

report

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Executive Summary

Richmond Engineering is a company based in Vancouver; it was founded in 1977. They manufacture power poles, subsequent machinery and technology used to produce them. Company has very profitable in Western Canada with a market of approximately 75%. Due to strong competition in Eastern Canada, company isn't able to expand there. It has been attempting to enter the Chinese market since 1984. In 1991 they pursued to be part of a joint Venture with the Chinese. Smilla Finn, VP and Chief treasurer is on the of the founders of this company and she was entrusted with the task of expanding the company in international market.

Finn was negotiating with three Chinese companies, The Township, Beifand Steel, and Minzhong to reach an agreement. After a couple long negotiation sessions, Chinese companies have produced a translation of the deal into English. This version had many changes from Finn's original deal. Joint Venture reveals a deficit of confidence between Richmond Engineering and Chinese partners, study also addressed the Chinese negotiators aggressive approach to negotiation.

Finn is recommended to consider a series of alternative approaches to revert the deviations in agreed terms. Finn must consider the Chinese culture and at the same time focus on what is good for Richmond Engineering. Deviations in the contract would have damaging effects on the financial health of the company. An arrangement should be made that is beneficial to all parties involved. Finn should not be too aggressive and point blame at the Chinese at any point. Finn has the ultimate decision whether to accept a contract which has been deviated from original agreement or whether to challenge the deviations and risk the possible of losing the Chinese.

Problem Statement

Smilla Finn must decide on how to approach the Chinese proposal received by her, which clearly violates agreed upon terms. She has to also make sure that her decision works towards the best interest of Richmond Engineering.

Analysis

Richmond Engineering is based in Vancouver and manufactures power poles and technology used to produce them. As the company wishes to expand, it is looking to expand globally. They are targeting China due to the huge growth opportunity and cheap manufacturing. Finn has consistently sought to arrive at a mutually beneficial agreement to satisfy all potential joint venture partners. Finn has received a proposal from the Chinese with several deviations that weren't agreed upon during the initial negotiations.

Original Agreement	Deviations
Richmond Engineering would supply their usual range of dyes and pole size	Additional Dyes were required.
Delivery time: 8-10 months	Reduced to 6-8 months

All four members contribute shares simultaneously	Richmond Engineering must pay in advance
	Supply more equipment than agreed upon
Plant capacity set at 20,000 per year	Plant capacity increased to 25,000

Finn is familiar with the Chinese culture and their business tactics from her dealings in Indonesia. Finn is quite aware of the fact that the Chinese have an aggressive approach when it comes to negotiating and they do not trust foreigners. Their effort to deviate from the negotiated terms is an indication that Chinese negotiators see this as a start of flexible partnership and not as the end of lengthy negotiating process. The Chinese are known to put foreign companies trying to enter their market in a long and drawn-out phase through hoops with the government.

Discussion of Alternatives

The two most viable solutions that Finn must between are to either continue with the deviated agreement and sign based on trust or to reconsider and renegotiate with their Chinese partners.

First option to sign the recent version of the agreement will put an end to all talks and give RE an international partnership with some influential partners. This would mean RE could start forming partnerships and give them the opportunity to become an international organization without incurring massive costs for doing so. This is something Richmond Engineering has been searching for for many years despite the new deviations. Accepting this deal would also mean that RE has to accept the fact that they have to change their initial tactics and adapt a new way of doing business in a new part of the world. This joint venture will bring many other opportunities such as the marketing expertise of Minzhang for accessing the international market.

Second alternative for Richmond Engineering would be to renegotiate with their Chinese partners in order to confirm the draft with the final agreement which was reached after a long process of negotiations. This gives RE an opportunity to stand up for itself as an organization and prove that they cannot be easily pushed around. A revised agreement would be more beneficial to begin this joint venture, as it would help make partners fair from the beginning, without depending on potential expectations of an updated agreement. This alternative would also place Richmond Engineering in a position of power over other companies.

Recommendation

An easy alternative for Finn will be to accept the proposal with deviations from the agreement, however it would be in Richmond Engineering's best interest to revise the proposal and offer to renegotiate with all involved parties. The deviations from the joint venture decided verbally would be too expensive for Richmond Engineering without impacting other participants negatively. The international future depends on this venture's success and on the subsequent relationships that were formed from it. It would be tragic to lose relentless efforts over the last few weeks, and it would be even more devastating to lose the next few years as a result of a reckless decision to try and speed up the negotiation process.

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