

# Negotiating International Strategic Alliances: Building Lasting Agreements

By Luis E. Ore

## **Negotiating Strategic Alliances**

When seeking distribution agreements, joint ventures or merger/acquisitions, organizations may think about engaging in negotiations to establish strategic alliances to achieve their organizational goals. People seek negotiating with others to be better off and to create value. The challenge organizations face deals with the way we approach negotiations. If we see it as an exchange of concessions, we might leave value on the negotiating table. But, if we see negotiations as continuous talks, an ongoing dialogue to reach a shared understanding of the parties' interests and jointly design a negotiation process, we might reach mutually beneficial outcomes and lasting agreements.

What is important is to have a clear understanding and conviction of what we really want and why we want it. Having a clear vision of what we want to accomplish and defining how we want to measure the results may lead to a good port. Do we just want to make a deal or reach a wise, lasting, implementable agreement? Are negotiators deal-makers or deal-implementers? Are we using deal-mediators to make deals regardless of how well implementable they may be or are we using deal-mediators to reach wise, lasting, and implementable agreements? Strategic alliances mainly involve organizations and how the effects of their negotiations will affect organizational members, who will have to implement any reached agreement. Organizational members have diverse interests; personal and organizational interests. When planning to engage in any strategic alliance negotiation, organizational members are likely to assume they have to reach an agreement on some instructions that reflects a position on what the negotiator or negotiating team will demand or the minimum they will accept to commit. Beyond this positional bargaining approach, engaging in internal negotiations with an interest-based approach can lead to more flexible and manageable instructions and mandates to negotiate strategic alliances with others.

Organizations need to decide who should be involved in the internal negotiation process as stakeholders and identify who can support or block the successful implementation of an agreement. It is important to get the insights of organizational members who are closer to the action and the ones who will

be in charge of implementing any reached agreement. When involving others during this process, everyone needs to have a positive working assumption beyond blame games and finger pointing. Negotiating parties need to be able to work together with a collaborative mindset, not with an either/or mindset but with a both/and mindset, which will enable them to share information, explain reasoning behind ideas, and do joint problem solve looking forward. Including a 7-Elements framework analysis for negotiation planning (Interests, Legitimacy, Relationship, BATNA, Options, Commitments, and Communication) will help negotiators or negotiating teams clearly identify interests, the priority of those interests and possible tradeoffs. It will generate a wide range of options to explore with the other negotiating parties and help with selection of agreeable standards of fairness and precedents that can persuade both parties beyond a simplistic contest of will. To facilitate the internal process, parties can use a “Single-Text-Procedure”, an agreement-building strategy by which stakeholders --organizational members with interests at stake-- engage in constructive dialogue over a starting proposal, which they intend to improve as opposed to tearing it down. This strategic tool can also facilitate external negotiations and good-faith efforts to jointly explore interests and create potential options to address those interests with the other party. [See R. Fisher, *Negotiating Inside Out*, in J. W. Breslin & J. Z. Rubin (Eds.), Negotiation Theory and Practice, 1999, pp. 71-79; MA: Program on Negotiation Books ]

A jointly designed negotiation process can facilitate the use of experts, fact-finders, taskforce committees, small group discussions, and others who can contribute the needed information to help executives make informed decisions. A jointly designed negotiation process with some ground rules or rules of engagement regarding how to act and what expected behavior to have, how to interpret data and resolve disagreements about information, how to manage time, and what decision making processes will be used during negotiations, will help to develop a positive working relationship. Negotiators need to be unconditionally constructive in order to foster a positive working relationship that: (1) creates a positive environment to develop effective communication; (2) understands and recognizes the interests of diverse stakeholders; (3) explores persuasive criteria of fairness; (4) generates creative options; and (5) educates each other about their alternatives. An unconditional constructive strategy includes: (1) balancing emotions with reason; (2) trying to understand the other party; (3) consulting them before deciding; (4) being reliable; (5) being open to persuasion and trying to persuade them; (6) accepting them as worthy of our consideration; and (7) being open to learning from them. [ See R. Fisher

& S. Brown, Getting Together: Building Relationships As We Negotiate, 1988, New York: Penguin Books.]

## **Going Abroad with International Strategic Alliances**

Understanding cultural factors that influence how people approach negotiations can help understand the logics that motivate their actions and behaviors. People's actions reflect people's thinking and belief systems. Another challenge we all face is the way we differently think about the other negotiating parties. When interacting with others, people assume and attribute intentions. The way people attribute meaning to their actions and interactions is a factor to be considered too. In general, lack of understanding of cross-cultural differences is one factor to be considered when dealing with international negotiations. Beyond international, cross-cultural challenges and stereotyping national cultural differences (for example, tendencies to be goal-oriented vs relationship-oriented or direct vs indirect communication styles or linear-thinking vs circular-thinking processing styles) negotiators find diverse organizational cultures around the globe. Whether it is formal or informal, organizations have a belief system regarding how they communicate, engage in negotiations, and share information. But also, they value and approach differently decision-making processes, hierarchical/horizontal, high/low power distance, different hiring practices and profits distribution, the importance of seniority, etc. The fact is that we all filter information differently and have selective perceptions based on our own interests, beliefs and past experience, and make conclusions based on such reasoning. Negotiating parties can bridge cultural differences and engage in mutual-gains negotiation to foster a new organizational culture, which will govern the relations among organizational members.

Even though parties can engage in good-faith efforts, negotiate with an interest-based approach, and be strategically mindful about organizational cultural differences, sometimes challenging situations will occur and parties may find it difficult to follow through and fulfill their commitments. Beyond mediation and arbitration clauses to resolve potential difficulties, negotiating parties can build into their agreements mechanisms to respond to any potential challenges and constructively face whatever might go wrong. It may be wise to design mechanisms for people to reconvene and fix the agreement if and when the unexpected happens. [See L. Susskind & J. Cruikshank, Breaking Robert's Rules: The New Way to Run Your Meetings, Build Consensus, and Get Results, 2006, New York: Oxford University Press, Inc.] For instance,

negotiating parties of strategic alliances can agree to have a team of stakeholders getting together quarterly to assess how the implementation and relationship are working. Parties can design a collaborative internal procedure, a conflict management system, and integrate interest-based mechanisms and other ADR processes to resolve their differences before getting into adversarial blame games or right-based approaches.

In sum, when negotiating strategic alliances, a mutual-gains negotiation approach will not only model and foster a positive strategic alliance working relationship, but it will contribute to building wise, implementable, lasting agreements and organizational effectiveness, and ultimately contribute to the growth and development of organizations and communities. The approach must engage relevant stakeholders during internal and external negotiations, use agreement-building strategies with a deal-implementer mindset beyond a simple deal-maker mindset, consider organizational cultural challenges, and jointly design a collaborative process.

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**The Author:** Luis E. Ore is founder of ORASI Consulting Group Inc., a training and development consulting firm specializing in negotiation, consensus building, and conflict prevention. Ore assists businesses with cross-cultural and international negotiations, strategic alliances, organizational changes, dispute resolution system design, international development and foreign investment, especially between the United States of America and Latin American countries. He has a MA in Conflict Management and a MA in Communications with a focus on conflict, organizational and cross-cultural communication; a J.D. from Universidad de Lima (Peru); and extensive training in negotiation and the Program on Negotiation at Harvard Law School. Luis Ore is Chair of the International Development Committee of the Association for Conflict Resolution's International Section, and Director of the Peruvian American Business Council. He can be contacted via email: [luis.ore@orasicg.com](mailto:luis.ore@orasicg.com).