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STARTING OUT RIGHT:
NEGOTIATING CROSS-CULTURAL BUSINESS ALLIANCES

by

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Dunne's observation "No man is an island ..." is more true today than ever before. There are no islands where people may remain untouched by the actions of others. Daily we witness leaders of nations form political alliances to respond to such matters as pollution, destruction of endangered animals, world hunger and relationships threatened by differences of philosophy, ethnicity or religion. There is no room for isolationism in a world where even the air we breathe is affected by the choices of people thousand of miles away.

Just as nations are linked by issues of peace and wellbeing, so too are their businesses linked by issues of economy. Drobnick identified six world economy trends that gathered strength in the late 1980's and shape the economic environment of the l990's. These trends are: (l) the evolution of U.S. - Soviet relations from conflict to cooperation, (2) the collapse of communism in the Soviet Union and eastern Europe, (3) the reversal of America's "locomotive" role in the world economy, (4) the ascendancy of Japan as the world's banker, (5) the economic integration of Europe, and (6) the economic integration of North America (1).

These changes require that organizations consider partners outside their own geographical boundaries. Going it alone is difficult at best. It means business must have the ability to do all things well. As Kenichi Ohmae argues: "With enough time, money and luck you can expand brands and build up distribution yourself - you can do everything yourself. But all three are in short supply" (2).

The answer to this problem is intercompany alliances. In many cases these alliances are cross-cultural. They do not look like the hostile takeovers of the 1980's. Many companies have learned the hard way that hostile acquisition of companies often reduces them to the bare bones when all is said and done. Employees who made the company worth seizing leave or become demoralized workhorses rather than inspired, devoted members of a team with a shared vision. Replacements of those who leave or are escorted out are often unfamiliar with the culture of the company and the larger geographic culture of which it is a part. What remains is a ravaged, malfunctioning operation longing for, but incapable of achieving, its former success.

To work, "alliances" must be as the term "allies" suggests collaboration between two parties for the betterment of both. But the reciprocal meaning of "allies" has been lost to most cross-cultural alliances. Most organizations view their crosscultural alliances as quick and inexpensive ways to get a foothold in the global marketplace. Sounds good. But the truth is that this cheap quick fix, one-sided, self-serving "philosophy" is putting the majority of strategic alliances in the dumper.

The purpose of this paper is to explore what it takes <u>from the outset</u> to achieve successful cross-cultural intercompany alliances. Our major premise is that most alliances fail because of poor relationship planning at the outset. Companies enamored by the prospect of a relationship of convenience with few strings fail to face the one inexorable fact about all relationships: there is no such thing as a long-term, no-strings, convenient, one-sided relationship. All require planning, negotiation of differences, establishment of trust and respect and commitments to mutual benefit. Without these ingredients the relationship has little promise after the initial infatuation wears off.

Unfortunately there is a tendency to treat interpersonal communication aspects of business as the "soft side" and as something that will work out eventually if the numbers are right. Experience has shown just the opposite. Kanter argues that communication is important to achieving synergies between partners (3). It is harder to derive the benefits of cooperations and easier for rivalries to get out of hand when there is no relationship history to draw upon. Tandy broke off a relationship with United Kingdom based Apricot Computers when it became apparent that the firms had not communicated how the marketing strategies of both would be combined. Conflict surfaced shortly after the venture was formed.

The key to effective alliances is skillful management of relations from the initial handshake onward. In cross cultural alliances the challenge is greater since each party brings to the table different cultural schemata through which they interpret events.

The French pride themselves on reasoned discussion. They dislike being rushed into decisions, preferring instead to examine various options in decisions. Negotiations are likely to be in French unless they occur outside France. Punctuality is expected. They tend to be formal in their negotiations and do not move quickly to expressions of goodwill until the relationship has existed for some time. General Electric adapted its corporate style to the French in the early stages of it jet engine partnership.

In Japan business often goes to the party respected the most. Recognizing who is deserving of such respect takes more time than most westerners are inclined to give with pleasure. Moreover, the Japanese consult with all parties involved before they make decisions. If a delivery date is specified, they are likely to check with the managers responsible for assuring that the delivery date can be met before they will agree to it. They spend considerable amounts of time asking detailed questions about financial, market, manufacturing, and structural issues relevant to the negotiation as well as questions that some outsiders would perceive as irrelevant.

The Japanese also tend to spend time getting to know the potential partner prior to developing the framework for the partnership.

United States negotiators usually operate as if today is the last day of their lives. They negotiate with conviction and interpret delays and hesitations as signs of stalling or ineptitude. Most do not speak languages other than English. Ford, for example, has a complex alliance with Mazda but has not dedicated to the relationship an employee who speaks fluent Japanese. While they are capable of developing long term relationships characterized by respect and mutual consideration, the words and behaviors U. S. negotiators exhibit are often perceived as tough and/or insensitive. Winning is a part of their psyche. Once they are assured that they will not lose, it is possible to redirect their attention to mutual gains. An A. T. Kearney study suggests that many U.S. managers view alliances as potentially dangerous and, in some instances, ineffective.

Bridging differences like these is not accomplished without effort. It begins with a strong desire to make things work for both parties and requires the ability to see differences for what they are - the product of diverse cultures rather than sure signs of incompatibility or threats to one's own control. This approach coupled with attention to the following issues at the outset of negotiations are keys to successful cross-cultural alliances.

DEVELOPING RAPPORT

The fundamental tenet of negotiation is: Know how the other person thinks. Getting to know alliance partners is difficult for United States business people because to them, "Time is money." Yet alliances like those between GEC and Germany's Siemens forged to take over Plessey, a British electronics defense firm, and At&T and Olivetti's attempt to market each other's products fail, in large part, because the people involved differ in style and temperament. Roland Smith of British Aerospace, cites these differences as contributors to alliance failures. "There's a certain amount of tension and you have to accept that there will be differences. You have to cultivate alliances and take the time, not just to give instructions but to create the right environment (4).

Creating the right environment in Sweden, however, is not the same as doing so in Italy. For example, the Swedes tend to be formal in their relationships, dislike haggling over price, expect thorough, professional proposals without flaws, and are attracted to quality. Italians tend to be extremely hospitable but are often volatile in temperament. When they make a point, they do so with considerable gesticulation and emotional expression. They are impressed by style and tend to dress well themselves and they enjoy haggling over prices (5).

Of course, these are stereotypes which individual Swedes or Italians may violate. They demonstrate, however, that business people of different cultures come to the negotiation setting with different expectations and styles of conducting business. Blind to these differences, the foreign negotiator can expect to create a negative impression. Once that impression is formed, it is difficult, if not impossible, to establish a positive rapport.

At its headquarters in Beaverton, Oregon, Sequent Computer Systems Inc., has immersed itself in an international outlook to assure rapport. Its president, Scott Gibson, named office buildings after foreign rivers and conference rooms after overseas cities. Managers attend European business schools. The payoff is that their international sales jumped 64%, to 23.3 million, in the 1991 first quarter (6).

Rapport building is a process based on subtle cues. Nonverbal actions speak louder than words. The negotiator who arrives in a foreign country with little concern for the customs of that country is likely to harm the negotiation process before it gets underway. The United States business negotiator who arrives in China hoping to establish rapport by presenting his host with the gift of a fine clock creates a problem before negotiations begin. Clocks are inappropriate gifts in China. They are associated with death. A U.S. businessman who presented a clock to the female child of his Chinese counterpart on the occasion of her marriage, not only failed to establish a rapport, his insult led to the termination of the business relationship. The Arab businessman who insists on giving his Japanese counterpart gifts of greater value than those he receives harms the alliance before it even begins to form.

There are no trivial actions when people are formulating impressions. From start to finish attention must be given to differences in perspective and style. It is only through understanding of similarities and differences that reasonable expectations may be developed. Such expectations lead to higher rates of success. Hewlett Packard spent years slowly and deliberately building its Japanese relationships. It recognized early on that it takes time to nurture relationships with foreign partners and that patience is essential. From the beginning, Hewlett Packard was driven by a goal to serve its Japanese customers and to appear as a genuine insider. Control of its partner was not an issue. The initial focus was on building trust and mutual confidence (7).

Some questions to ask when developing a rapport with an alliance partner are:

- o Have we developed a climate of trust?
- o Are we satisfied with our own and their level of commitment?
- o How similar are our cultures?
- o Is cultural adaptation possible and desirable?
- o Do we have a strategy for merging different management styles?
- o Have we given adequate attention to credibility and rapport at every interface?

Sensitivity to Cultural Differences

A 1981 ten-year license agreement was signed between U.S. based Cummins Engine Company Ltd. and China National Technical Import Corporation. Much of the success of the early negotiations was attributed to careful selection of the negotiation team. Cummins insisted that their people have the ability to reach across cultural lines and close intercultural gaps. They also looked for at least one member who could understand the language and thinking of their Chinese counterparts. One member of the Cummins' team understood Chinese and the Chinese culture. This expertise along with his ability to listen carefully saved the negotiations from an early demise. When misunderstandings occurred due to poor translation, this team member assisted in resolving conflicts thus maintaining progress . For example, when one of the Chinese negotiators used the word "strategy," the Cummins' side assumed that far-reaching strategic decisions had been made by the Chinese when, in fact, the term was being used more loosely than interpreted. Throughout negotiations misunderstandings of mannerisms, habits and word choice were resolved by attending to cultural differences (8).

EXPECTATIONS

Alliances within or across cultures often fail because little attention is given to matching expectations. Alliance partners must understand each other's goals. Check points should be established so that each partner has an identifiable means of determining whether initial expectations are being met or whether they were reasonable in the first place.

Coca Cola knew it could not penetrate the Japanese market quickly. The traditional channels of distribution were more complex than those in the U.S. and were often not easily penetrated by foreign companies. Coca Cola courted local distributors and adjusted its conventional expectations to manage for the long term. With 70 percent market share, Coca Cola has been rewarded for its patience and its willingness to adapt. Had Coca Cola looked for high returns from the outset of its Japanese venture it would have been very disappointed.

A less positive story involves an alliance between American Telephone and Telegraph (AT&T) with Olivetti. On December 21, 1983, AT&T announced a 25% purchase of Olivetti for $260 million (100 million shares). The agreement gave AT&T 25% of Olivetti for the first four years of the alliance, while providing an option to increase the percentage to not more than 40% for five years afterward. The major advantage to AT&T was a presence in Europe, a chance to establish itself overseas. AT&T considered the merging of telecommunications and office computer and information systems as the ultimate culmination of the explosion in information technology. AT&T had the communication know-how but lacked the desk-top products to interconnect. Olivetti could provide these products. Olivetti saw in the alliance marketing and manufacturing rights for telecommunications equipment sold in Europe and a boost to the low yield of its U.S. sales unit. Olivetti had 20 other minority buy-ins with U.S. companies as of late 1982 and stood to challenge IBM's dominance in the office automation market.

When the AT&T/Olivetti alliance began the future looked bright. It was not long, however, before signs of poor communication emerged. While onlookers speculated about the development of a joint Olivetti/AT&T personal computer, it became clear that even more basic arrangement were in trouble. An Olivetti announcement that a $250 million product sale to AT&T was agreed to was countered by AT&T's statement that "AT&T may sell Olivetti products in the U.S. in the future but ... no decision on specific products has yet been made" (9).

The AT&T/Olivetti alliance suffered from rumors and breakdowns in communication throughout its existence. AT&T's limited experience in managing international relationships was at the heart of the problem. Compared to IBM, which had 40% of its $33 billion 1985 sales come from outside the U.S., AT&T had only 1% of its $26 billion 1985 sales come from outside (10). AT&T computers and office switchboards were selling slowly in Europe. The results were making it difficult for them to make their 20% European annual sales growth goal.

Another clear sign of problems came in April 1988 with conflicting stories recounting an aborted attempt by AT&T to gain a larger share of Olivetti. The story in Italy from Olivetti was that they had successfully fended off the move by AT&T; while U.S. sources argued that Olivetti had sought the larger AT&T role because the Italian company was in a cash poor situation. Clearly, no matter which story was correct, the alliance was still on a rocky road.

Despite attempts to appear united, Olivetti's disappointment with AT&T's marketing of its products in the U.S. and AT&T's displeasure with Olivetti's European sales of its 3B2 computers and System 75 telephone switchboard lines were evident. These problems followed by Olivetti's development of a line of minicomputers that competed directly with AT&T machines it was supposed to sell pointed toward an unhappy alliance ending.

Before entering into an alliance, certain questions regarding expectations should be addressed:

o Do we know the key resource gaps facing the venture? o Have objectives been realistically linked to resources?

o Have major strategic issues and challenges been identified?

o Have key business risks been uncovered?

o Have we performed an analysis of partner strengths and weaknesses?

o Do they understand our expectations and we theirs?

o Have we protected ourselves, as much as possible, from breakdowns in communication between us now and in the future with regard to shifts in expectations?

Establishing Expectations

The U.S. company Midwest Chemical established an alliance with a British subsidiary through thoughtful planning early in the relationship. In an attempt to avoid problems which surfaced in an earlier partnership, Midwest Chemical hosted a meeting with the relevant functional managers from both firms. Time was spent early in the meeting revisiting the past relationship and discussing problems and successes. Both parties explained why problems arose and how issues were resolved. The goal was to learn from the past, surface any lingering negative feelings, and begin anew. During the session an attempt was made to inventory issues of importance. It became apparent that problems were less a function of technology and more one of process and relationship building. The previous partnership suffered from dissimilar expectations. There was little working consensus regarding the scope of the project, the level of each partner's commitment of resources, and the level of goal achievement.

As the meeting progressed, partners began to engage in informal "relationship accounting" whereby each defined his "gives" and "gets" in the alliance. An attempt was made to understand the importance of balance and the need to establish mechanisms to monitor and maintain it. Both partners agreed to avoid micromanagement. They delegated details of the alliance process to the managers charged with making the partnership work. With expectations clarified and attention to relationship building the partners were able to start anew and avoid alliance failure.

COMMUNICATION

Communication is the most important aspect of the early stages of alliance formation. The AT&T/Olivetti alliance is one case in point. Establishing a shared identity requires trust and mutual respect. Neither is obtainable unless the parties involved represent clearly their intentions. Too many alliances fail because partners become annoyed with failures of coordination. The real failure lies in not anticipating coordination problems at every level and at every interface. Intercompany alliances require communication strategies that deal specifically with potential and present mismatches between partner expectations.

When Ford and IVECO started a truck joint venture in Britain, joint and individual responsibilities were made clear from the outset. Key positions were given to people who could effectively manage the interface. The close, trusting relationships between high levels of management at Ford and IVECO set the pattern for subordinates to follow. From the start, plans were developed to facilitate information flows at critical interfaces. In contrast, the Uniroyal and Goodrich joint venture did not succeed because the two profitable companies failed to mesh operations and accounting systems.

Going into the alliance, certain questions must be asked:

How frequently should we communicate?
Who will communicate with whom?
What modalities are appropriate (telephone, face-to-face, memos, etc)?
What types of information will be shared?
What types of information are proprietary?
How will we deal with communication problems?
What aspects of our respective company cultures might hinder communication?

Sensitivity to the subtleties of intercompany relationships is fundamental to success. A company that finds memos offensive, for example, will not respond well to a partner who considers them the most efficient and effective means of conveying information. If partners are always looking over their backs to see if each is stealing the ideas of the other, failure is guaranteed. And if people selected to manage the alliance are not multicultural in outlook and preferably familiar with the language of the other partner, no amount of communication planning will facilitate positive development of the alliance.

AT&T and Olivetti might have fared better had they taken more time to learn about each other, had they communicated more frequently, and had they operated like team members rather than irascible distant relatives. Alliances unprepared to deal with communication crisis are destined to considerable discomfort if not complete destruction.

POWER

Intercompany alliances do not flourish in an environment of competition for the biggest part of the pie. They do not prosper in the absence of cooperative decision- making. And they suffer in the absence of mutual commitment and participation. The formation of any alliance requires the abandonment of a "calling the shots" management style. In its place must be a focus on consensus, a dependence on persuasion rather than manipulation or coercion.

Negotiators who are power oriented and show deference to those in power, proneness to correct thinking and a tendency toward cynicism and suspicion act in a less cooperative manner than those without such traits (11). They tend to see attempts at consensus as indications of weakness. Such people are often selected to negotiate for U.S businesses because they are accommodating to the bosses who select negotiators and because they appear tough minded. Their selection hinders negotiations across cultural boundaries even before they begin. Their inflexibility impedes discussions of alternatives and their tendency to undervalue people they do not perceive as having status and power leads to behaviors which insult their negotiation counterparts. Their unwillingness to participate in a process of finding the best alternative rather than a process of demanding adherence to "correct methods" is damaging.

Most U.S. companies have hierarchical structures. Someone must be the boss. The emphasis is on control rather than planning and on decisiveness rather than patient deliberations. Participative management is touted in U.S. journals and taught in business school classes, but the illusion of participative management is what exists in most U.S. organizations (12). It is not easy for a society that values the individual, quickthinking, take no prisoners leader to shift its values to accommodate participatory forms of leadership. Such leadership requires what Warren Bennis describes as empowering others (13). It demands sufficient self-confidence to risk some relinquishment of control and what Max DePree describes as a willingness to be vulnerable (14).

Vulnerability is actually nothing new for U.S. companies entering into alliances with foreign companies. But this vulnerability is not the voluntary type to which DePree refers. U.S. companies are vulnerable because their limited knowledge of alliance partners' languages and cultures put them at a disadvantage. They may possess power on paper by maintaining a 51 percent or greater share of the venture, but in reality many lose power through ignorance.

Corning has entered into a number of alliances based on equality and mutual interdependence. For example, much of the success of the Corning-Samsung TV bulb venture (3rd largest in the world) is due to the equal 50-50 arrangement. Both partners have a great deal at stake. They must work hard to solve problems because these problems affect them equally. By contrast, asymmetry breeds instability. Ouchi describes equity as a cornerstone in building long-term relationships (15). Where equity does not exist, opportunistic behaviors take hold. One partner's gains are the other's losses. Eventually the costs of building and maintaining the relationship render the alliance inefficient.

To avoid asymmetry and its undesirable effects, farsighted companies recognize that power in intercompany alliances has less to do with percentage of ownership than it does with mutual dependency. The following equation describes power in terms of dependency (16):

POWER (A OVER B)= DEPENDENCE (B ON A)

To the extent that alliance partners depend on each other for some commodity or service, for example, they are likely to share power. If one partner is completely dependent on the other, power is unequally distributed. While the latter scenario might work, the former is the more stable form of intercompany alliance. It behooves each partner to identify the assets they have which are attractive to the other. Alliances to pursue are those that tap into knowledge and/or resources that lie outside the boundaries of each firm on its own.

For example, Singapore Shipyard has financial resources and business connections but it lacks managers (17). A potential alliance partner who brings management expertise and the promise of training to the table may prove very influential. AT&T took this approach when they arranged for a group of Chinese business decision-makers to spend several months at major U.S. business schools at&T's expense. The Chinese hunger for education is insatiable. AT&T recognized this and paved the way for future alliances with their gift of education.

One type of asset often overlooked as a source of power is information. Rosabeth Moss Kanter argues that two types of information are required for effective partnership participation: "technical knowledge, which permits contributions to decision-making, and 'relationship' knowledge -- understanding of the partner, knowledge of partnership activities, political intelligence -- that provides the background for successful negotiations." Kanter attributes Japanese success at assimilating their U.S. partner's skills to their knowledge of English and U.S. culture. They effectively bridge the information gap that places U.S. companies at a disadvantage. They understand their partner's needs and can demonstrate their ability to meet those needs. By knowing more about their partners than is known about them, they have a form of power in their alliances not easily identifiable by partners who define power in terms of ownership or toughness of style. In the absence of accurate and adequate information about one's partner there is never confidence that everyone is playing on a level field. It is impossible to empower others or open oneself up to vulnerability in the absence of information. Knowing one's partners well is power (18).

The following guidelines will assist in distributing power to the advantage of alliance partners:

- o Identify clearly what each partner brings to the table;
- o Be sure that the negotiators selected are multicultural in orientation, knowledgeable with regard to partner interests and needs, flexible in terms of exploring alternatives, and trained in participative management;
- o Develop a culture of cooperation and mutual benefit;
- o Where equity in ownership is not possible or desirable, work to assure that equity with regard to concern for partner benefits does exist;
- o Where possible delegate authority and empower others. Let local managers take responsibility for reaching alliance goals.

PERSUASION

Once expectations are matched, communication structures are in place, and the partner is becoming a known quantity, the real work of intercompany alliances begins. A significant portion of that work involves persuasion. Persuasion is often perceived as something one person does TO others. In actuality, persuasion is something done WITH others (19). The word "with" implies some cooperative effort. It suggests a give-and-take process which takes time and requires a willingness to learn what the other has to give and what he or she hopes to take. Graham and Sano propose that the U.S. business negotiator tendency to "get to the point" is responsible for many negotiation failures:

> We don't teach our students how to ask questions, how to listen, or how to use questioning as a powerful persuasive strategy. In fact, few of us realize that in most places in the world, the one who asks questions controls the process of negotiation and thereby accomplishes more in bargaining situations (20).

There are three essential persuasion steps in the negotiation of intercompany alliances: motivation, participation and reward (21). A fundamental goal in establishing intercompany alliances is motivating the parties involved to reach what persuasion researchers refer to as "private acceptance." It is not enough for partners to comply with agreed upon guidelines for the alliance; they must believe in those rules and act of their own accord to assure adherence to them. When people privately accept an idea or behavior, they do not need constant surveillance. For example, When McDonalds enters a foreign country, they seek 50-50 relationships. Management believes that such equality motivates its partners to be more aggressive and innovative. Such behavior assures that local needs are met.

Effective negotiators operate like detectives searching for clues to the values and interests their counterparts. They avoid assumptions about partner concerns. They look for what DOES matter to the partner rather than what SHOULD matter. The U.S. negotiator who thinks his Saudi counterpart should be more concerned with time efficiency rather than hospitality and developing a rapport is in for a big surprise. If he knows little about Islam, he is at a further disadvantage. Similarly the negotiator who presents a Japanese counterpart with a contract full of U.S. legalese is likely to cause offense. It implies that their motives are suspect even before the

venture
starts. a better approach would involve using a Japanese style contract with some additions made in language likely to be clear to the signors.

The second persuasion goal in the negotiation of intercompany alliances is participation. Research indicates that the best form of persuasion is self-persuasion. Theories of counterattitudinal advocacy and self-attribution suggest that when people observe themselves engaging in particular behaviors, they are inclined to accept those behaviors as their own. It is one thing to motivate someone to change and quite another for them to feel at home with that change. By involving them in activities they can accomplish, they observe themselves succeeding and are motivated to continue the desired behavior.

American Airlines discovered the importance of participation when they involved their employees in changing their culture to be more customer oriented. The carrier implemented an "internal marketing strategy" (22). This involved persuading employees that they are part of the chain to the customer and that their actions must be guided by customer needs and interests. Nearly ten years ago, American Airlines launched a program called Quality of Work Life, to encourage employee participation and sense of ownership. Employees are encouraged to solve problems. American's employee suggestion program initiated 3 years ago has generated savings of $113 million.

The key to participative management is training. Just as there are obstacles to true participative management in the U.S., there are also obstacles in other countries. In many Asian countries, for example, there is an increased interest in participative management. A lack of university educated workers, however, is an implementation obstacle (6% in Singapore, 16% in Japan compared to 23% in the U.S). Successful participative management requires a top-down commitment. Managers must be trained and committed to empowering their employees to make decisions. They must teach themselves to listen -- one of the greatest managerial challenges. A Hay Group study found that of one million employees from 2000 organizations, only 34 percent believe their company listens to them. This statistic alone suggests that establishing true participative management in any company is likely to be difficult. For cross-cultural intercompany alliances this can be a major training challenge but one worth the effort.

The third persuasion step in establishing intercompany alliances is reward. People do not change their ways easily and do not remain changed easily. All people need visible signs of their progress. For some, occasional praise is enough. For others, plaques or tangible signs of appreciation are needed.

Partners in intercompany alliances should identify methods for rewarding each other and the employees who work for them. GE and SNECMA, for example, readjusted their revenue sharing formula to account for unexpected changes in exchange rates and inflation. GE admits that their actions are not altruistic; they know that self-motivated action would eventually hurt them by damaging the relationship (23). Generally, the partnership should be managed with a long term view rather than a metric that rewards the partners and management for short term gains. Reward structures should emphasize joint problem-solving, communication and relationship building activities. Profits alone are an insufficient basis for reward.

Some persuasion guidelines for intercompany alliances are:

- o Identify similarities and differences between partners with regard to what will motivate them to assure alliance success
- o Find ways to involve all employees in the success of the alliance.
- o Train managers from both partner companies to encourage employee participation in decision-making
- o Establish a reasonable time frame for implementation of participative management
- o Select a participative management program that meets the needs and possibilities of partner companies (24)
- o Develop an internal marketing strategy for disseminating policy information so that employees are kept informed
- o Develop reward systems that focus on employee contributions to success of the alliance

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NEGOTIATION STRATEGY

The final section of this paper is devoted to developing a negotiation strategy. Before sitting down to work out an intercompany alliance, thought should be given to how one's partner should be approached, what can be given away, and what must remain nonnegotiable. Time should be taken to learn the negotiation styles of the key people involved in the development of the alliance. Are they willing to discuss concessions? Does their style mesh with ours? Is conflict likely and how will we handle it?

As Fisher and Ury recommend, the initial focus should be on reconciling interests rather than taking positions or making demands (25). Objectives should be introduced followed by discussions of the merits of each. In cross-cultural negotiations in particular, where much may remain unknown, its best to ask for help in understanding the reasons for objectives that seem at odds with one's own. This approach far surpasses the talk tough and negotiate later approach that has unfortunately become all too popular and may be the root of many alliance failures.

The initial phases of discussion should be information gathering sessions. If it seems appropriate to introduce a plan, explaining that "This is what we are thinking of offering" and seeking partner response is usually effective. It leaves the door open to change and doesn't put anyone in a face-losing position. When it becomes apparent that concessions must be effective negotiators make those than can be made comfortably, offering resistance on others without closing off the discussion. If seemingly unreasonable offers or proposals are made, it pays to avoid dismissing them as unrealistic. It's best to respond to all proposals as if they have merit or are backed by some reasoning to which only one partner is privy.

The main negotiation focus in the early stages of alliance development is on attending to both partner's interests. Strong arming tactics are useless, since the goal is to establish a long term relationship, not to snatch a short term contract away from a competitor. Below are some additional strategies for the early phase of alliance negotiation:

- If your partner must make an uncomfortable concession, find a way to compensate him/her with a benefit. Provide a rationale that does not incur debt
- Express disagreements in terms of difficulties rather than refusals (e.g. time constraints, limited resources, policy)
- Return to agreed upon objectives as reasons for your proposal or the inability to accept his/hers
- At frequent points in time, seek his/her perspective and check to see that your reasons are understood
- Be prepared to offer alternatives that meet his/her concerns
- Avoid value judgments and personalizing

- o Pause to reflect on proposals, positions, tone and style changes
- o Back up proposals with evidence of their feasibility

CONCLUSION

The failure of intercompany alliances is often attributable to poor communication in the early phases of negotiation. There are times when one partner enters the alliance with the intention of gaining information and leaving. Most alliances, however, are entered into with every intention on both sides of establishing a long term, prosperous relationship. The fault lies in expecting too much for too little far too soon. The establishment of any long term relationship requires attention from the start. It requires more than a tolerance for differences in culture and outlook but rather an appreciation of those differences. There is a vast differences between tolerance and appreciation.

Appreciation is not an overnight accomplishment. So even the most promising potential alliance should be approached with some skepticism regarding the likelihood of success. Even is a potential partner is a successful company, the intermingling of cultures is a delicate matter. In this paper we've focused on getting off to a strong start in the formation of intercompany alliances. Only a strong foundation can weather inevitable doubts, misunderstandings and conflict. Ohmae warns (1990), as time goes on most alliance partners begin to find fault with each other. They convince themselves they could do better forgetting or minimizing the benefits they've obtained. If these relationships also suffer from poor initial planning, mismatched expectations, poor communication, inequitable power distribution and inadequate negotiation potential, the decline is likely to be quite rapid. No matter how much a company wants to "go global,"
success rests upon skillful alliance management from the beginning and a willingness to break free from the ethnocentrism that limits potential as it limits perspective.

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