
Introduction

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1 Introduction

Strategic alliances are of fundamental importance for international business and have become an essential driver of corporate growth. At the same time, strategic alliances can include non-business partners, such as government entities, social enterprises or social sector organisations like philanthropic organisations.

Any proposed strategic alliance has to generate the potential to add value to all partners involved. Other factors include an increasing intensity of competition, a growing need to operate on a global scale, a fast-changing marketplace, and industry convergence in many markets (Das, 2016).

A strategic alliance must contribute towards the strategic objectives of the organisations involved in the alliance and the likely outcomes of the alliance must be in line with the required strategic outcomes of those organisations (Burshtein, 2001).

2 Research gap

Mergers and Acquisitions (M&A) – a prominent form of strategic alliance – has been researched and relevant literature informs about various factors which influence the success of M&A, for instance in regard to cross-cultural management (Weber et al., 2011b; Weber and Tarba, 2010; Haspeslagh and Jemison, 1991; Appelbaum, 2009; Dauber, 2011; Ahammad and Glaister, 2011).

Weber et al. (2011b), discussing the various factors which influence success and failures of M&A, particularly regarding the post-integration process, suggested that

“the achievable performance potential of a merger consists of the pre-merger strategic, financial and contextual (e.g. national cultural) conditions. But the extent to which this potential is realised is likely to be determined by the negotiation process (Weber et al., 2011a) and the management of the post-merger integration process” (p.321).

This thematic issue provides analysis of case examples of negotiation processes of strategic alliances. Negotiation theory is applied to concrete M&A as negotiations as well as to other forms of negotiations of strategic alliances, for instance between governments, between private sector companies and cross-sectoral alliance negotiations between private sector actors and other actors such as governments.

Despite a large body of literature on cultural differences in M&A accumulated over many years of research, the actual negotiation process remains poorly understood. In order to better understand the impact of strategic alliance negotiations, case examples of M&A and of multi-actor strategic alliances have been analysed below. This thematic issue applies a multi-lens approach in which a range of theories and models are selectively applied to specific cases to gain better insight into the business case, the development of the negotiations and to identify lessons for future negotiators of strategic alliances.

The following schools of negotiation theory were applied during the case analysis.

2.1 Rational choice and game theory

Rational choice theory, also known as choice theory or rational action theory, is a framework for understanding and often formally modelling social and economic behaviour (Axelrod, 1984; Harsanyi, 1977). It is the main theoretical paradigm in currently dominant schools of microeconomics. It is widely used as an assumption of the behaviour of individuals in microeconomic modelling and is also central to many textbooks in political science. It is the same as an instrumental rationality which involves seeking the most cost-effective means to achieve a specific goal without reflecting on the worthiness of that goal. In rational choice theory, these costs are only extrinsic or external to the individual rather being intrinsic or internal.

2.2 Cognitive and communication theory

Communication theory applied to negotiations focuses on behavioural perspectives and the behaviour of negotiators and identifies important differences in communication styles between experienced and novice negotiators (Rackham and Carlisle, 1978; Jönsson, 1983). Successful negotiators for instance exhibit stronger use of listening and summarising skills and also use different approaches to planning of negotiations (e.g. more long-term, more oriented towards mutually acceptable solutions and less rigid structuring of issues).

2.3 Bounded rationality and bargaining theory

Faced with the limitations of rational choice theory but still upholding some of the insights of game theory, a group of US social scientists broadened the theoretical frame to make space for inclusion of cognitive and psychological studies (Bartos, 1974; Raiffa, 1982). Their broadened theoretical frame allows for inclusion of social and cognitive contexts which bear clues to past and future human behaviour. Their theoretical frame is called "Negotiation Analysis", which draws on decision analysis and suggests several concepts which have become identified with bargaining theory.

2.4 *Collective bargaining and industrial sociology theory*

Walton and McKersie (1965) first coined the term “mixed motive” pertaining to the employment relationship which is neither purely conflictual nor purely cooperative but a mixture of both (Crozier and Friedberg, 1977). Ideally, negotiators facing such mixed motive situation should engage in integrative bargaining (creating value) but face the uncertainty that the other party adopts a distributive last-minute power game leaving the other party vulnerable for last-minute losses.

2.5 *Trust theory*

In the literature on integrative or win-win negotiations (e.g. as popularised by Fisher and Ury, 1983), the attempt to generate an integrative outcome relies on the willingness to share information and to work collaboratively to develop mutually beneficial opportunities for joint gain. For this to take place, the negotiating parties need to develop a degree of trust in their counterparts, or in the negotiation process or in the negotiation structure. Fischer and Ury (ibid) state ‘if there is mutual trust and confidence in one another’s reliability, negotiations are likely to be smoother and more successful for both parties’. Lewicki and Polin (2013) argue “trust is a critical element throughout a negotiation, as both the lubricant that enhances and facilitates the negotiation process, and the binding element that often holds deals together”.

Trust can be conceptualised on the interpersonal level (e.g. Mayer et al., 1995; Lewicki and Bunker, 1996; Hung et al., 2004), on the system level (e.g. Luhmann, 1979; Giddens, 1990), and the institutional level (e.g. Child and Möllering, 2003; Bachmann and Inkpen, 2011) amongst others. In an introductory article, a model for trust process and trust development is proposed based on Dietz (2011), Li (2007), Möllering (2006), Lewicki and Bunker (1996) and Lewicki et al. (1998). The approach allows an analysis of the ongoing development of the relationship and emergent culture within the negotiation and implementation process (see e.g. Jeive, 2016).

2.6 *Cultural variance theory and anthropological science*

Culture represents an even larger frame than rules which encompass collective bargaining. Culture, understood as beliefs and norms passed on from one generation to the next, can pre-determine to some extent the freedom of action of negotiators (Gladwin and Walter, 1980).

De Dreu and Carnevale (2006) for example have done an extensive analysis of research methods used by conflict and negotiation scholars. Their results show that economists and political scientists prefer to use mathematical modelling to a very large extent compared to researchers from the organisational behaviour and social psychology fields, who prefer laboratory experiments and survey methods.

2.7 *Process theory, network theory, multi-actor coalition building, multi-institutional negotiations*

Paying close attention to the process of international negotiations, Zartman (1977) has been instrumental in analysing conflicts and related negotiations from a time perspective looking at phases of negotiations and the unfolding of concession making leading to

agreement or withdrawal of parties. A key concept introduced by Zartman is the notion of “ripeness” indicating that parties resolve their conflict only when they are ready to do so and such a moment often occurs when parties are faced with a mutually hurting stalemate which neither party can win.

Moving beyond bilateral game theory and negotiation analysis requires analytical theories of broader conceptual scope. A first level of higher complexity is needed to describe and analyse multi-actor negotiations within a single institution of multiple membership like the UN, WTO and related multilateral institutions where plurilateral agreements (participation of limited number of members) or all members partake in the negotiations to reach consensus agreements (Saner and Michaelun, 2009).

3 Case examples of analyses of strategic alliance negotiations

What follows are abstracts of case analyses of negotiated strategic alliances. The case examples first offer a narrative of the case and subsequently apply negotiation theory particularly complex multi-stakeholder theory, bargaining theory (integrative vs. distributive), and negotiation behaviour theory.

3.1 The Lafarge-Holcim merger negotiations: successful merger

The Holcim and Lafarge merger case is a significant case in which two leading cement producers obtained green light after the Phase I investigations through a comprehensive set of remedies of extraordinary size. From this merger case, one can learn that it is possible to get European Commission’s clearance in Phase I even for transactions of this enormous scale. Parties need to remove all competition concerns up-front through a credible, clear-cut and all-embracing package of remedies. The communications of Lafarge and Holcim demonstrate the importance of well-prepared pre-notification discussions and preparation of divestment/remedy packages so that the Commission’s concerns regarding competition in the common market are addressed and assuaged. The case focuses on the negotiation between Holcim and Lafarge as well as the parallel negotiations between the merging parties and the EU competition authorities plus the divestment agreements which enabled Phase I clearance.

3.2 Astra Zeneca vs. Pfizer: failed merger

Leading pharmaceutical companies have sought to differentiate themselves in the current challenging environment while keeping the cost base flat (or ideally lower by following two main trends: (1) outsourcing R& D and (2) increased M&A activity to gain scale, expand their geographical footprint and achieve market leadership in specialty segments. By 2010, more than half of late-stage pipeline compounds were externally sourced (David et al., 2010). This externalisation has occurred through product in-licensing, company partnerships or corporate venture funding, with the latter being mostly targeted at early-stage development. Company acquisition is another way to fill the development pipeline through external sources, leading to the second major trend: increased M&A activity. While the forecast that 2013 would see many acquisitions by big pharma

companies to fill their “growth gap” did not hold true, the first half of 2014 alone saw 10 deals with a total worth of almost \$90 billion. The most notable of these deals probably was the \$20bn asset swap between Novartis and GSK announced in April 2014 and closed in March 2015. The case in this issue focuses on the successful defence mounted by AstraZeneca against the attempted takeover by Pfizer and their ability to build support amongst influential stakeholders to influence the main institutional shareholders.

3.3 *Cameron’s pre-Brexit settlement for the UK within the European Union: failure or missed opportunity? Failed multi-actor negotiation*

The no vote on Brexit was a surprise to many including David Cameron himself who had negotiated intensely with the EU members before the Brexit vote for concessions to be extended by the other EU members with the hope that the Brexit referendum would be rejected and that the UK would remain a member of the EU. The case endeavours to assess these concessions, which Cameron obtained before the Brexit vote, and how they were obtained. Multi-stakeholder theory and multi-actor negotiation theory have been applied to shed light on the negotiation process and a final closing section assesses whether these concessions were not good enough or whether the concessions were not communicated adequately by Cameron and his government.

3.4 *The Alliance of Small Island States (AOSIS) during the COP 18 negotiations: successful multi-actor alliance building*

This article provides an analysis of a multi-actor negotiation in the context of the United Nations Framework on Climate Change Convention (UNFCCC) and describes the negotiation of the Alliance of Small Island States (AOSIS) during the UNFCCC negotiations in 2012 in Doha. Despite the fact that the AOSIS states have a significant power disadvantage compared to the main industrial countries, the group of small island states was able to influence the negotiation process considerably. The authors describe the alliance building of the AOSIS group thereby contributing to the understanding of alliance building in multi-actor negotiations such as the UNFCCC.

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