INTERNATIONAL BUSINESS NEGOTIATIONS
INSTRUCTOR: DAVID W. ARNESEN, CHAIR
DEPARTMENT OF MANAGEMENT

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OFFICE HOURS: Tuesday & Thursday-2:00 PM to 4:30 PM, and by appointment.

TEXT: ***Getting To Yes,*** Fisher & Ury, 4th Edition, Penguin Books.
Conducting International Negotiations-Course Supplement-Arnesen
The Chinese Negotiation, Graham & Lam, Harvard Business Review Article, #R0310E.
Doing Business in Russia: Note on Negotiating in the "Wild East", Sebenius, Harvard Business School Note, #9-899-048.
Disneyland Paris, European Case Clearinghouse, #396-051-1

COURSE DESCRIPTION: This course is designed to develop international business negotiation skills. It will apply theory to practice through a variety of case simulations. Student will learn to develop pre-negotiation, negotiation, and post-negotiation skills. A significant portion of the course will focus on understanding cultural differences to reach successful agreements. The course will also emphasize resolving conflicts in a positive manner for both sides. Students will examine how to manage conflicts, evaluate opposing interests, and develop options for agreement. Critical thinking and communications will be emphasized throughout the course.

GENERAL COURSE OUTLINE-SCHEDULE MAY CHANGE TO FIT CLASS PROGRESS-4 WEEK INTERSESSION SCHEDULE

WEEK 1: August 14
Introduction & Outline
Read course supplement-***"Conducting International Negotiations"***
Discussion of how cultures impact interests and positions. Using cultural influences to separate the people from the problem.
Fisher & Ury-THE PROBLEM

1-Don't' Bargain Over Positions
2-Separate the People from the Problem

August 16
Difficulty in determining interests in foreign cultures.
Fisher & Ury-THE METHOD
3-Focus on Interest, Not Positions
Mini-Negotiations Exercise #1
"REOPENING THE MAQUILADORA PLANT"

WEEK 2: August 21
Lecture on the Process-Different Cultures-Different Process.
Fisher & Ury-THE METHOD (continued)
4-Invent Options for Mutual Gain
5-Insist on Using Objective Criteria
Exercise #1 Written Review Due
Quiz 1-Chap. 1-5

August 23
Determining who has authority to reach agreement.
Fisher & Ury-YES, BUT...
6 What If They Are More Powerful
(Develop Your BATNA-Best Alternative To a Negotiated Agreement)
Mini-Negotiation Exercise #2
"OUTSOURCING CUSTOMER SERVICE"

WEEK 3: August 28
Comparative Negotiations in China, France and the U.S.
Fisher & Ury-YES, BUT...(continued)
7-What If They Won't Play
(Use Negotiation Jujitsu)
8-What If They Use Dirty Tricks?
(Taming the Hard Bargainer)
Exercise #3 Written Review Due
Quiz 2-Chap. 1-8+

August 30
Fisher & Ury-IN CONCLUSION
TEN QUESTIONS PEOPLE ASK ABOUT GETTING TO YES

Negotiation Exercise #3
"US MEDS EXPANSION TO AMAZONIA"

WEEK 4: September 4
CASE-Disneyland Paris
Comprehensive Team Negotiations-Exercise #4

September 6
Team Negotiation Presentation
Team Negotiations Review Due

GRADES

Written Review-Exercise #1	20
Written Review-Exercise #2	20
Written Review-Exercise #3	20
Quiz 1	30
Quiz 2	30
Negotiations Participation	40
Team Negotiation Review	40
TOTAL POINTS	200

A to A-	=100% to 90%
B+ to B-	=89% to 80%
C+ to C-	=79% to 70%
D+ to D-	=69% to 60%
E	=Below 60%

NO RECORDING LECTURES WITHOUT PERMISSION OF INSTRUCTOR.

CLASS ATTENDANCE IS ESSENTIAL IN ORDER TO PARTICIPATE IN THE NEGOTIATION SIMULATIONS. OBVIOUSLY, THERE ARE NO MAKE-UPS OF NEGOTIATION SESSIONS. THEREFORE, ATTENDANCE WILL HAVE AN IMPACT UPON YOUR GRADE.

NEGOTIATION SIMULATION

OUTSOURCING CUSTOMER SERVICE-CAN WE HELP YOU FROM OVERSEAS?

This case examines negotiations between a U.S. software company, Broadway & Madison Software (BMS) and an Indian customer service provider, Baja Outsourcing, Ltd., (BOL). BMS has developed a unique, effective voice-to-text software. It is gaining a significant share of the U.S. market and also plans to expand internationally.

While BMS's expertise is in software development, it has done a poor job of customer service. BMS received so many complaints about its customer service, specifically that the customer service reps lacked technical expertise, that it moved some of its programmers into the customer service department in an attempt to solve customers' problems. However, it's programmers are paid more than three times what BMS had been paying its typical customer service representative. In addition, the programmers had no training in being customer service “friendly” and complaints were now being received from customers about how they were treated when they called in with a problem.

BMS has decided that it needs to make its customer service work and cut costs. It is looking to move its customer service operations outside the United States.

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ACKNOWLEDGEMENT: The author wishes to thank The Global Business Center/CIBER at the University of Washington for helping fund this negotiation simulation under a grant from the U.S. Department of Education.

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BROADWAY & MADISON SOFTWARE

BMS's new computer program, "Read My Lips", is cable of speech recognition that does not require the user to train the software to the user's voice. It is a state of the art program that makes virtually no mistakes in recognizing speech and translating it into the proper written word. BMS is in the process of developing the software for use in a variety of languages including Chinese, Japanese, French, and Spanish.

BMS, realizing that its customer service has been a failure, is seriously considering moving its customer service outside the United States, preferably to a country that has very low labor costs and which speaks English. They have entered into negotiations to outsource their customer service center to India and have started negotiations with a company in Bombay

BMS wants excellent customer service 24/7/365. The calls must be transferred instantly to the representative and answered within three rings. However, it does not want its customers to know that the customer service representative is not in the United States. Clearly, the representative must speak "American" English. To provide effective customer service the representatives must know how the software works and in some cases the actual programming. The representatives must also be customer service friendly.

BMS is very concerned about protecting its software. While they have copyright protection in the United States, they are concerned about employees in another country gaining access to the actual programming. They are well aware of the legal and financial problems of trying to enforce copyright protection in other countries and want to gain as much protection upfront as possible.

Software protection is also important to BMS because while it has gained a growing share of the U.S. market, their plans in the next few years are to translate the voice-to-text software into other languages. In fact, their translation into Chinese characters is almost complete and they believe their program will control the Chinese market. They plan that this customer service will be done in a country where there is a significant workforce that speaks Chinese.

They want all customer service work to be done "on-line" with representatives having no writing tables or ability to copy disks in the facility. In fact, they would prefer workers are screened as they come and go into the workplace. They also want the ability to conduct inspections, without notice, of the customer service operations in Bombay that will handle calls for BMS.

BMS must be involved in the technical software training of the customer service representatives, but does not want to be involved in the language training or customer service skills. The later costs it believes should be born by the subcontractor.

A customer service call in the United States has cost BMS $11.25. In India, BMS has been told that it can cut its costs to $1.25 per call. However, BMS has heard "anecdotes" that more than 75% of that charge will be profit for the customer service subcontractor. While BMS does not really care what the employees earn, it does care that it is not subject to adverse publicity for contracting with a subcontractor who really runs a "sweatshop". While BMS would like to see the financial and operating accounting records of the customer service subcontractor it would then have actual knowledge of what workers were paid. Likewise, if they conduct random inspections to protect intellectual property, they will have knowledge of the working conditions.

Finally, while BMS could make payments to BOL in US dollars, it believes that the USD will strengthen significantly, perhaps as much as 10% per year, against the Indian rupee. Due to the vast labor pool in India, it is expected that wages for Indian workers will increase only nominally within the next few years.

Three members of the management team; the CEO, the Chief Technology Officer, and the Chief Legal Counsel, travel to Bombay, India to negotiate outsourcing customer service for BMS.

CHALLENGE: NEGOTIATE THE BEST AGREEMENT BETWEEN BROADWAY & MADISON SOFTWARE AND BAJA OUTSOURCING Ltd.

BAJA OUTSOURCING, Ltd.

Baja Outsourcing, Ltd. (BOL) is the leading provider of overseas customer service representatives to U.S. corporations. It has been operating in Bombay, India for the past five years and has grown its workforce to over 10,000 employees. It has provided customers service representatives for a number of U.S. software companies, including two competitors of BMS.

BOL very much wants an exclusive customer service contract with BMS to provide all of its customer service worldwide. If there is anymore “outsourcing” BOL was to be the company doing it, not BMS. In the past 18 months, BOL has lost some of its customer service business to a competitor in Malaysia. Also, this past year it lost some business as a few of their U.S. clients have pulled their customer service back to the United States due to a public relations backlash when U.S. customers found that their calls were being answered in India. BOL has competitors. It faces not just competition from new upstart companies in India but also companies in other countries who can even underbid BOL by paying workers even less. BOL pays wages consistent with similar employment in Bombay.

BOL wants a long-term contract with BMS, preferably ten years, however a minimum of three years are necessary to fully recover the costs of training employees in language and customer service. While it provides 24/7 service, it closes 10 days of the year to observe national holidays. It could cover those 10 days by transferring the calls to one of it’s subcontractors who operates a call center on a small island in the southern Philippines, which it has done for other companies. The Philippine subcontractor has a number of employees in its workforce that speak Chinese. However, that subcontractor has been the target of many claims internationally of labor abuse, particularly in its facility adjoining its call center where employees make athletic equipment.

While BOL does not mind BMS coming to its facility in Bombay, it wants notice of the visit. BOL also wants complete control of its operations and, while it would share some data re general costs such as phone lines and equipment, it does not wish to disclose profits or employee wages or discuss working conditions. BOL is seriously considering even contracting out some of its work to a subcontractor in Syria, a subcontractor which BMS could not do business with directly due to transfer restrictions on BMS’s cutting edge software technology. BOL knows of this restriction on BMS.

While BOL trains its workers in “American” English, if a caller asks where the employee is located BOL does not like its workers to lie by saying they are in the United States. This caused problems with former clients when customers found out that the reps were really in India.

BOL understands the issue of intellectual property protection. It does not want its employees leaving the facility with any software or programming, not because they could take that knowledge to a competitor of BMS, but because they could go to a competitor of BOL and perhaps use that knowledge to underbid BOL in the future with BMS. However, it opposes any “searching” of employees.

BOL costs, both fixed and variable, are in rupees. However, it’s profits and hence corporate cash balances are kept in euros. Each month BOL converts all of its earnings to investments in euros. BOL would prefer to be paid in euros, which have continued to remain fairly stable against the Indian rupee. BOL prefers not to bear currency risk.

Three executive team members of BOL; the CEO, the COO, and the Chief Financial Officer, host the executive team from BMS in Bombay, India to begin the negotiations.

CHALLENGE: NEGOTIATE THE BEST AGREEMENT BETWEEN BROADWAY & MADISON SOFTWARE AND BAJA OUTSOURCING Ltd.

NEGOTIATION SIMULATION

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REOPENING THE MAQUILADORA PLANT

Todosbaja is a Mexican city located in the “maquiladora” strip along the U.S.-Mexico border. Originally, Todosbaja was founded as an agricultural community. In the early 1960s water was diverted from the Colorado River to help irrigate the region. What were small family farms soon became large farms owned by multinational corporations. Workers from various parts of Mexico moved to Todosbaja in the 1960s and 1970s to fill the labor needs of these large farms. While these large farms provided jobs, the wages were barely subsistence level. In fact, many workers made little and economics dictated that they had to live in company owned housing and purchase food from company owned stores.

In the 1980s both U.S. and Japanese corporations began to locate “maquiladora” or assembly plants in Todosbaja. These assembly plants provided new work opportunities and higher wages than the agricultural sector. More workers from southern Mexico continued to move to Todosbaja. The city grew from 50,000 in 1965 to over 600,000 people by 2004. This growth, while over many years, has put a serious strain on the city’s infrastructure. Even though it is a border town, Todosbaja does not have as significant a problem of labor turnover as many other border towns which simply serve as short stopping places for 1000’s of Mexican workers “passing through” on their way to the United States.

Guado Auto Electric had operated an assembly plant in Todosbaja since 1984. The facility produced aftermarket electrical components for the U.S. auto market. The employees at Guado Auto Electric earned an average of $1.25 per hour. Male employees earned $1.45 per hour and female employees $1.05 per hour for the same work. No female employee was over 30 years old.

Guado Auto Electric faced global competition and most of its competitors, in search of cheap labor, had relocated manufacturing and assembly operations to the Philippines, El Salvador, and Indonesia in the past few years. Similarly, Guado decided it too had to seek cheaper labor. In 2002 it moved its operations to Guangzhou, China. In doing so it's labor costs dropped to 71 cents per hour. Even including ocean freight costs of shipping products from China to the U.S. market, Guado Auto Electric was able to cut its production costs in half compared to what they had been in Todosbaja.

Guado Auto Electric had constructed its facility in Todosbaja to be "portable". All of the machines and assembly conveyor belts were on rollers. The machines were actually packed up overnight and transported to Texas for shipments to China. The workers found out that their jobs had been eliminated when they showed up for work the next morning.

Laguna Custom Auto Supplies is a manufacturer of custom engine blocks and wheels. It has two manufacturing facilities. It's facility in St. Louis manufactures the engine blocks primarily for distribution in the Midwest. The custom wheels are manufactured in Vancouver, British Columbia with 60% of that production sold in California. While Laguna has been a profitable company, like Guado Auto Electric, it is facing competition by companies who have lowered their labor costs by locating outside of the U.S.

Laguna's St. Louis facility has a nonunion workforce with an average compensation of $21 per hour. The Vancouver facility has an all-union workforce with an average compensation of $30 per hour (USD after exchange rate conversion at $1.30 Canadian $/USD). Laguna's employees have been very loyal to the company and in the early 1980s agreed to significant wage concessions when business was poor.

Tex Monroe is the president of Laguna custom auto. While reading the New York Times he noticed that Guado Auto Electric had closed its facility in Todosbaja and moved its operations to China. Tex traveled to Todosbaja and found that the empty facility would be ideal for Laguna's manufacturing and assembly.

After a number of internal discussions, Tex has made the decision to attempt to move Laguna's operations to Todosbaja. He and his management team are about to enter into negotiations with representatives from Todosbaja. A number of major issues have surfaced. While wages are an important issue, all of the various individuals involved have differing interests.

The mayor of Todosbaja wants political help. The mayor also wants money to rebuild the town's infrastructure. The owner of the building would like a long-term lease and extra payment to "facilitate" the border crossing. The union leadership would like higher wages but also payment for providing quality employees. Certain individuals want the facility to have the same "local" manager who used to manage Guado Auto Electric. Needless to say, there are some concerns regarding this individual's management practices. The NGO in Todosbaja is very concerned about protecting workers rights. If Laguna moves to Todosbaja it will employ 800 Mexican workers. However, Laguna is working on new production technology and if it is successful it may be able to have the same production level with half as many employees in a few years.

CONFIDENTIAL INFORMATION-LAGUNA CUSTOM AUTO SUPPLIES

Tex Monroe founded the company in 1969 in his garage in Spokane, Washington. The company now employs a total of five hundred workers. Its gross annual revenue has exceeded $300 million for the past three years. While it has been a profitable company, if it does not reduce its costs competition will drive it out of business within two years.

Locating to China or far from the U.S. in not a viable option. Its products are much heavier than those manufactured by Guado Auto Electric and Laguna’s shipping costs from overseas would eat up any significant gain. Todosbaja would be an ideal situation.

While wages are the biggest concern to the company there are a number of other issues. Healthcare costs have been a significant problem in recent years. Likewise, threats of unionization at the St. Louis facility have not been viewed favorably by management, fearing that wages would rise to those in the Vancouver plant.

Tex Monroe is willing to do just about anything to keep his company going. Sam Coster is driven by any kind of cost cutting and is willing to bend more than a few rules to keep costs low. Coster believes that if they develop the new technology they are working on they will cut any Mexican workforce in half within two years. Richard Design doesn’t want to move the operation to Mexico. He is certain nothing could be made in Mexico as well as in the United States. He has never been to Mexico and views traveling to Canada as a challenge.

Susan Benefits is concerned about keeping costs low but is driven by other factors. She is a feminist. She openly dislikes organized religion. She believes there are significant cultural issues regarding moving to Todosbaja that simply would not be acceptable to her.

Guido Martinez, the corporate counsel, plays by the book. He refuses to even consider any action in moving to Mexico that might be questionable. However, if things can be done properly, he has no problem moving to Mexico. His grandparents were from Mexico City.

Laguna would prefer to keep average wage costs at $1.25. While it doesn't mind providing health care, it's current coverage provides for $200 deductible per employee. It's willing to commit to staying in Todosbaja on a year-to-year basis but does not want to sign a long-term lease. Ms. Benefits wants complete control over all personnel issues and does not want to defer any decisions to a "local" manager.

While the company is willing to pay fair market value lease fees on the building, it is reluctant to get involved in politics. Mr. Martinez is very opposed to any contribution to any political candidate or kickback to any other official. The company may be willing to assist in rebuilding the city's infrastructure in order to serve the growing population.

THE NEGOTIATION PARTICIPANTS

The following individuals will participate as two teams in the negotiations. Each individual's title, background, and interests are described below. Additional confidential information may be given to each individual throughout the session.

CONFIDENTIAL INFORMATION: TEX MONROE-PRESIDENT, LAGUNA CUSTOM AUTO SUPPLIES

Tex Monroe grew up in Louisiana and was raised a Southern Baptist. He is married with two grown children who both live near his home in St. Louis. He also has five grandchildren. While a deeply religious man, he has worked to employ individuals from all faiths and backgrounds in his businesses. He has provided scholarships to many of his employees' children over the years. He is somewhat of a "cowboy" and understands "what it really takes to get things done", after all he built Laguna from nothing to what it is today. He's often said it's an American company and "we'll do things the American way." When employees wanted pizza in the vending machines he prevented it claiming pizza was not an "American" food.

He was responsible for making sure the company had an affordable health care plan for all of its workers and their families. He's been bitten by the union in Vancouver and would prefer to never have a unionized plant again. He's had more than a couple run-ins with OSHA over plant safety and believes that employees have to take certain risks to earn their money. He is somewhat paternalist and "protects" women employees from certain jobs, which incidentally pay more money.

SAM COSTER-FINANCIAL VICE PRESIDENT, LAGUNA

Sam Coster is the Financial Vice President of Laguna. He is single, 36 years old, and has an MBA from an Ivy League school. He's known to be very aggressive and willing to cut costs in any way possible. Those who know him call him "Cutter Coster".

He believes that the idea of moving to Todosbaja is great and would be even greater if they could get workers at 25 cents per hour instead of $1.25 per hour. He opposed the health care plan that Monroe brought to Laguna. He was often quoted as saying "let them buy it on the street" when Laguna was negotiating with the health care provider.

He's willing to pay bribes if they keep overall costs low. He's an avowed atheist and hates religion.

RICHARD DESIGN-CHIEF ENGINNEER, LAGUNA

Richard Design has been with the company since 1975. He used to race cars with Tex when they were children. After graduating from engineering school he worked for one of the big three auto manufacturers for five years before joining Tex's relatively new company in 1975. Richard hates the idea of moving any manufacturing to Mexico. He is convinced that nothing can be made in Mexico as well as it can be in the United States. Some believe there's more than the issue of "quality" behind Dick's reluctance to relocate the business in Todosbaja. He has always hated the idea of any international travel and felt that the United States should not depend on any other country to produce what it needs. He wants to control the operations but would refuse to live in Mexico.

SUSAN BENEFITS-VICE PRESIDENT HUMAN RESOURCES-LAGUNA

Susan Benefits is the head of HR at Laguna. She is relative new to the company having worked for 8 dot-coms in the late 1990's. Susan has maintained that employees must do things the Laguna way. She fought the idea of corporate cafeterias in either the St. Louis or Vancouver, BC facilities. She finally conceded to allowing vending machines with sandwiches and fruit so that the employees would not have to leave the plant at lunch. The food however is not subsidized and in fact employees, if they had a long enough lunch break, could buy food much cheaper at virtually any restaurant. She has often said, "If they don't like the food in the vending machines, let them buy it on the street."

Despite her "company" positions, Ms. Benefits is first and foremost a feminist and has tried to make certain that female employees are paid and treated the same as male employees at Laguna. While she has never practiced law, she has a law degree and has been actively been involved in efforts to see equal treatment between men and women. She has participated in rallies supporting womens rights, particularly in the workplace. While raised a Catholic, she left the church many years ago. She believes that religious symbols should be in church, not in the workplace.

GUIDO MARTINEZ-CORPORATE COUNSEL, LAGUNA

Guido Martinez is the corporate counsel. He does everything to make sure that Laguna does not get sued. He wants everything in writing. He believes in playing by the book. In fact, he is often in heated disagreements with Sam Coster regarding various issues on the company's tax return. Guido loves Mexico and would be willing to live in Todosbaja. Guido has met Julie Simmons, who works for the NGO, and they have started a friendship. Guido is concerned about having a Mexican manager who in his prior job allowed male and female employees to be paid differently for the same work.

Guido is very familiar with the Foreign Corrupt Practices Act. He would oppose any payment that could possibly be a violation of law.

JUAN CARLOS-MAYOR, TODOSBAJA

Juan Carlos is the mayor of Todosbaja. He was very angry that Guado Auto Electric left town and was particularly angry they did not give the employees any notice nor pay any severance. He is very interested in Laguna taking over the facility, however he wants assurances that they will not leave in a year or two nor cut the workforce.

Juan will be up for election next year and while he is a member of the "ruling" party there are concerns about his reelection due to maquiladora employers moving their operations to cheaper countries such as China and the Philippines. Citizens are also concerned about the decaying infrastructure of the city.

If Laguna comes to town he wants to make certain that he has both the company's support for reelection and that he can actively campaign within the plant. He would like some assurance that any opposition party candidates are not allowed in the Laguna facility. While such a policy is illegal in Mexico, it is common amongst maquiladoras.

Juan Carlos also wants the support of the local religious leaders who have a significant influence on the town's population. Since 99% of the population is Catholic, to get the support of the clergy leadership he wants to require any employer to make sure a cross and other religious symbols hang in every room of the manufacturing facility.

JIMMY SANCHEZ-UNION LEADER, TODOSBAJA

Jimmy Sanchez is the head of the local labor union in Todosbaja. He plays hardball with the very best politicians and business leaders. Everyone who wants to work belongs to his union. He would like male workers to be paid $1.50 per hour and female workers $1.10 per hour. He is willing to accept a lower wages, if Luguna will, under the table, pay a "fee" into the union operating fund.

Jimmy wants a guarantee that the company will not reduce the employment level below 800 employees for five years. He also wants the company to allow him to conduct union activities on the premises. In addition, he personally wants to own the cafeteria in the plant supplying Mexican lunch items to workers and he wants the company to subsidize the cafeteria so he can make a significant profit. He would like the company to schedule workers a short enough lunch break so that they do not have time to leave the plant to purchase lunch at anyplace but his cafeteria.

ROSITA ESPINOSA-BUILDING OWNER AND MEXICAN CUSTOMS OFFICIAL

Rosita Espinosa is the owner of the building that Laguna is considering. She would obviously prefer a long-term lease. It's uncertain how she acquired her wealth but two of her brothers were indicted for narcotics trafficking to the United States. One brother Manuel is serving his sentence in Florida. The other brother, Pablo, is believed to have died in a prison fire that swept through the federal facility in Guadalajara, however dental records did not identify any of the remains. Some residents of Todosbaja believe that Pablo has been seen in town.

Rosita is an expert at cross border shipments. In fact she is known to be able to get anything across the border. She believes that "facilitating" payments are simply a cost of doing business. It fact such payments are a widely accepted practice in Mexico. Clearly, any company in Todosbaja will need her assistance to ship the U.S.

She has suggested that any toxic waste from the manufacturing that is required to be shipped back to the U.S. might find a better location south of town and that she may know property owners who would sell their property to Laguna for such purpose.

JULIE SIMMONS-NGO ACTIVIST

Julie Simmons attends a small liberal arts college in the northeast. Her father was a former Republican State Senator and building industry lobbyist in Oklahoma. Ms. Simmons is 24 years old and single. She has not spoken to her father since her sophomore year of college, but talks with her mother daily. Her mother has joined a new transcendental movement in Norman, Oklahoma and has traveled to India twice in the past two years. Julie is the head of an NGO in Todosbaja dedicated to improving the working conditions for all maquiladora workers. She has campaigned not just for higher wages, but also safer working conditions, health care, childcare, equity for women employees and protection of the environment. She wants Laguna to follow the same OSHA rules in Todosbaja as it must in St. Louis.

Prior to moving to Todosbaja she worked in California to pass legislation to legalize medical marijuana. She is has little knowledge of how governments or business works in Mexico. She has met Guido Martinez from Laguna and they are beginning to form a “friendship”.

LUIS HERNANDEZ-LOCAL PLANT MANAGER

Luis Hernandez is the cousin of Jimmy Sanchez. He was the “local” manager at Guado before the plant closed. Jimmy has promised that any company that moves into the facility will need to hire Luis as the local general manager. When Luis was managing Guado’s facility his newspaper ads for female employees would usually include the requirements that they be between 18-23 years old and attractive. Any employee who became pregnant at Guado was put on unpaid leave and not allowed to return to work after her pregnancy until she weighed approximately the same as before she became pregnant. No female employee was over age 30 when Guado was the plant manager, however, there were a number of male employees who were over 50.

Jimmy obviously has an interest in Laguna staying a long time and also maintaining a large workforce. He is a strong advocate for employee healthcare and wants Laguna to provide comprehensive coverage. He also understands technology and realizes that if Laguna perfects new equipment it could significantly reduce its planned Todosbaja workforce.

CONFIDENTIAL INFORMATION: THE CITY OF TODOSBAJA

Unemployment is rising considerably as more manufacturers leave. While this has political consequences, it may also have consequences for the union leadership. Also, as a result, cross border trade is down and the government has talked about even laying off Mexican customs officials. Clearly, a crisis in on the horizon, however, both the mayor and union leadership live by the personal motto in Todosbaja “BS walks but money talks.”

If Laguna moves to town it is likely that more companies will follow. Some of the Todosbaja representatives and Laguna company officials may be willing to “stretch” the rules a little but are obviously concerned about breaking the law or any adverse publicity. Julie Simmons believes that everything should operate in Todosbaja as it does in her hometown of Norman, Oklahoma. While everyone will portray health care, childcare, and the environment as major issues, only Julie truly believes they are important “deal breakers”. Julie is also the only one from Todosbaja who really believes that women should be paid the same wage as men for the same work.

It’s important that the plant have a local manager. If the manager were not Mexican it would be an untenable situation for employees, the union and the mayor. They also believe that the way in which Luis managed Guado Auto Electric was consistent with Mexican employment practices.

CHALLENGE: NEGOTIATE A MUTUALLY BENEFICIAL AGREEMENT FOR ALL PARTIES INVOLVED.