Nora-sakari case analysis

Nora-Sakari Case Study Introduction: Nora and Sakari are considering a joint venture to build digital switching exchanges for the telecom industry in Malaysia, Indonesia, and Thailand. Nora is a Malaysian telecom company that is looking to become a technology leader in South-east Asia.

Sakari on the other hand is a Finish company that is considering expanding its operations in south-east Asian market and is looking for partners for this reason. They are a high Technology company and the Joint venture between these two companies seems like a perfect fit. The problem which arises is that these two very different cultures go about negotiation in very different ways. These cultural differences have the potential to make a joint venture between these two companies impossible which would be a shame as they both have a lot to gain from working together for a common goal. Analysis: Negotiations between businesses in different cultures need to be done with a mind to the fact that these cultures have different ways of doing business.

In this section I will compare Eastern (Finish) values and business practices vs. Eastern (Malaysian) values and business practices. It is also important to note that the Malaysian culture is also dominated by the Islamic religion which also has aspects that need to be understood in order to successfully do business. Difference in thinking pattern: Every person carries within himself or herself patterns of thinking, feeling and potential acting which were learned throughout their lifetime. Much of it has been acquired in early childhood, because at that time a person is most susceptible to learning and assimilating.

As soon as certain patterns of thinking, feeling and acting have established themselves within a person's mind, (s)he must unlearn these before being able to learn something different, and unlearning is more difficult than learning for the first time (Hofstede, 2010). A persons culture is an example of this and something not easily set aside. These differences may be so deep that there is evidence that there are differences in the brain activity between Western and Eastern Cultures. The following are examples of tests done along with the results based on culture. Researchers offered people a choice among five pens: four red and one green.

Easterners are more likely to choose a red pen, while Westerner more often chooses the green. • In an experiment measuring how well 8-year-olds could solve puzzles, American children performed best when solving puzzles they had chosen themselves, while Asian children performed best when solving puzzles they were told their mothers had chosen for them. American children brought up in an independence-minded culture felt best when they were exercising free choice, while the Asian children assumed that their mothers had their best interests at heart. When they are tested on details of an underwater scene they recently viewed, Westerners tend to remember more about the biggest fish, while Easterners remember more about the scene's background. Western culture conditions people to think of themselves as highly independent entities.

When looking at scenes, Westerners tend to focus on central objects more than on their surroundings. In contrast, East Asian cultures stress interdependence. When Easterners take in a scene, they tend to focus more on the context as well as the object: the whole block rather than the BMW

parked in the foreground. Goldberg, 2008) The figure to the left (Chang, 2009) illistrates the general differences between eastern and western cultures. These differences influence the priorities of a company and need to be understood and a plan of attack needs to be devoloped that does not tread on these differences when negotiating.

For example understanding that an eastern company will tend to favor a long mutually beneficial relationship with another company based on trust would be important if a western company wanted to do business with them. Differences in values: The idea of time and its value is not universal notion the approach to time with high importance on efficiency and punctuality is only an abstract idea in most Asian/Middle Eastern cultures. Most Asian nations that traditionally place a higher value on interpersonal relations see time and its significance opposed. In the US, UK and much of northern Europe, strong, direct eye contact conveys confidence and sincerity. However, in some cultures such as the Japanese, prolonged eye contact is considered rude and is generally avoided. Kwintessential, 2011) In Europe and North America, business people will usually leave a certain amount of distance between themselves when interacting.

Touching only takes place between friends. In the Middle East, business people are tactile and like to get up close. In Japan or China, it is not uncommon for people to leave a gap of four feet when conversing. Touching only takes place between close friends and family members. In much of Europe and North America, business is contractual in nature. Personal relationships are seen as unhealthy as they can cloud objectivity and lead to complications.

In much of Asia, business is personal. Partnerships will only be made with those they know, trust and feel comfortable with. It is therefore necessary to invest in relationship building before conducting business. (Kwintessential, 2011) It is very important to note that there are also differences in cultures with Western and Eastern societies. In the case Zainal admitted that he approached the negotiations like he would a company from the United States or United Kingdom.

In this case he did not realize that although the USA and Finland are both western cultures that share many values the people in Finland tend to be less personable and give the appearance of being reserved or cold. This is much different from in the US so if these differences are not known ahead of time it could give the appearance that Sakari was not interested in the deal as Zainal noted. Research shows that around 70% of intercultural negotiations fail not simply due to technical difficulties, such as lack of adequate preparation, planning, participants' involvement, etc. – but rather by culturally-conditioned factors (Groznaya, 2008). It appears that the Nora-Sakari joint venture is moving close to adding to this statistic. Strategic Alternatives: Nora: Nora seems like they really needs to get this deal done in order to be able to fulfill the 2billion bid it obtained from Telecom Malaysia Bhd.

to install digital switching exchanges. It is also important to note that one of the main reasons that the bid was accepted was because of the joint venture Nora was negotiating with Sakari. The advantages to Nora to complete the JV are for one Nora is very interested in the technology that the finish company has to offer. They are impressed in general about how many finish

companies compete successfully even though the country is so small. Sakari spends 17% of its sales revenue on R and that is a huge contrast from the 1% Nora spends even if they plan on increasing this number. Sakari also wants to locate an R facility in south-east Asia and with the joint venture Nora may be able to benefit from any breakthrough.

Unfortunately the technology transfer is also a major sticking point in the negotiation as Sakari is reluctant to share too much of their technology with a company who could develop into a competitor down the road. Another advantage of the Nora-Sakari JV to Nora would be that because Sakari is a relatively small company they are much more willing to develop a custom solution to meet Nora exact needs. Sakari's system used standard components, software development tools, and software language so it can be easier to use and upgrade. It also had a modular design which would make manufacture easier. This is a large advantage because the other larger companies Nora considered partnering with are large companies like Siemens, Fijitsu, Etc and are unwilling to work out custom projects with Nora.

The disadvantages to forming a joint venture with Sakari would be that one Sakari was very reluctant to share its technology with Nora. One of the main reasons Nora wanted to work with Sakari was to gain access to new technology and it looks like it would be a fight to get any significant breakthrough from them. Sakari would also have access to technology that they did not have because of joint ventures that Nora already had with a Japanese company which was more advanced than Sakari in one aspect of the technology. Sakari: The main advantage of the JV for Sakari would be it would gain access to the South-East Asian markets. There switches have

already sold and worked successfully in Sir Lanka, United Arab Emirates, China and in the Soviet Union so they feel if they had a foothold with a high tech product in a area of the world that is quickly developing it would have the promise of significant returns on their investment. The move into South-East Asia is also stressed in Mattsson stating that Sakari needs access to the fixed network products.

Besides the ability for Sakari to gain technology from the Japanese company they would also presumably have the ability to work with the NRSB to develop new technologies. It does not really seem like Sakari is interested in this but I think if they did the JV it would be a great advantage to both companies to work together in some technology formats. Sakari also wanted to set up its own R&D facility in South East Asia and this joint venture would be an advantage to setting this up. The disadvantages would be mainly will this joint venture give Sakari the full access to the Southeast Asian market? Nora does do business in other SE Asian countries but the question is whether or not Sakari will be able to gain a discernable advantage in this market. Sakari wants to move permanently into this fast growing market and is only using Nora as a stepping stone, so if it is not a significant stone they would be wasting their time. There is also some concern about the efficiency in the Malaysian workers.

Sakari has high standards for product quality and prompt service and they do not want to be smudging their name if Nora's Malaysian workers cannot perform as expected. Though I am sure Nora will not tell Sakari so but they do ultimately want to learn how to produce the high technology products Sakari offers and sell them themselves becoming a direct competitor with

Sakari. It seems that Sakari's reluctance to share their technology with them shows that they are not fooled. Recommendations: There are advantages to doing this clearly for both sides, but I see it almost as a necessity for Nora and still they are unwilling to compromise to the satisfaction of Sakari. If I am from Nora I do this Joint venture in a heartbeat.

They will be able to successfully complete the contract given to them from TMB as well as gain technological advantages from access to Sakari's advanced products and R. This way they will be able to compete with Sakari in the future and with the advantages of it being both culturally and locational local would have some advantage if they can produce their products of similar quality as Sakari. If I where Sakari I would most likely step away from this deal. They are giving up a lot (technology, engineers, knowhow) for a lot of questions. The case does not give clear definite about the ability of Nora to give them access to the SE Asian market as well as the question about the quality and potential problems with delivery. They still need to gain access to this market but I kind of feel this might not be the correct move for them to make.

The best thing for them may be to buy a smaller high tech company with extensive ties to other countries as Sakari has a good product they just need an avenue to sell it. Another option may be to look for a western company to JV with that already it established in SE Asia. Table 3. Low and High Individualism Cultures Low IDV (Collectivist) | High IDV (Individualist) | | General Norms (Values) | | People are born into extended families | People grow up to look after him/herself and the immediate family | | Identity is based on your social network | Identity based on the individual | | High

context communications | Low context communication | | Diplomas provide entry to higher status groups | Diplomas increase economic worth/self-respect | | Employer-employee relationship perceived in moral terms; like a family | Employer-employee relationship is a contract based on mutual advantage| | link | | | Management of groups | Management of people | | Implications | | Maintain harmony; avoid conflict | Speaking your mind is admirable | | Social network is primary source of info | Media is primary source of info | | Relationship prevails over task | Task prevails over relationship | | Example Cultures | | Guatemala | USA | | Panama | Australia | | Indonesia | Great Britain | | Pakistan | Canada | | Taiwan | Italy | | South Korea | Belgium | | West Africa | Denmark | Low and High Power Distance Cultures Low PDI | High PDI | | General Norms (Values) | | Inequalities among people should be minimized | Inequalities among people are both expected and desired | | Interdependence between less and more powerful people | Less powerful people should be dependant on the more powerful | | Hierarchy means an inequality of roles | Hierarchy reflects existential inequality | | Decentralization preferred | Centralization preferred | | Students treat teachers as equals | Students treat teachers with respect | | Children treat parents as equals | Children treat parents with respect | | Implications | | Subordinates expect to be consulted | Subordinates expect to be told | | Bosses expect feedback | Bosses expect obedience | | Privileges/status symbols frowned upon | Perks/privileges are natural | | Individual initiative encouraged | Subordinates always seek permission | | Example Cultures | Australia | Malaysia | | Israel | Panama | | Denmark | Philippines | | New Zealand | Mexico | | Great Britain | Arab Countries |