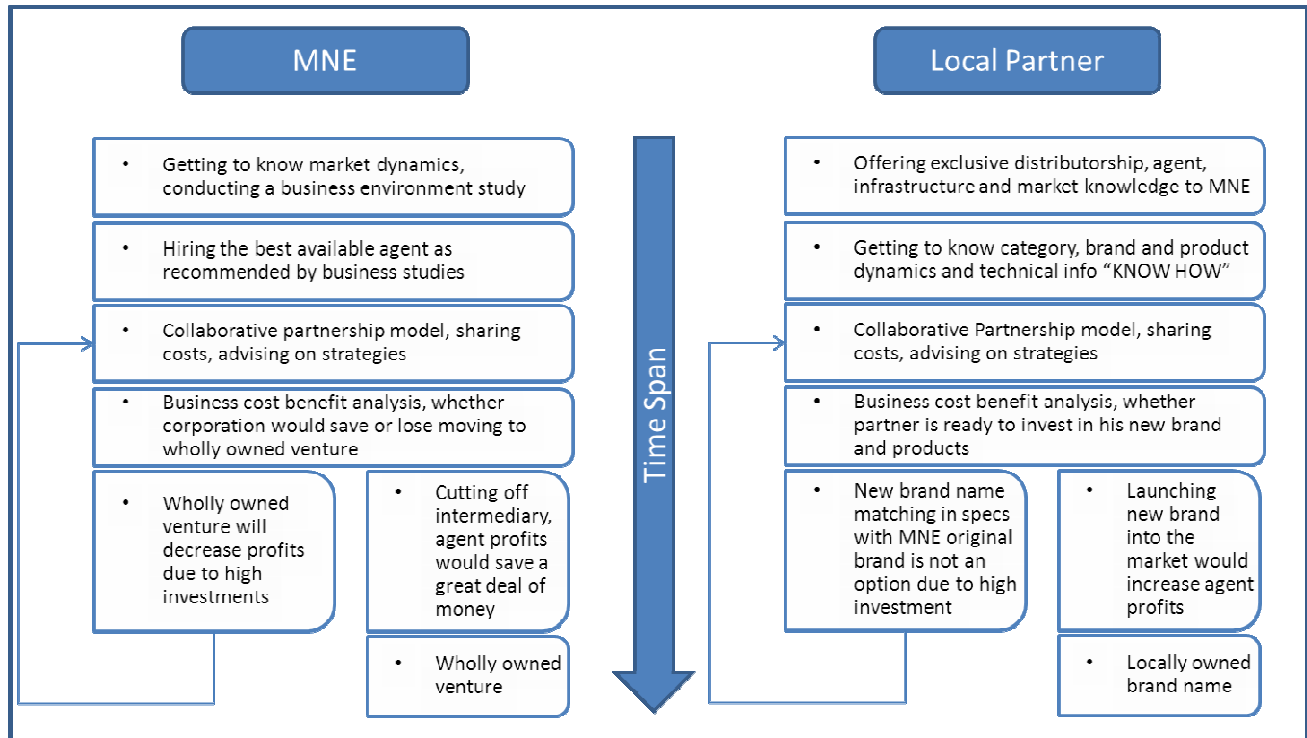
The rapid changes in technology, emergence of global corporations, dynamic regional economic integrations and global concerns for human rights, all have driven change in global environments and also have made it clear that for a corporation, to lead, it has to expand into other markets. With financial crisis forcing economies to tighten the belt, global and international corporations are spending some time in order to identify their orientations towards international markets, developing countries and emerging giants. Global marketing negotiations are becoming extremely important, especially with emerging markets in South East Asia and the Middle East, and this is not a one way go-track. Tata Motors the Indian car manufacturer added two grand old names of British car making to its shopping list, Jaguar and Land Rover, as a symbol of a shift in economic power (2). With other numerous examples for giants from the emerging markets taking over the steering wheel from rich countries.

As far we are concerned, negotiation is an integrated part throughout the whole process of the entry strategy, and multinational enterprises carry on environmental analysis to explore growth opportunities in the country of interest. Environmental studies also identify whether to go with certain markets or not. Several issues has to be taken into consideration like Cost/Benefit analysis, future scenarios with present projections set as benchmarks, market penetration strategy to be advised based on environmental analysis and future scenarios as foreseen by enterprise management. From all of market entry strategies, most of the global corporations are considering of these as of a first step towards moving into a wholly owned venture in order to maximize their profits, given in consideration that benefits will exceed costs within this country on the long run. Contract manufacturers or local agents on the other hand have these thoughts in mind, attaining the knowhow, product and category dynamics, then to have their locally owned brand name, some of them might not head towards these measures, But the hungry ones will start to bite the hand that feeds them, making of today's partner, the future competitor (3). Increased profits and profitability is the answer for "why do both parties consider this on the long run?", for local agents, getting their own brand would means the following:

1. Minimizing the cost of the goods, royalties, license agreements and thus enlarging profits and increasing income.
2. Expanding their market from local to regional, because now they own the brand rather than being exclusive agents for this brand only in local market, which means that "with proper strategies" sales can be multiplied and thus profitability increases.
3. Local communities customized products under same brand name (brand extension), and flexibility.

On the other hand, for multinational enterprises

1. Intermediaries and hosts cost multinational corporations in terms of their contracts, discounts, offerings and margins.
2. The opportunity to closely monitor market trends and gaps, which would result in better and faster strategies execution rather than having information conveyed through intermediary channel, this would result in what's in best interest for multinational enterprise, not the local host or country.
3. Govern and maintain organization and brand stability in the market. Multinational corporations cannot afford to switch host partners if any problem arises, nor it can afford unstable organizations out of its control.

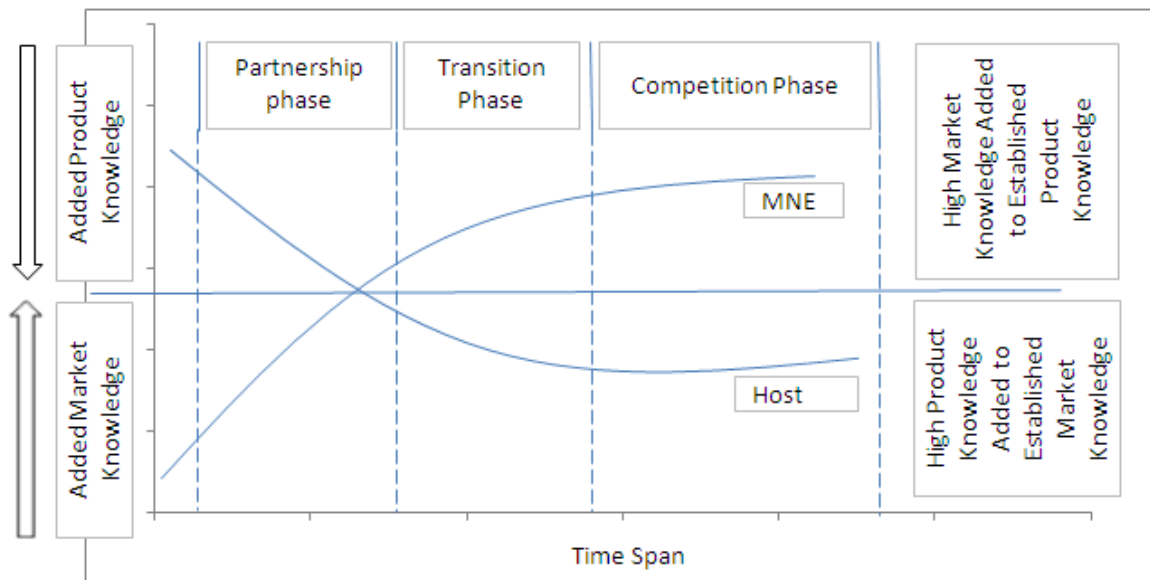


According to Figure 3, phasing out model, the life cycle of the multinational enterprise and host partner have three main phases:

1. Partnership phase: were both multinational corporation and host partner collaborate into the success of the business having the market and product knowledge unified to take on market and competitors challenges. This is represented by the first two points of the model for both multinational corporation or the host partner, ofcourse we cannot identify a specific time span for this phase because it is dependable on market size and involved parties like government and private sectors, this phase may last for a long time if multinational enterprises are bounded by regulations to have a local partner in order to operate, this has to be viewed and projected by the environmental study before chosing to go with this market or not, and what strategy should be implemented.
2. Transition phase: in most case scenarios, this phase is neglected by both, either the multinational enterprise or the host partner, when profits are gettingstabilized and both are saturated with each ones "Know How", market strategies and tactics, both will be willing to go for the next step and either expand into other markets or directly handle the brand, both parties begin to run cost/ benefit analysis in order to determinewether this is the right time "with the available resources and knowledge" to proceed towards independence from the other party.
3. Competition phase marks the beginning of a new era in the business life cycle of both entities, host partner and multinational corporation, by which the market turns into a battle field between the two so long partners.

What reflects a great flaw in the overall strategies adopted by most of multinational corporations and host partners is not having the strategic intent of either entering a market or being the agent of an international brand, some multinational corporations have realized that it is inevitable for them to be the direct handlers of their brand rather than having intermediaries, strategically plan and create the point at which transition phase must begin for them to have a competitive edge over their future competitors, but how? Environmental studies and analysis carried on by different organizations such as different chambers of commerce, private market research companies, embassies,

NGOs and public figures identify values such as market size, growth, major companies in this area of business, this should be utilized into projecting a target plans to achieve a specific percentage of the market value by a specific time, create a breakeven point at which multinational enterprise is ready to start with their wholly owned subsidiary, this can also be applied by the host partner, the most important of all is that whomever succeed in achieving the breakeven point before the other would have the word to say in the competition phase and will dominate the market instead of the other party. Multinational enterprises however come in clashing with local laws and regulations like, protectionism, localization, trade tariffs and barriers at the transition point which prevents it from moving ahead towards wholly owned subsidiaries, nonetheless, many tactics have been initiated in order to tackle these issues at hand.



1. The Birth of Regional, Area and Country Managers

Positions created to insure that local host or partner are acting and complying with multinational enterprise policies, guidelines and strategies, these are extremely important positions through which insights about hosts would be generated, this tactic is applied when governments have strict laws with regard to international investments or as a preliminary step by multinational corporation to proceed towards next steps. Positions of such nature are used to guide multinational enterprise business and marketing investments towards its ultimate goal, understand market and business dynamics, scan and quantify growth opportunities and market gaps.

2. Forcing Local Partners From Active into Silent Partners

Dependable on laws and regulations of the host country, multinational enterprises are pushing their partners away from the decision making process by giving them incentives to do so, thusly, multinational enterprise actively engage in management and decision making functions whilst local partner is away from the picture, hence, multinational enterprise gain (a) better market understanding, (b) pro-long the phase by which the local partner would acquire product and category dynamics knowledge, this can be achieved by the following:

1. Slightly increasing the local partner margins for some categories and products, giving them better deals given that they stay away from some critical functions, management and decision making.
2. Providing local partner with assistance (multinational enterprise personell) to take on the responsibility of critical functions like sales and marketing.
3. Providing these personell with abundant budgets to invest on behalf of multinational enterprise, and ofcourse, in what reflect their best interests.

Definition and Nature of Negotiations Environment

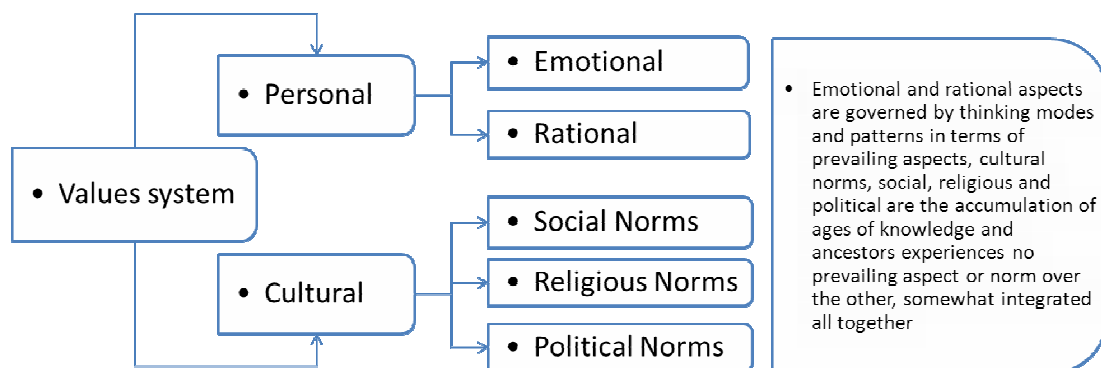
The term negotiation can be described in terms of two elements, which should be present for business agreements to take place: there must be common interests and issues of conflicts in between multinational enterprises and local partners, without common interests there is nothing to negotiate for and without issues of conflicts, there is nothing to negotiate about (4). A clear and sound identification of these two points would help in resolving the agreements once identified, upon which, negotiations can be approached in several manners, bearing into consideration that both of the parties will try to bias towards their own selfish interest and thus their organizations.

Whether it was about objectives, their intention and interests, it is critical to properly measure the issues of conflicts and common interests in order to be able to identify intentions and motives. Other facts should be thoroughly studied such as what is acceptable and not by values system of the negotiating group, each group has its own definition of what right and appropriate. Values system plays a significant role in managing negotiators perceptions, described as the “enculturative screen” through which different negotiators from different nations and cultural backgrounds perceive issues of conflicts and common interests. It is extremely important for multinational enterprises and local partners to understand values systems of each in order for them to know how to surpass communication barriers, thus saving a lot of time during negotiations. Nonetheless, most negotiators trample of values system of other nations thinking that only their business proposal and arguments should satisfy other parties. In most events this is not the case, global multinational enterprises can no more afford to lose such contracts or negotiations because its employees lack of respect to other nations values and norms.

Developing a Clear Understanding of Thinking Partners and Value System

Thinking patterns are identified via attitude in dealing with different situations, patterns are split into four, inactive, preactive, reactive and interactive thinking modes (5), inactive culture basically seek stability and survival, they are the hardest to negotiate with because they are happy the way things are going, Re-active culture or “the good old days” culture think that things are going from bad to worse, they tend and seek to undo changes for previous situations, Pre-activism thoughts encourage to prepare for the future whilst interactivism talks about controlling the future rather than wait there for it to come, thinking patterns govern only the personal aspect of the values system that is (emotional and rational Behaviours).

Values system can be basically understood by breaking it down into two main elements (Figure 4), Personal (Emotional, Rational) and cultural, for many philosophers, human beings are a combination of both, but how culture and personal aspects (emotional and rational) also affect different people in various manners, for the latin Americans, they really appreciate family ties and personal relationships even consider it really important to ask about their families well being before discussing business. The chinese take so much pride in their nation heritage and culture, most of these bahaviours are categorized under cultural aspects of the values system, hence, most of their decisions will have correlation with heritage and cultural values rather than personal judgement on situations, whether it was from an emotional or rational point of view. For the americans and somewhat the western culture, they tend to be highly legalistic and rational to an extent that can be uncomfortable to other nations, most notably, Middle East and South East Asia, those basically are the emerging powerful economies and markets of the decade.

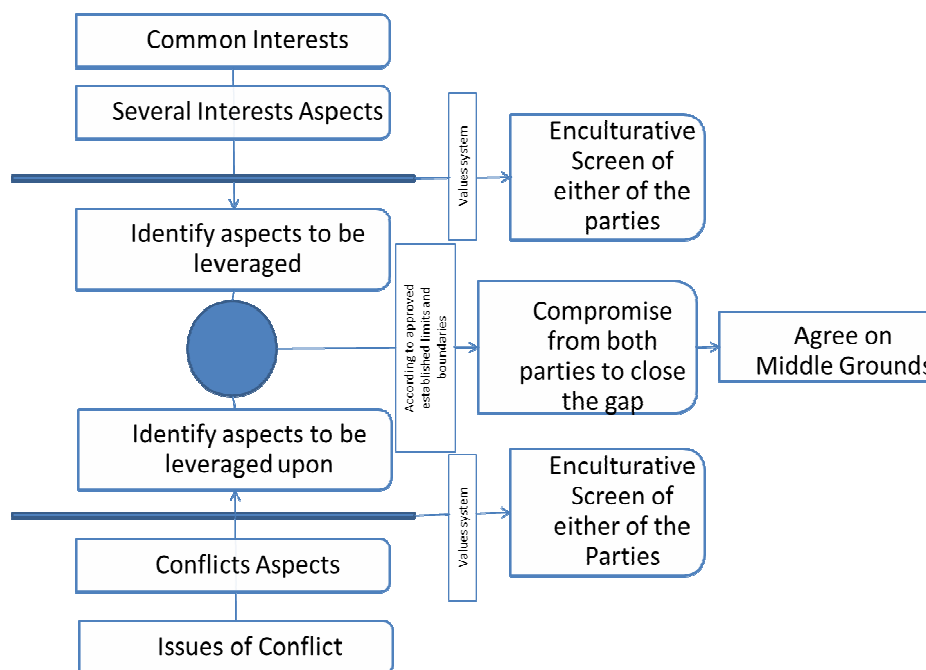


Common interests and issues of conflicts, are the two determinants to govern how marketing negotiations should take place, accordingly, tactics can be sub-divided into two main clauses, Disruptive and integrative tactics as being practiced by negotiators (6), disruptive behaviors (No-Win Negotiators) can be ultimately related to re-active and in-active thinkers since they tend to be against anything that tend to disrupt the current lake of events, also tend to be more avoidant and less accommodative and competitive (uncooperative manner). Integrative attitudes are mostly related to interactive and proactive thinkers (Win-Win Negotiators), but then, a really important question arises, how to deal with such kind of negotiators? The complexity and multiple disciplinary elements affecting negotiations had led scholars to start on suggesting models by which negotiations should be approached, “the old attitude of of bargaining overseas and the John wayne approach will not work anymore, Go native and adaptability will be the key words for successful international negotiations” (7). Systems thinking approach, has contributed into segmenting and identifying thinking modes of people and systematically approach matters of concern, thusly, opening wide gates towards understanding thinking patterns, characteristics and

predict future behaviors, this would help us in establishing a multi-stage negotiation model based on several stages through which the negotiation approach should be done and carried out, this will be presented in a later stage.

Leveraging Common Interests towards Managing Issues of Conflict

Most case scenarios, both multinational enterprises and local partners have to make some In most of the negotiation failure cases, poor communication plays a significant role in this failure. Negotiation environments, with all its complexity and elusive patterns, are governed by different barriers through which communication, if not managed properly, is distorted. Common points of interests can be distorted by values system, social, religious and political norms, Rational and emotional behavior, which would create a perception gap. Understanding common interests and issues of conflict passes through an enculturative screen which create a great deal of distortion if the values system of the host country is not properly understood, gap would expand, issues of conflict will rise at the expense of common interests, thus turning the whole negotiation into the negative mode. For every case, a combination of interests and their aspects, issues of conflicts and their aspects, a common interests bundle and issues of conflicts bundle are created, the idea is to understand these through the other party enculturative screen, thus establishing a link in between these, if possible compromise, and try to reach middle grounds.



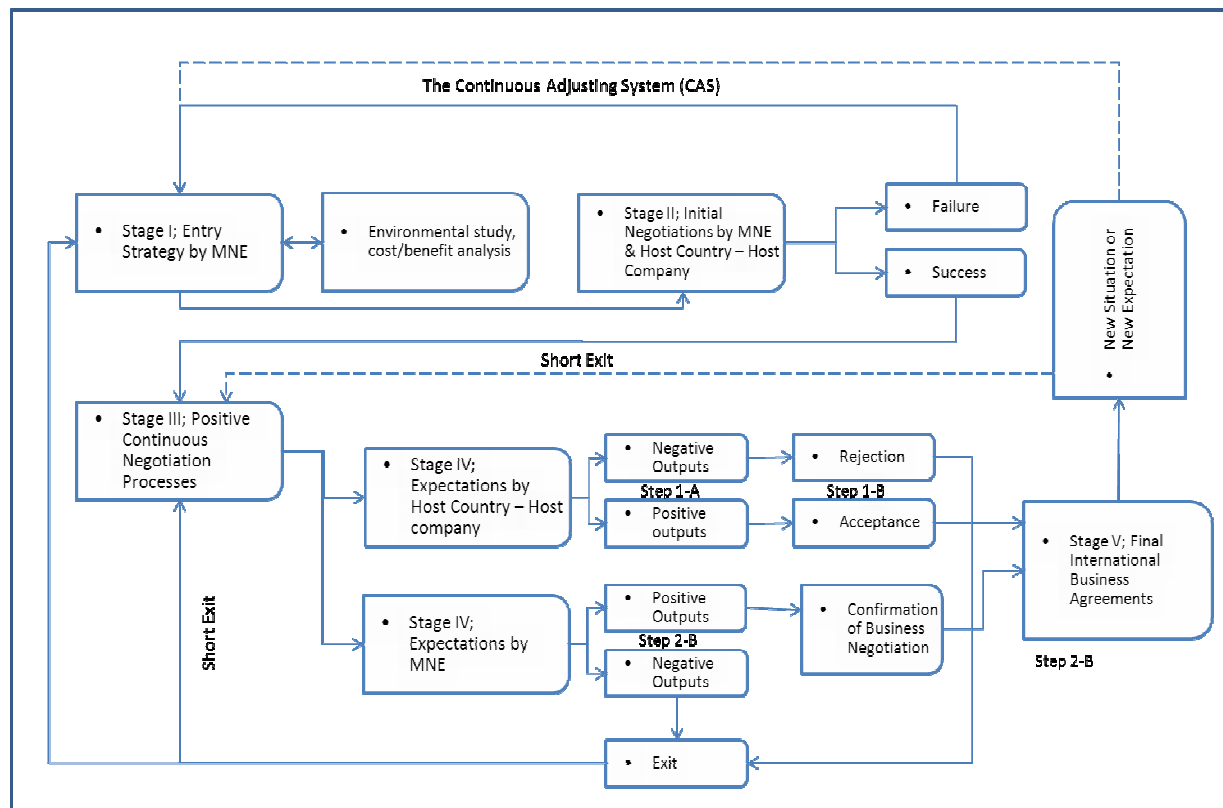
Having good negotiation skills is having the ability to link between these several aspects, using the common interests to dilute impact that issues of conflicts. This is by far one of the most critical stages of the negotiation process. During the course of negotiations, people often misrepresent information to gain at least a temporary advantage "Negotiation Deception". For example, a seller may fabricate the existence of another interested buyer or a buyer may misrepresent the price and availability of an item from a different vendor (8). If all of these counter measures didn't succeed into closing or narrowing the gap down, an acceptable compromise for both parties should be reached to help closing the gap, other than that, a third party, mediator, should take part in the negotiation process.

A Strategic Planning Model

With its complexity, involving an intricate structure of attitudes and opinions, social relationships both inside and outside the firm and the way such attitudes, opinions and social relations are changing(8), and in order to systematically control and direct path of negotiations towards projected objectives and results.

Stage I: Entry Strategy to multinational enterprise

Function to cost/benefit analysis and environmental studies, which should include all of the external and internal determinants to create a full scene about the current and future projections, this would help the multinational enterprise to make a decision of go-no-go, based on chosen entry strategy, through which multinational enterprise will identify the first step or tactic to approach the market, common interests and issues of conflict will be revealed.



Stage II: Initial Negotiation

After completing stage one, the two interested parties, multinational corporation and host company start initial negotiations to do business based on the prospected common interests and issues of conflict, thus, identifying these through the enculturative screen for the host company, taking into consideration the values system, is crucial towards promoting the negotiation to stage III if initial negotiations succeed, in failure cases, both parties have to go back to stage I for revaluation.

Stage III: Positive Continuous Negotiations Processes

At which both parties find it within their interest to do business together, which is a positive step towards negotiating an investment proposal, this stage is the working mechanism of negotiating proposals of common interests, through which every party spell out their requirements, conditions, constraints, legal aspects, etc.

Stage IV: Expectation

On the completion of stage III, the negotiation process enters a critical stage of expectations, which will determine the whole destiny of negotiations whether it would succeed or fail, because each party will begin to calculate gains and benefits from their expectations. From the host company point of view, expectations of economic and social aspects has to be perceived positively, thus, the host partner will accept investment proposal, on the other hand, if proposal was perceived negatively, host partner would reject the proposal taking a short exit strategy, by going back to stage III to negotiate better terms (short exit strategy is followed in case of minor conflicts), or by long exit strategy back to stage I (long exit strategy reflects major conflicts), same scenario follows multinational enterprise point of view, if their expectations are positive, then they will proceed on, confirm negotiation terms and accept proposal. If the outcome was negative from the multinational enterprise point of view, it will reject the proposal, exit negotiation via short exit (try closing conflict gap and reconcile any differences back to stage III), or the long exit, back to stage one to reevaluate the whole situation, adopting a different strategy and a new negotiation style.

Stage V: The Final International Business Agreements

Finalizing the agreement through legal documents and official contracts, these documents explain each of the parties rights, responsibilities and other related issues, this agreement will be considered binding for both parties. After stage V a new situations or expectations may be established due to unseen turn of events, changing public rules and regulations, bankruptcy of the multinational enterprise, changing the ruling regime, etc.

In these situations, three possible expectations can be projected, new situation will not change the current flow of events, business deals and agreements. Or it will cause minor problems and cause the negotiation process to head back towards stage III to reconcile any differences. New situation might also create a major conflict which will be translated into new perception or disagreement of the entire negotiation terms, thus, it will go back to stage one to reevaluate situation and find what ought to be done.

Summary and Conclusion

The dynamic emerging markets and corporations are getting rid of the naïve approaches such as finding a trust worthy host partner or to outsource and restrict offerings, whether in the near or distant future. Almost any human interaction involves some form of give-and-take, whether it was for Multinational corporation or their local host and partner, at the end of the day, everyone is looking at their balance sheets, to know how much they have profited and how may they increase figures. Products sold under a brand name used to command premium prices because, in general, they were superior to nonbrand rival products or generic items. Technical expertise in product development has become so wide spread, however, that special quality advantages are very hard to obtain these days and even harder to maintain (10), this and other variables have lured in local partners and hosts into changing their long term strategies, nevertheless, only multi-million corporations are capable of taking on the brand name global marketing advantage since quality, and because of the wide spread technologies, has become a perception influenced by advertising capabilities and creative communication messages. What is meant to be common interest “Partnership” between Local host and Multinational enterprise, is in fact, and in the long run, a start of a major conflict. Throughout all of partnership life time, negotiations between both parties govern all interaction and communication aspects, whether multinational enterprise wants increase prices of a certain product/category, whether the local host is demanding to increase his margins. In sum, negotiation is an art rather than science, who plays its game according to the rules, he is a winner.

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