

Exploring Experiential Learning: Simulations and Experiential Exercises, Volume 5, 1978

**THE BRAZIL - COLUMBIA COFFEE
MARKETING NEGOTIATIONS**

**AN EXPERIENTIAL EXERCISE AIMED AT
HIGHLIGHTING THE DYNAMICS INVOLVED IN
THE INTERNATIONAL BUSINESS NEGOTIATION PROCESS**

Daniel C. Brenenstuhl, Arizona State University
Sion Raveed, Southern Illinois University

The negotiation process between two or more human beings is always a complex one. Many factors endanger a successful conclusion to such negotiations. Many factors, such as: (1) non parallel objectives held by each of the negotiating parties; (2) differences in personality traits; degree of personal pride, prejudice, stubbornness (3) barriers to “true” communications; (4) lack of trust, etc. all come into play.

Negotiations between individuals representing parties from different countries are even more complex. The difficulty of achieving effective communications, of decreasing prejudiced and stereotype characterizations, of reducing personality clashes, and of maximizing each party’s goals are increased enormously in international negotiations.

This exercise attempts to simulate an international negotiation. This experiential exercise simulates some of the important aspects of a certain type of international negotiation. It immerses the participants in government to government negotiations over allocating of sales on the world coffee market. Its aim is to make the participants more acutely aware of the negotiating process and of some of the major obstacles that tend to hinder a successful agreement.

The experiential exercise was designed for use by university students, business executives, and public officials. The exercise is perhaps most appropriate for those who are planning to be or are already managers of one stripe or another. The exercise is self-instructive and leaves the discussion phase of the write-up deliberately vague. This vagueness will provide the opportunity for the creative educator to use the exercise as he/she best sees fit. This type of exercise has found acceptance in such areas as International Relations, International Business, Political Science, Organization Behavior, and Social Psychology.

Purpose: (1) To explore and practice interpersonal skills involved in bargaining and negotiation. (2) To investigate the dynamics of interpersonal trust and suspicion in conflict prone situations. (3) To investigate role conflict in boundary role positions. (4) To investigate the conflicts and obstacles that make negotiations between government officials of two or more countries so difficult.

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Advance Preparation: None

Group Size: Three to six person groups; two groups paired together.

Time Required: Minimum of 75 minutes.

Related Topics: Leadership; Small group processes; Group decision making; Intraorganizational bargaining; Communications patterns; Prisoner's dilemma game formats; Power; Influence processes; International commodity agreements; Balance of payments; World trade patterns, etc.

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I. ORIENTATION

This experience will require you (the participant) to work within the context of a small group involved in an important negotiation process with another small group. You will formulate an overall strategy for the negotiation process as well as making numerous tactical decisions designed to accomplish your overall strategy. Each group will make a series of decisions. The outcomes of these decisions will be determined by the choice that your group makes and by the choice that your opposing group makes at any one step in the process. The payoff to your team cannot be determined independently for any single decision.

II. PROCEDURE

- A. Divide the participants into an even number of groups. Each group should have from 3 to 6 persons. Pair the groups for the negotiation process, (5 minutes). An umpire should be selected to keep score for each pair of groups.
- B. Read the following instructions carefully:

One group in each pair represents Brazil and one represents Columbia. This negotiation represents an attempt by Brazil and Columbia to limit the amount of coffee offered on the world market. The two countries hope that by limiting the supply of coffee they will be able to push up the price of coffee. Their economists have predicted that the demand for coffee is fairly inelastic and that a decrease in the supply of coffee on the world market will increase the two countries total foreign exchange earnings from their coffee exports. Past coffee conferences have shown Brazil and Columbia how difficult it is to negotiate a workable agreement between the 20 or so coffee producing countries. As the world's two major suppliers of coffee, they have decided to try and reach

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their own agreement. Their hope is that by carrying out a viable coffee agreement between the two countries they will induce the other coffee producing countries into joining them, at a later date, in forming an OPEC style coffee cartel.

The problem that the representatives of Brazil and those of Columbia each face is how to carry out a coffee exporting program that maximizes their own country's interests at these negotiations. Low export earnings from coffee would greatly worsen the balance of payments position of each country and thus threaten the stability of the present government. You are representatives of the present government and you are meeting with representatives of the other government (Brazil or Columbia). Following, you will find the rules for these negotiations.

1. Your objective as a team is to accumulate as much foreign exchange as possible. The group representing the other government has the same objective.
2. Your country has only 5,000,000,000 U.S. dollars in its central bank and you will go bankrupt if you lose more than \$5 Billion during the six rounds of this negotiation.
3. Each team will decide on a representative, who will from time to time, negotiate directly with a representative from the other team.
4. These negotiation sessions will be conducted out in the hallway and will be limited to 2 minutes. Negotiations will be held before the 2nd, 4th, and 6th decisions are due.
5. Negotiators are free to say whatever they choose, and to make an agreement which is necessary to benefit themselves or their teams. They are not required to tell the truth. Each team is similarly not bound by agreements made by their negotiators, even though these agreements were made in good faith by the negotiators.

C. The Negotiations

Each team will meet for 10 minutes to formulate their overall strategy. (This strategy may change during the session.) Six decisions will be made by each team acting independently. The teams will either decide to increase coffee exports by 1,000,000 bags or decrease their exports by 1,000,000 bags. No other choices are possible. The representatives of the teams will meet before the 2nd, 4th, and 6th decisions to negotiate favorable decisions. Teams will have only 3 minutes to make each decision. That means 3 minutes after their representative returns for decisions 2, 4, and 6.

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D. Scoring Round One

1. If both teams choose to decrease their exports, both teams will receive \$500,000,000 (cell 1 in figure 1).
2. If one nation decides to decrease their coffee exports and the other nation increases their coffee exports, the nation decreasing their exports shall lose \$1.0 Billion and the nation increasing their exports shall gain \$1.0 Billion (cells 2 and 3 in figure 1).
3. If both teams decide to increase their coffee exports--they both lose \$800 million (cell 4 in figure 1).

**FIGURE 1
PAYOFF MATRIX FOR COFFEE NEGOTIATIONS**

		Team X - Columbia	
		Decrease Coffee Exports	Increase Coffee Exports
Team Y-Brazil	Decrease Coffee Exports	Cell 1 +\$500 Million Columbia +\$500 Million Brazil	Cell 2 +\$1.0 Billion Columbia -\$1.0 Billion Brazil
	Increase Coffee Exports	Cell 3 -\$1.0 Billion Columbia +\$1.0 Billion Brazil	Cell 4 -\$800 Million Columbia -\$800 Million Brazil

E. Value for Each Round

Round two and three--shall be scored the same as round one. Round four--shall be scored as double the values in round one.
 Round five--shall be scored the same as round one. Round six--shall be scored as triple the values in round one.

F. Time Table

Break-up into groups	5 minutes
Read information and develop strategy	10 minutes
Round 1--Decision-making	3 minutes
Tabulation of decisions	2 minutes
Joint negotiations in hall	2 minutes
Round 2--Decision-making	3 minutes
Tabulation of decisions	2 minutes
Round 3--Decision-making	3 minutes
Tabulation of decisions	2 minutes
Joint negotiations in hall	2 minutes
Round 4--Decision-making	3 minutes
Tabulation of decisions	2 minutes
Round 5--Decision-making	3 minutes
Tabulation of decisions	2 minutes
Final joint negotiation in hall	2 minutes
Round 6--Decision making	3 minutes
Tabulation of decisions-determination of final standing	6 minutes
Group discussion of the exercise	20 minutes (minimum)

G. Record Keeping

Each team shall keep track of their own scores on the attached score sheet.

Team Name _____ Section # _____

Overall team strategy _____

Names of team members:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

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Start	Example Decision	Dec. 1	Dec. 2	Dec. 3	Dec. 4	Dec. 5	Dec. 6
Team C1 (Columbia 1) Choice	increase						
Opponents B1 (Brazil 1) Choice	decrease						
Scoring to Columbia 1	+\$1.0 Billion						
Scoring to Brazil 1	-\$1.0 Billion						
Accumulative scoring for Columbia 1	+\$1.0 Billion						
Accumulative scoring for Brazil 1	-\$1.0 Billion						

III. EVALUATION AND DISCUSSION

Evaluate the negotiation process that you have just experienced and discuss the effectiveness of the strategy that your team chose. (20 minutes minimum to several hours).

Suggested Discussion Questions

1. Did your team make maximum use of the available information? Did the team members really listen to each other? Were the opinions of the less vocal members sought? Did the team really try to obtain valuable information from the negotiators?
2. What happened to your team's morale and decision-making structure when it won? When it lost?
3. How were the negotiators chosen--by delegation? by vote? by qualifications? by volunteering? How committed were you to your negotiator? Were you willing to stand by him! her through thick or thin?
4. How did your team react to cooperation and competition? Why is cooperation so difficult to achieve? What barriers stand in the way of developing interpersonal trust between your teams?

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5. What were the main obstacles that stood in the way of the two countries cooperating fully and thus both gaining \$4.5 Billion from the negotiations?
6. Is this a zero sum game, a negative sum game, a positive sum game, or none of the above? Is world trade a zero sum, negative sum or plus sum game?
7. How closely does this exercise simulate real world negotiations between two governments?
8. How closely does this case simulate the real world relations between the major coffee producing countries?