Academy of International Business

Insights

Volume 1, No. 1, 2001

Welcome to Insights

Insights is a new publication of the Academy of International Business. It provides an outlet for interesting, topical, and thought provoking articles that are relatively short, and don't fit requirements for publication in JIBS, or other existing outlets. Insights provides ideas to stimulate discussion and research, as well as material for classroom use. Insights will be published (with the AIB Newsletter) four times a year. Developing Insights is exciting and we invite AIB members, and others, to offer comments and suggestions to make each edition really valuable for readers.

Comments and suggestions should be sent to the Editor

Insights welcomes submissions that are relevant to both the academic and the business communities. Articles can cover a wide array of topics; for example – practical advice for managers, new thoughts on traditional themes, innovative research approaches and initiatives, teaching advice. Insights will also provide an opportunity to exchange material for use in the classroom; for example - new "blunders," exercises that members have developed and used, and creative classroom techniques.

Please send articles and classroom material to the Editor for consideration for upcoming Insights - consider reprints of speeches you have made

Our first issue of Insights is specially designed to illustrate the array of material we expect to include in this new publication. Included in this issue are -

- A topical and insightful article "The Myth of Global Strategy" by Alan Rugman. This article will interest both international managers and international academics. Not everyone will agree with all of Alan's ideas, and we expect the article to stimulate discussion.

  *Some Comments on the Rugman article, from **Insight's** Advisory Board*

  "very thoughtful and likely to attract interest and attention"
  "at least a couple of research ideas that can be generated from the article"
  "expect readers to have a reaction to the ideas"

- A reaction to the Rugman article by Paul Simmonds, "Globalization: Another Viewpoint." Paul comments on a number of issues raised in the Rugman article, and takes a rather different view, which we also expect to stimulate discussion.

Readers are encouraged to submit comments, for possible inclusion in future Insights

- New Blunders - Some new blunders from David Ricks to make readers smile, and to illustrate the importance of awareness and sensitivity to national and cultural differences.

- A Cross-Cultural Negotiation Exercise – An exercise for class use from BJ Punnett. The exercise has been used successfully with students and managers (from both the private and public sector).

Please contact the Editor with suggestions

The Insights editor and advisory board are considering "themes" for upcoming issues, and welcome your suggestions.

Submission Information

Submissions to Insights can be sent at any time to the Editor.

Submissions may be electronic, by fax, or by mail. *Electronic submissions are preferred.*

Submissions will be reviewed by the Editor to ensure material is appropriate for Insights, then the advisory board will comment on submissions.

For consideration for specific editions, submissions must reach the editor by the following dates:

1st Quarter:	December 15
2nd Quarter:	March 15
3rd Quarter:	June 15
4th Quarter:	September 15

Articles should be approximately 2 printed pages.

Exercises, simulations, and other material should include all the information needed for use in the classroom. Material submitted should not contravene any copyrights.

Blunders should be based on real-world events and should be new – ie, not previously published, or disseminated in other media.

We look forward to your comments and submissions.

Thanks to the AIB Board for this initiative. Thanks to Laurel King for her support and suggestions. Thanks to the Advisory Board members for their assistance in preparing the first issue of Insights.

BJ

Editor

Betty Jane (BJ) Punnett
Management Studies
University of the West Indies
Cave Hill, Barbados

Ph. 246-420-1796
Fax 246-420-1797
eureka@caribsurf.com

Advisory Board

THE MYTH OF GLOBAL STRATEGY

by

Alan M. Rugman

L. Leslie Waters Chair of
International Business
Kelley School of Business
Indiana University
1309 East Tenth Street, BU-460
Bloomington, IN 47405
Tel: 812-855-5415
Fax: 812-855-3354
Email: rugman@indiana.edu

Executive Summary

- Globalisation is misunderstood – it does not, and has never, existed in terms of a single world market with free trade.
- Triad-based business is the past, current and future reality.
- Multinational enterprises operate within triad markets and access other triad markets; they have regional, not global, strategies.
- National governments strongly regulate most service sectors, thereby limiting free market forces; the extent of regulation is not decreasing.
- Business need to think local and act regional; it should forget global.

Introduction: The Myth of Global Strategy

Recent research suggests that globalization is a myth. Far from taking place in a single global market, most business activity by large firms takes place in regional blocks. There is no uniform spread of American market capitalism nor are global markets becoming homogenized. Government regulations and cultural differences divide the world into the triad blocks of North America, the European Union and Japan. Rival multinational enterprises from the triad compete for regional market share and so enhance economic efficiency. As a result, top managers now need to design triad-based regional strategies, not global ones. Only in a few sectors, such as consumer electronics, is a global strategy of economic integration viable. For most other manufacturing, such as automobiles, and for all services, strategies of national responsiveness are required, often coupled with integration strategies, as explained in the matrix framework of this article.

The real drivers of "globalization" are the network managers of large multinational enterprises. But their business strategies are triad/regional and responsive to local consumers, rather than global and uniform. For example, the automobile and speciality chemicals business are triad-based, not global. There is no global car. Instead, over 90% of all cars produced in Europe are sold in Europe. Regional production and large local sales also occur in North America and Japan. Successful multinationals now design strategies on a regional basis; unsuccessful ones pursue global strategies.

Some Common Global Misunderstandings

Globalization has been defined in business schools as the production and distribution of products and services of a homogenous type and quality on a worldwide basis.[1] Simply put - providing the same output to countries everywhere. And in recent years it has become increasingly common to hear business executives, industry analysts, and even university professors talk about the emergence of globalization and the dominance of international business by giant, multinational enterprises (MNEs) that are selling uniform products from Cairo, Illinois to Cairo, Egypt and from Lima, Ohio to Lima, Peru.[2]

To back up their claims, these individuals often point to the fact that foreign sales account for more than 50 percent of the annual revenues of companies such as Dow Chemical, Exxon, Hewlett Packard, IBM, Johnson & Johnson, Mobil, Motorola, Procter & Gamble, and Texaco.[3] These are accurate statements - but they fail to explain that most of the sales of "global" companies are made on a "triad-regional" basis. For example, most MNEs that are headquartered in North America earn the bulk of their revenue within their home country or by selling to members of the triad: NAFTA, the European Union (EU), or Japan and a small group of Asian and Oceania nations.[4] In fact, recent research shows that:

1. More than 85 percent of all automobiles produced in North America are built in North American factories owned by General Motors, Ford, Daimler-Chrysler, or European or Japanese MNEs; over 90 percent of the cars produced in the EU are sold there; and more than 93 percent of all cars registered in Japan are manufactured domestically.
2. In the specialty chemicals sector over 90 percent of all paint is made and used regionally by triad based MNEs and the same is true for steel, heavy electrical equipment, energy, and transportation.
3. In the services sector, which now employs approximately 70 percent of the work force in North America, Western Europe, and Japan, these activities are all essentially local or regional.[5]

Another misunderstanding about globalization is the belief that MNEs are globally monolithic and excessively powerful in political terms. Research shows this is not so. MNEs are not monolithic; in fact, the largest 500 multinationals are spread across the triad economies of NAFTA, the EU, and Japan/Asia.[6] Recent research shows that of these 500, there are 198 headquartered in NAFTA countries, 156 in the EU, and 125 in Japan/Asia. Additionally, these triad-based MNEs compete for global market shares and profits across a wide variety of industrial sectors and trade services. And this process of regional competition erodes the possibility of sustainable long-term profits and the possibility of building strong, sustainable political advantage.[7]

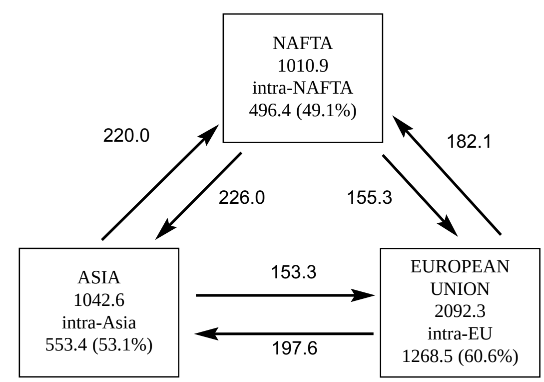
A third misunderstanding about globalization is the belief that MNEs develop homogeneous products for the world market and through their efficient production techniques are able to dominate local markets everywhere. In truth, multinationals have to adapt their products for the local market. For example, there is no world-wide, global car. Rather, there are regionally-based American, European, and Japanese factories that are supported by local regional suppliers who provide steel, plastic, paint, and other necessary inputs for producing autos for that geographic triad region. Additionally, the car designs that are popular in one area of the world are often rejected by customers in other geographic areas. The Toyota Camry that dominates the American auto market is a poor seller in Japan. The Volkswagen Golf that was the largest selling car in Europe did not make an impact in North America. Even pharmaceuticals, which manufacture medicines that are often referred to as "universal products," have to modify their goods to satisfy national and state regulations thus making centralized production and world-wide distribution economically difficult.

World Trade is Highly Regional

World trade provides a good example of just how regional MNEs are. The amount of trade in terms of exports and imports has grown rapidly over the last decade, but it continues to be dominated by the triad. The latest data show that in 1997 these three groups accounted for 57.3 percent of world exports and 56.5 percent of world imports. If these trade data are examined in terms of what might be called the "core" triad - the United States, the EU, and Japan - the amount of exporting that each group does to the other is quite small. For example, the United States exports approximately 20 percent of its total to the EU and 10 percent to Japan, while the EU exports 8 percent of its total to the United States and less than 1 percent (.002 to be exact) to Japan. Meanwhile, Japan exports 28 percent of its total to the United States and 16 percent to the EU. An analysis of imports reveals the same general picture. The United States gets 16 percent of its imports from the EU and 11 percent from Japan; the EU receives 8 percent of its imports from the United States and 4 percent from Japan; and Japan gets 24 percent of its imports from the United States and 17 percent from the EU.[8]

Simply put, the core triad members do not rely on each other for most of their exports or imports. Then on whom do they rely? The answer is: other members of their own triad. For example, as shown in Exhibit 1, over 60 percent of all exports by EU countries is to other members of that triad. The 'core' triad members can be expanded by adding Canada and Mexico to the United States, which gives us NAFTA, and then constructing a group of countries for 'Asia'. This group consists of Japan, Australia, New Zealand, China, Taiwan, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and also the smaller Asian Pacific economies. This gives us the 'broad' triad. This yields Exhibit 1, which confirms that the world's trade is controlled by the triad.

Exhibit 1: Exports in the Broad Triad



Note: Data are for 1997, in US$ billion.
Source: Alan M. Rugman *The End of Globalization* (London: Random House Business Books, 2000 and New York: AMACOM/McGraw-Hill, 2001).

According to data for 1997 in Exhibit 1, the triad's export total US$ 4,145.8 billion, with 60.6 per cent of the EU exports of US$ 2,092.3 being internal, at US$ 1,268.5 billion. The EU exports only 8.7 per cent to NAFTA (US$ 182.1 billion) and 9.4 per cent to Asia (US$ 197.6 billion). NAFTA exports 15.4 per cent of its total to the EU (US$ 155.3 billion) and 22.4 per cent to Asian (US$ 226.0 billion). The internal NAFTA trade at 49.1 percent is surprisingly high, given that Canada is only one twelfth the economic size of the United States and Mexico only about one twentieth its size. Asia exports 21.1 per cent of its total to NAFTA (US$ 220.0 billion) and

14.7 per cent to the EU (US$153.3 billion). But the majority of Asian trade is also intra-regional.

In summary, the extent of intra EU exports is 60.6 per cent. For NAFTA internal trade it is 49.1 per cent and for Asia it is 53.1 per cent. The majority of world trade in the European and Asian triads is within their internal markets and for North America nearly half of its trade is also intra-regional. Most of the rest of world trade is between triad members. Given the dominance of the triad in world trade (and direct investment data show the same picture) what strategies are appropriate for individual multinationals?

Conclusions

It is possible to offer some practical strategies for managers who want to increase their company's international revenues and profits. Five of the most useful lessons learned are these:

1. Do not assume an integrated global market. There is more to strategy than worldwide economies of scale. Instead, be prepared to design strategies that take into account regional trade and investment agreements such as NAFTA or the single market of the EU. Also learn to deal with different cultures and become "nationally responsive" when necessary.
2. Design organization structures which recognize triad-based internal know-how capability and develop network organizational competencies, rather than always rely on international divisions or global product divisions.
3. Develop new thinking and knowledge about regional business networks and triad-based clusters and assess the similar attributes of triad competitors, rather than always developing pure global strategies. The foreign market is not always the same as your home market.. Make alliances and foster cross-cultural awareness in your senior managers.
4. Develop analytical methods for assessing regional drivers of success rather than globalization drivers because the former may be more useful in the future in gaining and holding market share.
5. Encourage all your managers to think regional, act local - and forget global!

Endnotes

[1] Rugman, A. and R. Hodgetts. 2000. *International Business*, 2nd edition. London: Pearson Education /Prentice Hall: 615. The definition of "globalization" is a subject of intense academic debate. Most business school scholars would adopt the economics-based definition used here, where integration across national borders yields the potential for firm-level economies of scale and/or global brand name products. Contingent upon this definition of "pure" economic globalization is the need for products to be uniform across markets. A much broader definition of globalization is used by other writers such as Anthony Giddens, a sociologist. He defines globalization as "the worldwide interconnection at the cultural, political and economic level resulting from the elimination of communication and trade barriers" and he states that "globalization is a process of convergence of cultural, political and economic aspects of life", Giddens A. 1999. *Runaway World : How Globalisation is Reshaping our Lives*. London: Profile Books. Again, convergence (of cultures, tastes, regulations etc) is an extreme version of homogeneity of products and services. The thesis of this article is that such convergence and homogeneity has not occurred; instead of globalization we observe regional/trial production and distribution. Therefore, MNEs do not need global strategies; regional ones are more relevant.

[2] Yip, G. 1995. *Total Global Strategy*. Englewood Cliffs: NJ: Prentice Hall.

[3] For more on these firms see the "Top 100 TNCs Ranked by Foreign Assets," *World Investment Report 1997* New York: United Nations, 1997.

[4] NAFTA consists of the United States, Canada, and Mexico. The European Union is made up of Belgium, France, Italy, Luxembourg, the Netherlands, Germany, Great Britain, Denmark, Greece, Ireland, Portugal, Spain, Austria, Finland, and Sweden. The major Asian countries included here include Australia, China, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, and Thailand as well as Japan.

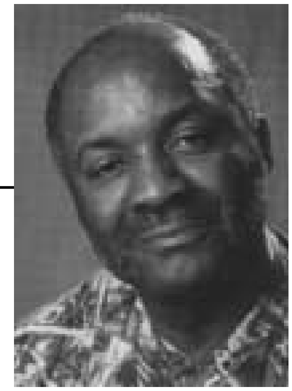
[5] Rugman, A. 2000. *The End of Globalization*. London: Random House, Chapter 1. (This book is to be published by AMACOM/McGraw-Hill, 2001 in North America).

[6] These data have been adapted from "The Fortune Global 500," *Fortune*, August 2, 1999.

[7] Rugman, A. 1996. *The Theory of Multinational Enterprises*. Cheltenham: Elgar and Rugman, A. and J. D'Cruz 2000. *Multinationals as Flagship Firms: Regional Business Networks*. Oxford: Oxford University Press.

[8] Rugman, A. 2000. *The End of Globalization*. London: Random House Business Books, Chapter 7. The initial focus on the triad is due to the work of former McKinsey consultant, Kenichi Ohmae; Ohmae, K., 1985. *Triad Power*. New York Free Press. However, Ohmae has subsequently become a strong advocate of Quadrant 1 "pure" economic globalization and is not supportive of policies of national responsiveness; Ohmae, K., 1990. *The Borderless World*. New York: Harper Business; Ohmae, K., 1995. *The End of the Nation State*. New York: Free Press.

Globalization: Another Viewpoint



Paul Simmonds, Florida State University, Tallahassee

Professor Rugman provides a perspective of globalization that focuses on nations and regions as provocateurs of economic activity. His perspective is based on homogeneity of markets and comparative advantage concepts whereby commodity and unskilled labor markets are major drivers of world trade and commerce. Unfortunately, this perspective is more suited to trade concepts of the 18th and 19th centuries where economists argued the value of absolute and comparative advantage. Professor Rugman's analysis and conclusions are consistent with a national, macro level perspective in which nations debate the merits of global reduction in trade barriers. However, as Kinichi Ohmae suggests, firms, not nations, are the true generators of economic activity, and firms are not loyal to geographical boundaries or sovereign nation states (Ohmae, 1990).

Market homogeneity is not the major determinant of globalization; it is market interdependency. Supply and demand imbalances create linkages between markets. A standardized product or service in all markets is only one of several options available to satisfy those linkages. A definition of globalization that focuses on the ability of firms to leverage certain resources and compete in worldwide markets suggests globalization **does** exist in interdependent markets. Global branding is an illustrative example. Whether franchising or product branding, firms seek interconnectivity throughout their competitive domains to leverage their intangible assets. Everyone is familiar with the golden arches of McDonald. Strict control of key operational aspects in food preparation and delivery are consistent globally despite varied addition to menu offerings that accommodate local tastes and customs. McDonald expects customer experiences in any of its locations to generate certain expectations between locations because of its brand identity. Therefore, the interdependence of knowledge and information among the various locations are critical to McDonald's competitive success. The most relevant definition of globalization, therefore, is the ability to transfer information and knowledge globally.

In a September 27, 1999 Fortune Magazine article by Thomas A. Stewart, Jack Welch, CEO of General Electric, identified three stages of globalization. The first stage was globalization of markets. In this stage, firms acquired assets to sell in any market they chose. The second stage was globalization of sources. Firms bought or built wherever it was most advantageous. The third and current stage (according to Mr. Welch) is globalization of the intellect. In this stage, firms seek the best brains wherever they are located. Anecdotal evidence supports Mr. Welch's three-stage model, especially the third stage. Approximately ten years ago William Johnston indicated that developing countries were supplying an increasing share of the world's skilled human capital and would have important implications in the 21st century for worldwide economic development and competitiveness (Johnston, 1991). His prophetic insights are evidenced today. For example, skill shortages in key economic sectors of the United States fueled requests from the business sector for increases in the number of H-1B visas. The visas allow foreign workers to remain in the United States up to six years (Gilster, 2000). Despite recent increases in the number of H-1B visas issued demand still exceeds supply. Firms will either have to invest significant resources in training workers domestically or locate operations in areas where supply of the needed skills are in abundance.

Products and services may be produced, delivered, and traded on a regional basis as Professor Rugman suggests, but it is global diffusion of knowledge that makes this possible. One of the critical factors affecting the new transformation in the world economy is the ability to leverage knowledge and talent worldwide through technology (Fraser & Oppenheim, 1997). Market homogeneity for products and services is unimportant and unnecessary in most cases because knowledge diffuses very rapidly in today's environment. Globalization exists because bits and bytes (process knowledge) and other intangible assets can be transferred globally at minimal costs. The result is greater intra-regional trade flows. In many instances, the Internet, Intranet and World Wide Web reduce the need for large-scale facilities producing similar products for inter-regional shipment. Instead, these technological innovations permit rapid dissemination of know how (the key to producing goods or services) to disparate parts of the world. Economies of scale are measured in the degree that fixed costs (research and development costs, for example) can be leveraged among networks and regions.

In conclusion, globalization as a totally macro concept involving homogeneity of international markets may never become a reality, nor is it a major necessity for global economic expansion and benefits. Opportunities **do** and **will** continue to exist because of market homogeneity within certain industries. However, market interdependency rather than market homogeneity will determine future global competitiveness. The ability to leverage knowledge globally in delivering value creating products and services is the dominant competitive concern of global firms. How to transfer critical skills and knowledge within the network is yet a challenge, but the only effective response to dual concurrent pressures for global efficiency and local responsiveness.

Paul Simmonds can be contacted by e-mail at psimmon@cob.fsu.edu or fax at 904-644-7843.

REFERENCES:

Fraser, J. & Oppenheim. J. 1997. What's new about globalization? *The McKinsey Quarterly*, Spring, 2, 168.

Gilster, P. 2000. Legislating an IT fix. *Workforce*, 37(7), 34-37

Johnston, W. B. 1991. Global workforce 2000: The new world labOR market. *Harvard Business Review*, 69(2), March-April, 115-127.

Ohmae, Kinichi. 1990. *The borderless world*, New York: Harper Business.

Blunders in International Business

AOL recently had problems in Brazil while launching a new promotional campaign. Hundreds of would-be new users were mistakenly given music CD's rather than the CD-ROMs needed to start up AOL's service. They may have been the lucky ones. Those new subscribers receiving the correct CD-ROMs discovered that their computers were changed without warning. Web browsers were altered and home pages were replaced.

BMW also experienced some awkward moments while launching its new 3-series models in Great Britain. It wanted to remind the television viewers of its proud heritage. It wanted to say that the new models are based on BMW's great tradition and experience with its previous models. BMW tried to do this by depicting the sporty car with DNA type strings, but it used DNA symbols without bothering to find out much about them. For most viewers, this advertisement was fine until someone pointed out that the DNA depicted actually belonged to a slow moving 10,000 year old woolly mammoth (now extinct, of course). Not exactly the image intended.

Thanks to David Ricks (University of Missouri, St. Louis) for sharing these

Cross-Cultural Negotiations: An Exercise

Thanks to BJ Punnett (University of the West Indies, Cave Hill)

I have used this exercise successfully with students in both undergraduate and graduate management classes. I have also used it in a workshop that included executives from both the private and public sector. All groups got into the spirit of the exercise and seemed to enjoy it and learn from it. The results differed on each occasion but always provided the basis for an interesting and stimulating discussion.

Background – The class is divided into two groups of different sizes of about 6 and 4 (if your class is large, you can do multiple sets of two groups), each represents a team from a different company in a country – the A1 company in Alpha has 4 members & the Bigg company from Beta has 6 members. The two companies are negotiating a joint venture agreement and each company is very hopeful of successfully concluding an agreement. There has been preliminary discussion between the senior executives of the two companies regarding the joint venture but these are the first face-to-face discussions. Each company is sending a high-level negotiating team to work out important details of the joint-venture. The teams are meeting in Alpha for the negotiations because Alpha is expected to be the physical location of the joint venture.

Preliminary Discussions – Total capital investment needed for the joint venture is US$20 million; provision of equipment, machinery, technology from the parent companies may be possible; each parent will provide some management personnel; government incentives are available if the joint venture is located in a specific parish of Alpha.

Issues to be Negotiated – Joint-venture ownership percentages for A1 & Bigg; capital investment by each parent; management structure; provision of equipment etc. by each parent.

Instructions – You will need two rooms so that Alphans can work in one, and Betans in another. Divide class into groups and provide each group with the instruction sheet. Allow about 30 minutes to discuss as a team and prepare a negotiating strategy. (I usually listen to a bit of each groups discussion and stimulate their thinking if necessary.) Remind the A1 group that negotiations are in their country so they must think about the physical arrangements. Tell the Bigg group that the A1 team will be "collecting them from the hotel". Have the groups meet for negotiations. Allow approximately 30 minutes for negotiations. Let each team meet individually for discussion for about 15 minutes. Conclude with class discussion and "lessons" about effective cross-cultural negotiation.

Issues for Team and Class Discussion

- How well do you feel your team succeeded in the negotiations?
- How well do you feel the other team succeeded?
- What factors encouraged success?
- What factors made the negotiations difficult?
- How comfortable were you as an Alphan or Betan?
- Would you prefer the Alphan or Betan role if you did the exercise again?
- Why do you prefer one role over the other?

Insights from this exercise …. Results vary from reasonable agreements to total stalemates to one group walking out and refusing to continue the negotiations. The instructions are written to allow for all these outcomes. The most successful teams are those who decide initially to deal with the cultural issues and be flexible, given their mandates. The least successful are those who really buy into their negotiating rules. The instructor can draw valuable lessons from the exercise, no matter what the results.

Information for A1 Alphan Negotiators

You know that Senior Management at A1 is very interested in reaching an agreement with the Bigg company. Senior Management has invested substantial time and energy in this venture and they are counting on the negotiating team to reach a reasonable agreement with Bigg. Your situation is as follows:

- Your team wants to reach an agreement in the allotted time.
- A1 wants to maintain control of the joint venture either through more than 51% ownership or by providing the Managing Director for the venture.
- A1 wants to minimize capital investment because the company is currently suffering a capital shortage (A1 would prefer to keep investment outlay under US$8,000,000).
- A1 wants to provide equipment and machinery (no longer used by the parent) valued by A1 at US$4,000,000 in place of capital.
- A1 is well connected to the Alphan government and can guarantee government incentives for the project.

Following is a description of the main aspects of the Alphan negotiating style:

- It is important to be friendly and to shake hands and touch others as often as possible to show your friendship and good will.
- The usual greeting for friends or new acquaintances is a kiss on both cheeks.
- Alphans believe that words and gestures are both very important and should be used frequently, and it is important to explain a position in a variety of ways to ensure it is understood by all.
- Alphans see negotiating as a competitive activity and believe winning is important.
- Everyone's opinion is valued in Alpha so individual team members are encouraged to participate actively.
- Openness is valued and it is important to state agreement or disagreement clearly.

Information for Bigg Betan Negotiators

You know that Senior Management at Bigg is very interested in reaching an agreement with the A1 company. Senior Management has invested substantial time and energy in this venture and they are counting on the negotiating team to reach a reasonable agreement with A1. Your situation is as follows:

- While an agreement on specific items is desirable, Betans believe it is more important to establish a sense of trust and rapport with the A1 Alphans – further negotiations are always possible.
- Bigg wants to maintain control of the joint venture either through more than 51% ownership or by providing the Managing Director for the venture.
- Bigg believes capital investment should be reflected in the ownership structure of the joint venture (ie, if Bigg provides 60% of the capital, Bigg should retain 60% ownership).
- Bigg would like to provide as much management as possible for the joint venture because Bigg is facing the possibility of management layoffs in Beta.
- Bigg controls technology which could be helpful in establishing the joint venture successfully, but it is unsure about making the technology available because of the potential loss of a competitive advantage.

Following is a description of the main aspects of the Betan negotiating style:

- It is important to be polite and respectful and show friendship by respecting others.
- Betans are formal and the usual greetings are a handshake or bow, touching is minimized.
- Betans select a spokesperson for the team, but consensus is important and it is customary to break often to confer with other members of the negotiating team.
- Silence is seen as giving both negotiating groups time to think about issues that have been raised.
- Saying "yes" means you have heard the other party, not necessarily that you agree, disagreement is indicated by saying "maybe", "it may be complicated" or some other polite phrase as it is considered impolite to say "no."
- Betans see building trust and a relationship as the most important outcomes of any negotiations because these will lead to successful long-term business arrangements.