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XRMBG5: Multi-Party Negotiation

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XRMBG5: Multi-Party Negotiation

This set of cases is a multi-party negotiation exercise that may be used for elucidating the concepts of principled negotiations.

This exercise may be effectively used in any module on negotiations. The ideal target audiences for this exercise include students at the post-graduate level, and executives attending management development programmes.

In any cohort where the exercise is deployed, participants may be split into three roles as listed below,

- Head of Empowered Group of Officials (Head, EGO) – receives Appendix 1 of this document,
- Vice-President Sales, Dynamic Infra Technologies (VP, DIT) – receives Appendix 2 of this document,
- Vice-President Sales, Technologica Solutions (VP, TS) – receives Appendix 3 of this document.

The ideal class size for this exercise would be 30 - 36 if roles are assigned to individuals. In the event of a larger class size, each role may be assigned to small groups of 2-3 participants.

We recommend the following class plan for the exercise:

1. Introduction to the exercise and roles – 10 minutes
2. Distribution of reading material (specific roles) + Preparation time – 20 minutes
3. First round of negotiations – 15 minutes
4. Second round of negotiations – 15 minutes
5. Third round of negotiations (if required) – 15 minutes
6. Collation of details of the deal (or no deal) – 10 minutes
7. Discussion and Debrief – 35 minutes

APPENDIX 1:

XRMBG5: Multi-party Negotiations (A)

Confidential Information for the Head, Empowered Group of Officials (*Head, EGO*)

Republic of Mamba is a sovereign state and a part of the *Sovereign Nations*. The Government of Republic of Mamba wanted to buy the next generation sophisticated equipment code-named **XRMBG5** that is critical for the country.

A hundred units of **XRMBG5** are to be deployed in the near future. The order for 100 units of the equipment has to be placed lump-sum and cannot be split across vendors. You work for the Government of Mamba and are Head of empowered group of officials (*Head, EGO*) that will attend the talks on behalf of the government. You are a seasoned professional in such talks and your support team is drawn from various departments within the government. Your annual budget for this fiscal year is M\$43.5 Billion of which 81% has been spent. The amount remaining is your constraint and while the amount is officially not known to anyone outside the government, there is always a small probability that information may be known to interested parties through informal channels. It is also expected and practiced that budgets be saved since the country has multiple critical requirements, and any budget left will be spent on other critical projects for the country. As *Head, EGO* you are answerable to the parliament about the budgets spent and saved.

In the process of purchasing **XRMBG5** your team has completed its due diligence after multiple rounds of testing of various technologies from different firms over a span of a few months. Thereafter, you have decided to invite two leading firms of the industry, *Dynamic Infra Technologies (DIT)* and *Technologica Solutions (TS)* for the final round of talks.

Having completed extensive technical testing, you normally look for information beyond technical information for decision making. Also, having experienced equipment from various firms, you have a good idea of all existing technologies and the various types of support services that firms are willing to provide. Whereas you are focusing on two firms, you may want to use the knowledge of other technologies and services offered by other sellers (not all of whom have been shortlisted for the final round) during the talks and this may be a criteria of decision-making.

YOUR TASK

You need to negotiate with *DIT* and *TS*. You may choose to start your negotiations with any party. At any given time, you can negotiate with only one party. You may choose to close the deal in the first round of negotiations with *DIT* and *TS*. Alternatively, after the first round of talks with the two parties, if you feel the need, you may renegotiate with all or select parties. You must close the deal with one of the two parties without fail. Once the deal is inked, neither party inking the deal can back out of the deal.

There are other projects that the Government would like to fund from the savings from this purchase. You have been strongly advised to save 22-25% of your budget, so that the same may be used for any such project. If you are able to meet this savings target, it will be appreciated and will result in personal gains in terms of commendation, and an increase in perquisites. Meeting multiple targeted savings across purchases adds up to promotion to the next level in the organization. At present you are one target saving short of guaranteed promotion to the next level.

NOTE:

- *During this exercise, it is advisable to treat all information with you as confidential.*
- *Please do not discuss the details of your negotiations till after the instructors have debriefed you on this exercise.*

APPENDIX 2:

XRMBG5: Multi-party Negotiations (B)

Confidential Information for Vice-President Sales, Dynamic Infra Technologies (DIT)

You are the *Vice-President Sales, Dynamic Infra Technologies (DIT)*, a leading firm in the sophisticated equipment industry. For decades, your firm has been in fierce competition with two other firms, one of whom is *Technologica Solutions (TS)*. In the last couple of years *TS* has shown notable gains among the top three firms. There is competition from firms apart from the top three but these are smaller players who usually sell components to the three big firms.

The Republic of Mamba is a sovereign state and a part of the *Sovereign Nations*. The Government of Republic of Mamba wants to buy next generation sophisticated equipment code-named **XRMBG5** that is critical for the country. A hundred units of this equipment are to be deployed in the near future.

The Government of Mamba has appointed an empowered group of officials (*EGO*) to carry out the different steps of the process to purchase **XRMBG5** on their behalf. In the process of purchasing **XRMBG5**, *EGO* completed its due diligence after multiple rounds of testing of various technologies from different firms over a span of a few months. Thereafter, they have decided to invite you and *TS* for the final round of talks.

EGO comprises a group of seasoned professionals who come from various departments within the government. *EGO*'s annual budget outlay for the fiscal year was announced as M\$43.5 Billion in the parliament. While there is no clarity on the amount that has been spent already, your guesstimate based on all projects awarded this year is that about M\$30-35 Billion of the budget may have been spent. Additionally your informal sources suggest that *EGO* may not favour receiving a quotation above M\$8 Billion. The purchase of **XRMBG5** is critical and *EGO* will want to close the deal at the earliest possible date. *EGO* is answerable to the parliament about the budgets spent and saved. From past experience you know that *Head of EGO* is a tough negotiator, with good preparation, and will go all out to extract maximum value. It is also known that *EGO* is always keen to save budgets to deploy the same for other critical requirements for the country. Since technical testing is already completed, *EGO* normally looks for information beyond technical information for decision making. Also, having experienced the offerings from various firms, they may ask for services that other firms are willing to provide (not all of whom have been shortlisted for the final round) during the talks and this may be a criteria of decision-making.

The present cost to manufacture 100 units of **XRMBG5** for your firm is M\$5Bn. Industry profitability is between 30% and 40%, and all firms endeavour to meet this profitability range, preferably towards the higher end.

YOUR TASK

You need to negotiate with *Head of EGO*. You are very aware that *TS* is also in the fray and you do not want to lose this sale to them. *EGO* has made it clear that this is a lump-sum order for 100 units. Also, once the deal is inked with *EGO*, you cannot back out of the deal.

You've been advised that any deal where you make less than 32% profit **will be a red mark** and will set you back by at least two years in being considered for the next level of promotion. On the other hand, if you are able to make profits of 34% or higher it will result in personal gains in terms of commendation, an increase in perquisites, and a very good probability of your being considered ahead of peers in the next promotion cycle.

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APPENDIX 3:

XRMBG5: Multi-party Negotiations (C)

Confidential Information for Vice-President Sales, Technologica Solutions (TS)

You work *Vice-President Sales, Technologica Solutions (TS)*, a leading firm in the sophisticated equipment industry. For decades, your firm has been in fierce competition with two other firms, one of whom is *Dynamic Infra Technologies (DIT)*. In the last couple of years you have shown notable gains over the other firms. There is competition from firms apart from the top three but these are smaller players who usually sell components to the three big firms.

The Republic of Mamba is a sovereign state and a part of the *Sovereign Nations*. The Government of Republic of Mamba wants to buy next generation sophisticated equipment code-named **XRMBG5** that is critical for the country. A hundred units of this equipment are to be deployed in the near future.

The Government of Mamba has appointed an empowered group of officials (*EGO*) to carry out the different steps of the process to purchase **XRMBG5** on their behalf. In the process of purchasing **XRMBG5**, *EGO* completed its due diligence after multiple rounds of testing of various technologies from different firms over a span of a few months. Thereafter, they have decided to invite you and *DIT* for the final round of talks.

EGO comprises a group of seasoned professionals who come from various departments within the government. *EGO*'s annual budget outlay for the fiscal year was announced as M\$43.5 Billion in the parliament. While there is no clarity on the amount that has been spent already, your guesstimate based on all projects awarded this year is that about M\$30-35 Billion of the budget may have been spent. Additionally your informal sources suggest that *EGO* may not favour receiving a quotation above M\$8 Billion. The purchase of **XRMBG5** is critical and *EGO* will want to close the deal at the earliest possible date. *EGO* is answerable to the parliament about the budgets spent and saved. From past experience you know that *Head of EGO* is a tough negotiator, with good preparation, and will go all out to extract maximum value. It is also known that they are always keen to save budgets to deploy the same for other critical requirements for the country. Since technical testing is already completed, *EGO* normally looks for information beyond technical information for decision making. Also, having experienced the offerings from various firms, they may ask for services that other firms are willing to provide (not all of whom have been shortlisted for the final round) during the talks and this may be a criteria of decision-making.

The present cost of manufacturing of 100 units of **XRMBG5** for your firm is M\$5Bn. Industry profitability is between 30% and 40%, and all firms endeavour to meet this profitability range, preferably towards the higher end.

YOUR TASK

You need to negotiate with the *Head of EGO*. You are very aware that *DIT* is also in the fray and you do not want to lose this sale to them. *EGO* has made it clear that this is a lump-sum order for 100 units. Also, once the deal is inked with *EGO*, you cannot back out of the deal.

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