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I. Introduction

In 1997, Renault was the 2nd largest auto manufacturer in France and 10th largest in the world and they had generated $35 billion in revenue. This was after Louis Schweitzer (Chairman and CEO) had stabilized the company after six years of organisational restructuring including shutting down plants, layoffs, and divestitures (Lamarsaude, 2015).

In 1998, Renault was in better shape than it had been for decades but its position in the world auto industry was still precarious. In May, two major automakers Daimler and Chrysler, announced a merger. This event shook Renault's top management into deeply questioning their company's future (Ghosn and Riès, 2003). A month after the DaimlerChrysler announcement, Renault approach several Asiatic carmakers such as Nissan and Mitsubishi with the goal of an alliance and Nissan's CEO Yoshikazu Hanawa responded (Lauer, 1999 cited in Cellich and Jain, 2012). Hanawa's reply initiated a series of negotiations that lasted from July 1998 to March 1999.

Nissan was the 2nd largest automaker in Japan employing over 130,000 people worldwide and had generated a revenue of $56 billion in 1998. However, they were burdened by debt and were losing money for the past six years. The company had to cover around $33 billion in debt by 1999 (Weiss, 2011).

This essay identifies the importance of identifying the stakeholders of negotiating teams, their interests and cross-cultural negotiation skills. Multi party negotiations are also a key element in this essay.

There are several negotiation concepts used to break down the above-mentioned events that occurred during the negotiation such as managing cross cultural negotiations, multi-party approach, BATNA and ZOPA.

II. Case description

According to Lauer (1999 cited in Weiss 2011), even at the concluding stages of the negotiations to form an alliance, Renault CEO Louis Schweitzer thought that the chances of reaching an agreement with Nissan was only a 50/50. There are several reasons why this was said.

1. Identifying the parties involved:

Firstly, there were a lot of people who would become involved as the negotiations proceeded. It is always advisable to research not only the negotiation parties in the opposition but also research all the stakeholders and how they could influence the deal. It can also be helpful to find their negotiation style, techniques used (Wood, 2001). Finding such info would help provide better offers to the opposite party. Thus, identifying the stakeholders was the first step in the analysis for both Renault and Nissan's teams.

The research was difficult particularly for Schweitzer's team due to the lack of information available on Hanawa's team. This made it difficult to predict who would be present in their advance and negotiating teams. Due to the research conducted, Renault's team was able to identify that there was a multi-party negotiation in hand (Lamarsaude, 2015). Figure 1 below lists all the stakeholders involved in the negotiation.
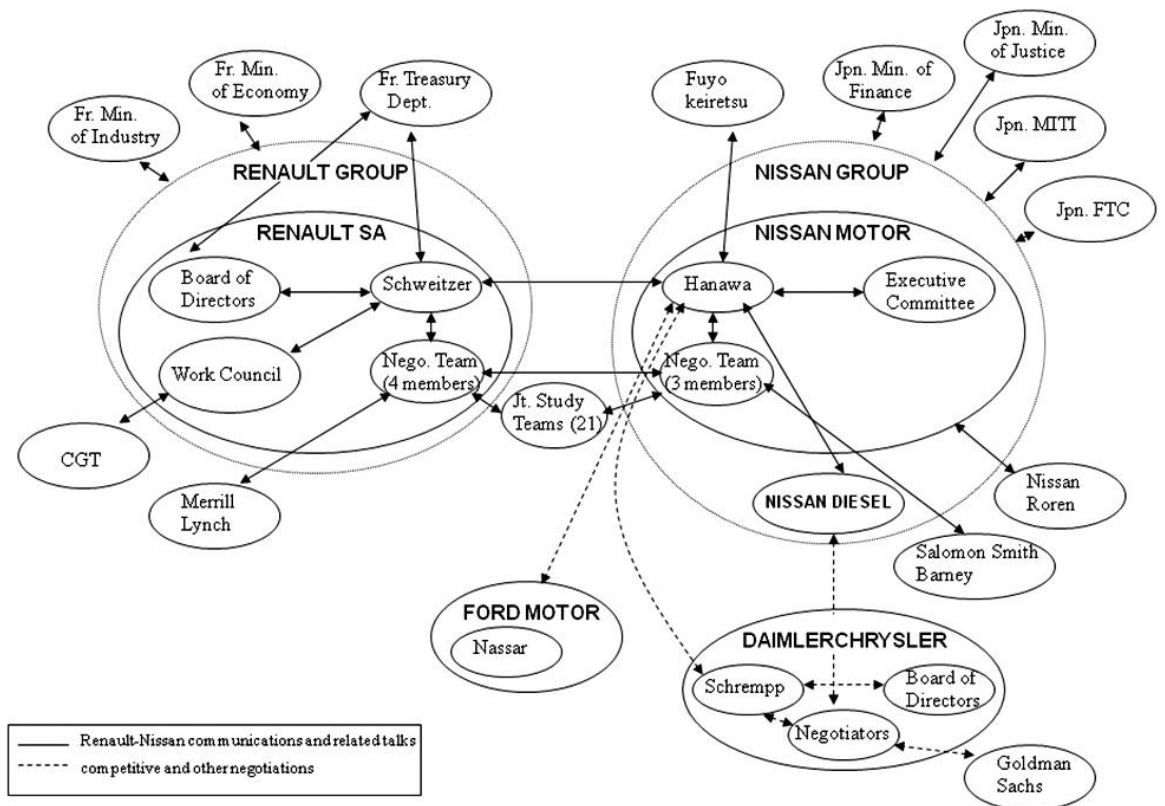
Figure 1: Relationship Mapping [Source: Lamarsaude (2015)]

2. Understanding each other's interests

According to Katz and McNulty (1995), there are two models of negotiations: position-based and interest-based. In position-based negotiations, the other party is viewed as an enemy to be overcome. Each party is likely to be self-serving in an attempt to see victory over the other. This often breeds resentment and on a long-term project, a win-lose outcome could plant the seeds for resentment and continuous conflict. However, interest-based negotiations emphasise the significance of relationships. In interest-based negotiations, the idea is to reach a mutually acceptable outcome. The outcome of this method of negotiation is one where credibility is built between both parties and trust is developed as a result.

Both Nissan's as well as Renault's teams chose to employ the interest based negotiation technique where they identified their own interests and worked together in order to achieve

it. The two companies were in possession of different technologies and expertise. While Renault had expertise in R&D as well as innovative design and marketing, Nissan Motor's expertise was in their engineering. Renault also wanted to leverage Nissan's reach in the U.S. market as well as Asia. By combining their proficiency, both the companies could hope to counter competition in the market (Cellich and Jain, 2012). However, as seen above Nissan was also looking for potential deals with Ford Motor and DaimlerChrysler which complicated Renault's negotiations.

3. Cross cultural issues

The Japanese and European culture are different. The cultural variances between the two companies thus played a crucial aspect throughout the negotiations. One of the aspects that stood out as a barrier in the negotiation process was that both the parties could barely communicate due to the language (Ghosn and Riès, 2003). This delayed negotiation as Carlos Ghosn and his team began to take Japanese daily courses from October 1998 to not only improve communication but also develop empathy towards Nissan's teams (Lamarsaude, 2015).

Apart from the language barrier, the two companies were also practicing non-identical form of leadership which caused some disagreements in choosing the relationship of their deal. While Renault's team was pushing for a joint venture or subsidiary, Nissan's team vehemently refused it. This was due to the fact that Japanese have a strong tendency to save face due to which they were not willing to lose the name in the process (Weiss, 2011; Hofstede, 2011). There was also the issue of identifying the French and Japanese policies and laws in areas such as foreign investment, joint ventures, labour and trade regulations, foreign exchange, intellectual property, technology protection, taxation, antitrust and competition (Cellich and Jain, 2012).

III. Negotiations theories and concepts

·   Kenton (2020) defines negotiation as a strategic discussion which resolves an issue in a way that all parties find acceptable. There are several theories which can be applied to this case analysis such as managing cross cultural negotiations, multi-party approach, BATNA and ZOPA. They are explained below.

a) Cross cultural negotiations:

According to Salacuse (1998), studies of cultural negotiating styles tend to divide into two groups. The first is about describing the negotiating style of a particular culture (for example, negotiating with the Japanese). The other approach is cross-cultural and comparative. It aims to identify fundamental elements in the style of negotiation and determines how they play a role in various cultures.

Of the multiple dimensions of cultural variability recognised by psychologists, the most pertinent to the culture and negotiation literature have been collectivism-individualism, power distance, communication context and conception of time (Brett et al 1998, Cohen 1997, Leung 1998 cited in Bazerman, 2000). The first two dimensions were created by Hofstede's (1980, 1983) acclaimed survey of international values and the latter two from the work of Hall (1976).

Salacuse (1998) identified ten factors in the negotiation process that could possibly be influenced by a person's culture. These cultural responses vary between two opposites. The ten factors and the range of cultural responses to each are illustrated in Figure 2 below.

The Impact of Culture on Negotiation

Negotiation Factors	Range of Cultural Responses		
Goal	Contract	←→	Relationship
Attitudes	Win-Lose	←→	Win-Win
Personal Styles	Informal	←→	Formal
Communications	Direct	←→	Indirect
Time Sensitivity	High	←→	Low
Emotionalism	High	←→	Low
Agreement Form	Specific	←→	General
Agreement Building	Bottom Up	←→	Top Down
Team Organization	One Leader	←→	Consensus
Risk Taking	High	←→	Low

Figure 2: The Impact of Culture on Negotiation [Source: Salacuse (2015)]

Salacuse (1999) also suggested some ways to cope with the cultural issues faced during negotiation.

    i)   Find methods to reduce the cultural distance

Differences in cultures tend to alienate individuals and groups from each other. Eventually, this results in a gap between organisations. The following four approaches can be followed to alleviate this.

- Bridge the gap using the other side's culture
- Bridge the gap using your own culture
- Bridge with some combination of both cultures
- Bridge with a third culture

ii) Learn the other party's culture

Weiss (1994) suggests that the degree of a negotiator's cultural knowledge will influence tactics and strategies employed during the negotiation. As international business transactions are increasingly taking the form of long-term relationships, it should be remembered that the cultural learning continues long after the contract is signed.

iii) Eschew stereotyping

A negotiator who enters a foreign culture should take care to not let cultural stereotypes determine their relationship with local businesspeople. The reasoning is that other forces apart from culture could influence a person's negotiating behaviour.

b) Best Alternative to Negotiated Agreement (BATNA):

The Best Alternative To a Negotiated Agreement (BATNA) concept in negotiation has proven to be extremely useful in increasing one's bargaining power as it lets negotiators with a BATNA know when to walk away when they are unable to obtain an outcome equivalent to their BATNA (Pinkley et al., 1994 cited in Brett, Pinkley and Jackofsky, 1996).

According to Sebenius (2017), BATNA has some misconceptions surrounding it. Firstly, BATNA is the best course of action to satisfy one's interests without the other's agreement in that specific negotiation. The BATNA must be carefully considered with respect to the negotiation at hand and not all negotiations. This aspect will be explained with an example of the Renault-Nissan negotiation in the next section.

Secondly, Sebenius (2017) warns negotiators to not treat their BATNA as a last resort as it can be unnecessarily limiting. Instead, he suggests negotiators to evaluate and consider their BATNA as well as the other side's as an essential element of preparation. This is due to the fact that BATNAs often shift during negotiation owing to changes in information, the underlying situation or actions of third parties. Thus, it is good to constantly assess BATNAs to leverage a better deal instead of waiting for an impasse to do so.

c) Zone of Possible Agreement (ZOPA):

Holton (2019) defines a zone of possible agreement as a bargaining range in an area where two or more parties might find common ground. The attractiveness of each party's BATNA plays a role in determining whether a ZOPA even exists and where the zone lies. The ZOPA can be said to be a range within which any mutually acceptable deal must fall. In the case that both parties prefer their BATNA to any deal proposed, then a ZOPA does not exist (Sebenius, 2017).
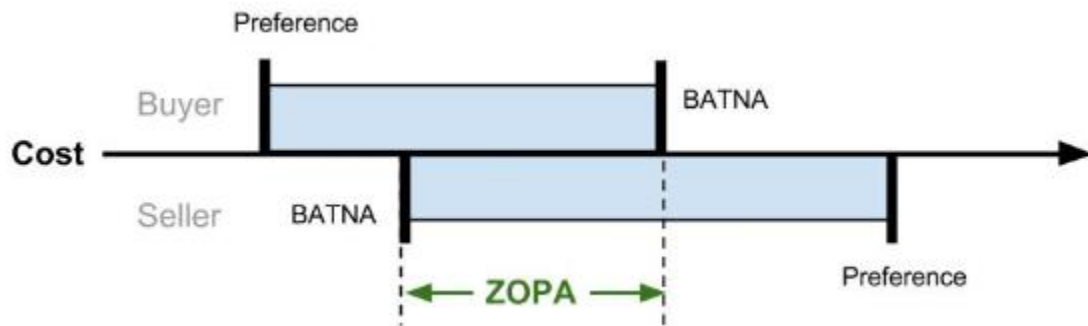

Figure 3: ZOPA and BATNA in a negotiation [Source: Alleywatch.com)]

Figure 3 illustrates the application of ZOPA and BATNA in a negotiation. If there is no overlap between the zones of agreement between the parties, then no amount of negotiation would lead to an agreement. This can be called as a negative bargaining zone. A thorough understanding of ZOPA is essential for any negotiation to succeed. This is achieved through analysing the boundaries of their negotiation via BATNA. Once this is done, both parties can communicate to explore their interests and if there is a broad

ZOPA, then negotiators can use strategies to push the agreement in their favour. However, if the ZOPA is small then it is difficult to find agreeable terms (Holton, 2019).

Fisher, Ury and Patton (2011) explain that the way to overcome the issue of being in a negative bargaining zone is by enlarging the pie. By discarding the assumption that the negotiation is similar to a fixed pie, negotiators can offer something not monetary such as a service to make the offer attractive.

d) Multi party approach:

Mannix (2006) defines multiparty negotiations as those in which there are more than two people bargaining on behalf of themselves or others to create opportunities that can generate value. Three or more parties may have difficulty in meeting all their interests because the dyadic connections amongst them increases. They also bring different interests to the table and understanding them is a major task. This could result in the possibility of shutting some parties out of an agreement and overall increase in the negotiation timeframe (Bazerman, 2000).

According to Mannix (2006), a method to mitigate the potential chaos of multiparty negotiation is to create a payoff matrix of parties and interests before the talks begin. A payoff matrix is basically a spreadsheet which lists the names of parties in rows, the issues to be discussed in columns, and the parties' priorities on those issues in the boxes that are formed. The negotiation manager can update the spreadsheet during the meeting, allowing the team to quickly see what has been achieved and what still remain. This is very helpful in keeping track and dynamically analysing the others as well as one's own BATNA. This would be a daunting task but would immensely help if the minimum that can be offered is calculated (Shonk, 2019). The same strategy is also applicable to multi party negotiations as is the case of Renault-Nissan.

IV. Case Analysis and Discussion

a) BATNA:

As discussed in the theory earlier, BATNA is the best alternative to meet one's interests without the other's agreement in a negotiation. Both Renault and Nissan had their own

respective BATNAs to think about in the case that the negotiation did not go as planned. These will be mentioned below briefly.

- **Renault:**

  Schweitzer had sent an alliance to Mitsubishi around the same time he had sent one to Nissan. Mitsubishi however were already in a negotiation with Volvo and thus it was quite a risky plan to think of going back to them especially when there had been no prior communication with them beforehand (Lamarsaude, 2015). The other option was to fund its own entry into the United States by entering limited scope agreements with small automakers (Cellich and Jain, 2012).

- **Nissan:**

  Nissan on the other hand were in communications with Daimler-Chrysler who was interested in a partnership with Nissan but nothing was set in stone and there was room for doubt (Lamarsaude, 2015). The other option was an internally led restructuring based on its 1998 Global Business Reform plan with long-term loan of $740 million from keiretsu banks (Cellich and Jain, 2012; Weiss, 2011).

The BATNA from Renault was not very solid because they did not have a confirmation of even an agreement to meet from Mitsubishi and the other option to fund their own entry in the U.S. was also not very promising. Nissan on the other hand had ongoing negotiations with DaimlerChrysler who were interested in a deal and Nissan themselves could stay afloat for a while longer and proceed with the restructuring using the loan. This put them at an advantage during the negotiation. Thus, it was a risky situation for Renault which led to them having little to no other option apart from relying on the negotiation at hand.

b) ZOPA:

In the theory mentioned earlier, the impact that BATNA had on the zone of possible agreement was established. Since Renault had a weak BATNA as seen above, they had a

weaker position and had to accommodate Nissan's demands which were on the higher side because they had a better BATNA.

As seen in Figure 4 below, the ZOPA exists between Renault's lowest offer of $2.4 billion equivalent to 20% stake and highest of 39% stake. Any amount over that would result in them having to take ownership of Nissan's debt according to French laws which was not a feasible idea. Nissan on the other hand demanded $6 billion and they were going ahead with talks between DaimlerChrysler which added pressure on Renault to increase their offer to 35% for $4.3 billion. Eventually, Daimler-Chrysler withdrew their bid and Ford did not respond to Nissan. Renault however, did not reduce their offer even though they were the only party remaining to show good faith and were interested in building a long-term relationship. They avoided exploiting Nissan who now were the weaker party in the negotiation with no BATNA and settled on a $5.4 billion deal acquiring 36.6% shares (Weiss, 2011; Lamarsaude, 2015; Cellich and Jain, 2012).
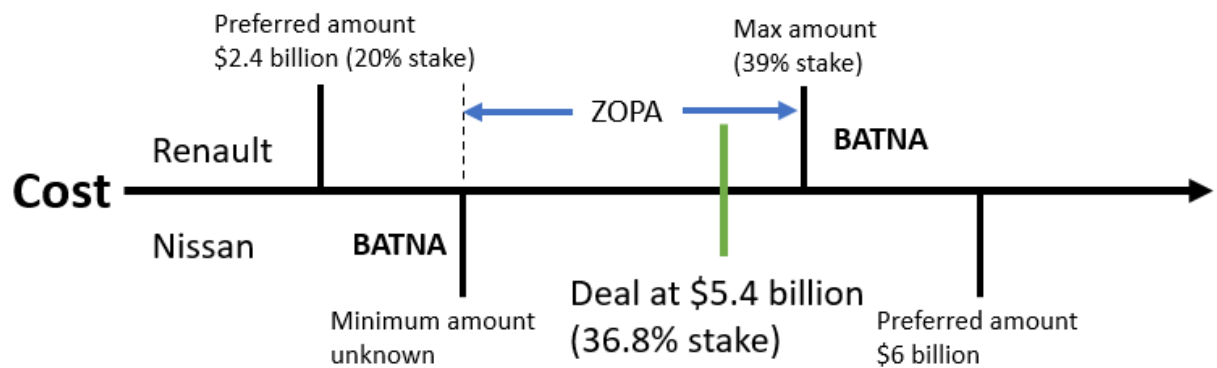

Figure 4: Zone of Possible Agreement for Renault and Nissan [Source: Weiss (2011)]

c) Cross culture:

The ten factors of deal making identified by Salacuse (1998) and the range of cultural responses for France and Japan are illustrated in Figure 5 below.
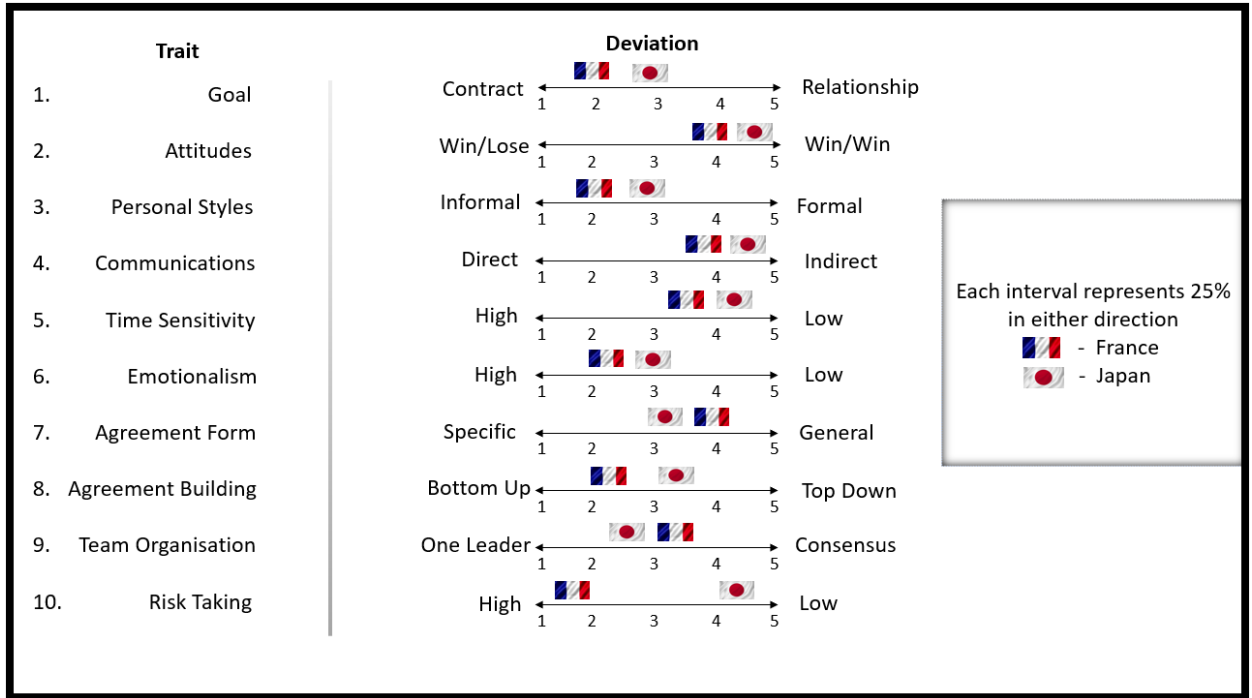
Figure 5: The Impact of Culture on Negotiation between France and Japan [Source: Salacuse (1999)]

- **Goal:**

France is more contract oriented while Japan is more relationship oriented. Nissan's negotiation team wanted many meetings to get to know Renault's ethics and overall compatibility before proceeding.

- **Attitudes:**

Both Japanese and the French cultures are inclined to look for win-win situations and this was clearly demonstrated by Renault not looking to exploit Nissan's situation at the end of the negotiation when DaimlerChrysler had backed down.

- **Risk taking:**

This is the only factor where there is a huge deviation between the two countries. This could explain why Nissan was very hesitant to conduct a deal with Renault whom they viewed as being no better than Nissan in terms of viability and survival. Instead, they preferred DaimlerChrysler because they were well funded and thus possessed a smaller risk factor ("Gallic Charm", 1999 and "Shuttle Diplomacy", 1999 cited in Weiss, 2012).

Thus, judging from the figure it can be said that the French and Japanese cultures are similar to each other in most of the parameters except for risk taking where the polar opposites played a role in drawing out the negotiation. This natural compatibility combined with the effort taken by Renault's negotiation team to reduce the cultural barrier by learning Japanese culture and language while avoiding stereotyping immensely helped in making this a successful negotiation.

d) Multi-party negotiations:

The multiparty negotiations involved Renault, Nissan, DaimlerChrysler and Ford initially. Nissan's BATNA changed dynamically based on the interest from DaimlerChrysler and due to this, the balance of the negotiation tipped from Renault's advantage to Nissan's advantage multiple times during this negotiation.

Renault's negotiation team kept track of the everchanging BATNA using research which helped them know when they are at a disadvantage (Cellich and Jain, 2012). A payoff matrix suggested by Mannix (2006) could have helped them just as well.

Renault was not Nissan's first choice for a partner. While Renault was in negotiations with Nissan, they signed a three and a half month memorandum to evaluate synergies exclusively with them and freezing contact with other potential partners until completion of the duration or end of talks with Renault (Weiss, 2011). At the end of this period, the CEOS signed a letter of intent but enabling others to negotiate. It was at this point that DaimlerChrysler was looking to compete with Renault but they eventually withdrew from the talks because they deemed Nissan to be too much of a risk (Ghosn, 2002). After this, Renault had firm control of the negotiation.

They did this by constantly tracking the opposition's BATNAs as well as restricting the chance other parties have of negotiating by signing memorandum giving them exclusive negotiating rights.

V. Conclusion and Recommendations

This essay sought to understand the Renault-Nissan negotiations to explore the usefulness of negotiation analysis. It identified the importance of researching all the involved parties, their motivations, influencing conditions such as Multi-party dynamics, BATNA and ZOPA. Possible issues such as cross-cultural communication were also discussed to explain why certain decisions were made.

Excellent research skills by the negotiating teams revealed what they were lacking and whom to target for an alliance to cover this weakness. Renault's team began the search for a partner worldwide and then narrowed it down to Nissan because they benefitted from their excellent engineering while they offered R&D and marketing which Nissan lacked at that time.

There were also some important lessons to be learnt for negotiators. The weakness of Renault's team not having a solid BATNA gave Nissan's negotiating team a huge advantage and let them dictate terms until the situation turned in their favour. Renault's team used strategies such as a freeze clause to prevent them from losing out the deal. Knowing when one has an advantage or disadvantage in a negotiation is the difference between a successful or a failed negotiation.

The importance of treating a negotiator as a potential partner and focusing on the long-term relationship is clearly evident in this case. Renault could have exploited Nissan's situation at the latter stages of the negotiation but they chose to treat them fairly and this was a huge factor in boosting Nissan's morale during the negotiation (Ghosn, 2002).

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