



don't conclude that you have failed after the first promising negotiations fall through.<sup>6</sup>

## Negotiating the Alliance

Alliance negotiations can provide an interesting challenge to companies used to the adversarial, position-maximizing negotiation involved in most types of business contracts and in making sales. Negotiating a partnership is largely a process of defining mutual interest, establishing trust and developing a problem-solving attitude, while at the same time establishing a business plan for the proposed enterprise. The negotiation process should be used to get a better perspective of the other side's personality, goals, capabilities and weaknesses, to clarify mutual goals, and to establish the business and operational framework for the venture.

In the negotiation phase, companies should pay particular attention to the composition of the negotiating team, the process of reaching an agreement and the nature of the ultimate agreement.

### • The Negotiating Team

There is no simple formula for how to conduct strategic alliance negotiations or who should be involved. Negotiations will likely occur at several different levels in the two organizations.

Experience has demonstrated the importance of involving both senior managers preferably CEOs (although this may be difficult in partnerships between small firms and large multinationals), and middle managers. Discussions between CEOs or senior managers should be focused on issues related to strategic and financial matters. Moreover, CEO involvement and visible commitment to the venture at this early stage provides important cueing for middle management and staff. The involvement of middle managers should focus on operational fit and the day-to-day issues related to implementing the venture. As mentioned earlier, for the venture to be implemented quickly, as many key players as possible should be sold on the venture early in the process.

Overall, the involvement of senior and operational management in the negotiations should be seen as the vehicle for building a level of trust and collaborative attitude between the parties — things that can't be written into the legal agreement.

In some cases, particularly when dealing in a foreign business culture, it is useful to involve specialized consultants to assist the negotiations. Consultants knowledgeable in the culture and business practices of the foreign environment and who have credibility and contacts in the area of your proposed venture can sometimes be of enormous benefit to you in both better understanding the potential deal and in facilitating it. However, it is always best

<sup>6</sup> BOTKIN, James W. and Jana B. MATTHEWS. *Ibid.*, p. 127.