GENERATING COOPERATIVE BEHAVIOR BETWEEN THE UNACQUAINTED:
A CASE STUDY OF THE RENAULT/NISSAN ALLIANCE FORMATION PROCESS

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Abstract:

How can unacquainted organizations generate cooperative behavior? We address this question in a case study of the process that leads to a strategic alliance between French and Japanese auto-makers Renault and Nissan - two organizations with no prior basis for a core of cooperative behavior to exist. Analyzed in the spirit of theory development, the case study turns on inter-individual processes and time. The data lead us to a gift-theoretical interpretation. Building upon the fundamental anthropological idea of gift / contra-gift (Mauss, 1925/1990) to describe cooperative behaviors between unacquainted individuals, we articulate how different types of gifts and the pace of reciprocal giving are employed to generate cooperative behavior over time. Critically for practical relevance and theoretical scope, the gift-theoretical approach developed does not impose linearity: the generation of cooperative behavior can be routinized, escalated, or even reversed. To the literature on cooperation in inter-organizational relationships, we offer an interpretative framework for further theoretical elaboration and empirical testing. To the literature on strategic alliances, we present the groundwork for bringing the "beginning back in" to the study of how partnerships evolve.

Key Words: Cooperation, Strategic Alliances, Gift Theory
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How can unacquainted organizations generate cooperative behavior? For inter-organizational relationships to form and blossom, cooperative behavior is widely held to be an essential ingredient (i.e Zaheer and Venkatraman, 1995; Van de Ven and Walker, 1984; Whetten, 1981). This view finds especially frequent application in the management sub-field of strategic alliances, because of the intensive exchange of critical resources and specific know-how across organizational boundaries characteristic of strategic alliances (i.e. Doz and Hamel, 1998; Parkhe, 1998). Where alliance partners are already familiar with each other (cf. Gulati, 1995) or where the prior reputation of partners is above all suspicion (cf. Larson, 1992), cooperative behavior may be a given in the relationship. However, in a great many instances of strategic alliance, and most particularly in cross-border, cross-strategic group and/or cross-industry alliances, the would-be partners are unacquainted, or practically unknown to each other. Under these conditions, the genesis of cooperative behavior is of critical importance to the pursuit of strategic alliance relationships.

1. Introduction and Background

We define "unacquainted organizations" as organizations that have not, in the past, engaged in any kind of repeated, even purely transactional business interaction. One might imagine that strategic alliances between unacquainted organizations are a rare occurrence in today's world of increasing interconnectedness, freely available information and short lines of communication. In fact, globalization and converging industry boundaries are forcing the unacquainted together: AT&T with NTT DoCoMo in telecommunications; Kaiser
Permanente with Fresenius in healthcare; Microsoft with NBC in internet media; and in our automotive sector case study, Renault with Nissan, to name just a few prominent examples. If the recent past is any guide and alliance activity itself continues to grow, we can expect many more such unfamiliar combinations over the coming years.

Research has shown that the ultimate outcome of strategic alliances depends on a) the initial conditions of the alliance agreement (cf. Burgers, Hill, and Kim, 1993; Hagedoorn and Schakenraad, 1994) and b) the evolution of interorganizational coordination (cf. Doz, 1996; Ring and Van de Ven, 1994). Two periods of cooperative behavior can be differentiated: the alliance formation process (pre-signing, leading to initial conditions) and the alliance implementation process (post-signing, developing actual coordination activity). The generation of cooperative behavior has to occur in the first period, during the alliance formation process.

In the literature on alliance formation processes, cooperative behavior is commonly treated as a pre-existing condition that favors the creation of interorganizational relationships (Gulati, 1995; Das and Teng, 1998; McKnight, Cummings, and Chervany, 1998). Where cooperative behavior is not assumed ex ante, it is understood as a quality to be encouraged by appropriate governance structures (Ring and Van de Ven, 1992). However, since the emergence of governance structures also must depend on a minimum level of cooperative behavior and prior negotiation between alliance partners, the question of where cooperative behavior comes from is unanswered. Existing work on alliance formation processes gives us insight into how cooperative behavior grows from an initial core, but does not help us understand how cooperative behavior can emerge de novo between the unacquainted.
A review of the literature makes clear that there is little cogent basis in existing theory to explain the genesis of cooperative behavior between unacquainted organizations. Therefore, we adopt a grounded theory building approach and a longitudinal case study methodology to treat our research question (Glaser and Strauss, 1967; Yin, 1984). Our case study observes the alliance formation of French car-maker Renault and Japanese car-maker Nissan, a nine-month process that brings together two unacquainted organizations with no prior basis for cooperative behavior and ultimately culminates in a far-reaching strategic tie-up with significant equity participation.

The seminal work of Mauss (1925/1990) in cultural anthropology proves of particular value in giving meaning to our observations and provides the primary reference point for answering the question of how cooperative behavior is generated between unacquainted organizations with our data. Building upon Mauss, we see that the cycle of gift and contra-gift holds the key to understanding the origins of cooperative behavior: one partner makes the offer of a gift, and the other presents a contra-gift, thereby establishing a pattern that can be routinized, escalated, or even reversed in the search for a cooperative relationship.

2. Methods and Data

Lacking a cogent basis in existing theory to treat the question of how cooperative behavior is generated between unacquainted organizations, we propose to engage in grounded theory building (Glaser and Strauss, 1967). In grounded theory building, the researchers' approach is to steep themselves in rich and contextually comprehensive source material, examining the question at hand from as many different angles as potentially validated by the data. The data guide the researchers in construct development and hypothesis building. Data contamination
and confidentiality concerns generally prevent participant observation or real time material collection in researching the strategic alliance formation process. Given this constraint, the retrospective, longitudinal case study remains as the only feasible methodology that allows data collection broad enough for grounded theory building (Yin, 1984).

Case Selection. We are interested in building theory about the generation of cooperative behavior between unacquainted organizations. For this purpose, we study a single case in which two organizations with no prior basis for cooperative behavior attempt to establish a strategic alliance relationship. The case of Renault and Nissan satisfies the abstract starting condition particularly well in practice, as the alliance formation process brings together two organizations that:

a) have not engaged in any repeated business interaction

b) come from very different national cultural origins

c) have no ex ante bonus (cf. Larson, 1992):
   - Renault was tarnished by a failed alliance with Volvo (1990-1995)
   - Nissan was well known to be in great financial difficulty (1995-1998)

The Renault/Nissan Alliance. In the concrete terms of the case, we rephrase our research question as follows: how did two firms with only industry in common go about generating the cooperative behavior that eventually made a strategic alliance agreement possible? Over the nine months between the time of first proposal, June 1998, and the time of signature, March 1999, Renault and Nissan negotiated and concluded one of the broadest and biggest strategic alliances on record. Renault took a 36% equity stake in Nissan, and Nissan acquired the option to take equity in Renault at a future date; the two firms exchanged executives at the highest levels; and they agreed to join in a long term industrial partnership that shares
management, core technology, and construction platforms and covers both passenger cars (Nissan Motor) and trucks (Nissan Diesel). In terms of number of vehicles produced, the agreement created the world's fourth largest car-maker.

**Level of Analysis.** The appropriate level of analysis for studying the generation of cooperative behavior between organizations is inter-individual. We base our study on the words and deeds of the principal actors in the generation of inter-organizational cooperation, on both sides. During the alliance formation period of nine months, three sets of people were involved: the two respective CEOs (Louis Schweitzer and Y. Hanawa); five lead negotiators for Renault (Messrs. Douin, EVP, Alliance Coordinator; Levy, EVP, Finance; Dassas, VP, Finance; Husson, VP, Legal; and De Andria, VP, Corporate Planning) and four lead negotiators for Nissan (Messrs. Suzuki, Shiga, Sugino, all of Corporate Planning; and K. Anraku, Finance); and approximately one-hundred engineers and specialists from each side attached to twenty-one joint study teams. We interviewed and collected documents from the two CEOs and the nine lead negotiators, the only actors involved in all four defined chronological stages of the alliance formation process. As supervisors of the joint study teams, the lead negotiators were also questioned about interaction in the joint study teams.

**Data Collection.** The data collection took place over a period of four months, from January 2000 to April 2000 and involved three trips to Renault headquarters in Paris and one trip to Nissan headquarters in Tokyo. Over the course of these four visits, we interviewed all the principal actors as named (see Appendix 1) and gained access to firm-internal data and personal notes. Interviews lasted an average of two hours each and were held in the interviewees' native language, French or Japanese. All interviews at Renault were tape
recorded and subsequently transcribed; all interviews at Nissan were taken down in note form by three researchers, cross-checked and transcribed in the hours following the interviews.

In the interviews, we followed a narrative approach (cf. Langley, 1999; Pentland, 1999), asking actors to recall the chronology of events and to comment on both their own and their counterparts' actions and perceptions, in separate categories. To guard against selective retrospective bias (Schwenk, 1986; Golden, 1992) and to recreate the actor's 'temporal and contextual frame of reference' (Van de Ven, 1992), we made use of previous interviews' results and firm-internal data to challenge the interviewees' recollections. The resulting complete case history, including interview quotes and document citations, has been read and meticulously verified by both firms, with additional details provided as necessary.

Data Analysis. Data analysis proceeded along the usual lines for qualitative inductive research (Eisenhardt, 1989; Glaser and Strauss, 1967). In order to control for researcher bias in the interpretation, however, the data from Renault and Nissan were initially treated separately. Thus, the interviews at the two firms were carried out by two different teams, with only one bilingual person taking part in both sites, and individual case schedules were constructed. In a second analytic phase, the principal investigators joined the two case schedules and produced the complete case history.

3. Understanding the Dynamics of how Cooperative Behavior is Generated:

A Gift-Theoretical Interpretation

Cooperative behavior is generated over time. What are the dynamics of the cooperative behavior generation process in the case of Renault and Nissan? From our data, we can see
that the generation of cooperative behavior does not appear to be a linear process. Instead, Renault and Nissan start off with a bang; then go through an apparently incremental and even routinized phase of high-level information exchange and joint study; proceed to escalate the level of cooperative behavior; and, finally, live through a due diligence phase that repeatedly threatens, but does not actually produce a reversal of cooperative behavior. Figure 1 below graphically summarizes the generation of cooperative behavior over time in the alliance formation process.

Figure 1. A Timeline of Generating Cooperative Behavior

To explain the dynamics of the process observed, it is necessary to adopt an interpretative approach that takes time into account and is true to the inter-individual nature of the generation of cooperative behavior. At first reading, our case appears to reflect many elements of punctuated equilibrium, as documented by Gersick (1989, 1991). Thus, deadlines play an important marking role in the timeline, and longer periods of incremental progress alternate with brief episodes of escalation. However, time and deadlines alone do not suffice to explain the feedback cycles that take place between individuals working to generate cooperative behavior. Time is but one dimension of the generation of cooperative behavior. Thus, the punctuated equilibrium approach can help us understand the sequence of actions,
but cannot provide a satisfactory means of reading the inter-individual processes that underlie the generation of cooperative behavior between the unacquainted.

How to read the inter-individual processes? T. Shiga of Nissan Corporate Planning speaks of the Renault/Nissan alliance formation as a history of "give and give". Although lacking any historical core of cooperative behavior, both sides give liberally of resources, time, and information. In our research, we were repeatedly struck by the willingness of Renault and Nissan executives to offer more than what their partners expected. Why do both sides give? Shiga's intuition finds strong support in the cultural anthropology literature. Indeed, the generation of cooperative behavior between individuals is a fundamental question in cultural anthropology, and the seminal work of Mauss (1925/1990) articulates a gift-theoretical approach to understanding how cooperative behavior between the unacquainted is born. In Mauss, cooperative behavior is generated by the cycle of gift and counter-gift. A offers a gift to B, and B signals by her response (contra-gift) the willingness or the unwillingness to engage in a relationship. Cooperative behavior and a social relationship are generated through a series of gifts and contra-gifts, as follows:

**Figure 2. Gift and Contra-Gift**

![Gift and Contra-Gift Diagram](image-url)
Is it possible to interpret the principal exchanges in the Renault/Nissan alliance formation process in terms of gift and contra-gift? If so, there has to be reciprocity in exchange: an offering from one side must engender a response from the other side within a commensurate period of delay. In Table 1 below, we recast exchanges as gifts and note the delay of response.

Table 3. Renault/Nissan Exchanges: Gift and Contra-Gift

<table>
<thead>
<tr>
<th>GIFT</th>
<th>DELAY</th>
<th>CONTRA-GIFT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schweitzer writes to Hanawa.</td>
<td>15 days</td>
<td>Hanawa answers with invitation to proceed.</td>
</tr>
<tr>
<td>Schweitzer proposes to meet Hanawa.</td>
<td>3 days</td>
<td>Hanawa accepts to meet Schweitzer.</td>
</tr>
<tr>
<td>Lead negotiators identify 20 areas of synergy.</td>
<td>weekly interaction</td>
<td>Lead negotiators identify 20 areas of synergy.</td>
</tr>
<tr>
<td>Schweitzer proposes exclusivity &amp; joint study</td>
<td>5 days</td>
<td>Hanawa agrees to exclusivity &amp; joint study.</td>
</tr>
<tr>
<td>Joint Study Teams work together.</td>
<td>weekly interaction</td>
<td>Joint Study Teams work together.</td>
</tr>
<tr>
<td>Schweitzer presents mock press release.</td>
<td>same day</td>
<td>Hanawa invites Renault board presentation.</td>
</tr>
<tr>
<td>Renault makes Big Picture presentation.</td>
<td>15 days</td>
<td>Hanawa reacts to Big Picture presentation.</td>
</tr>
<tr>
<td>Renault adapts and accepts.</td>
<td>Xmas break</td>
<td>Hanawa opens for offers: Motor and Diesel</td>
</tr>
<tr>
<td>Renault negotiators press forward.</td>
<td>weekly interaction</td>
<td>Nissan negotiators maintain short reply cycle.</td>
</tr>
<tr>
<td>Renault upholds terms of original offer.</td>
<td>1 day</td>
<td>Nissan agrees to alliance terms.</td>
</tr>
</tbody>
</table>

With Table 1 as a guide, we can now see how the back and forth of gifts and contra-gifts contributes to the generation of inter-individual cooperative behavior in the Renault/Nissan alliance formation process. The genesis of cooperative behavior between Hanawa and Schweitzer, between the lead negotiators from both sides, and in the Joint Study Teams emerges out of a series of concrete, reciprocal actions. At any point in the process, the gift-giving cycle could have been interrupted and nascent cooperative behavior might have been impaired. With the right pace, not so fast as to appear unconsidered and not so slow as to arouse doubts (cf. also Mauss, 1990, from p.36), Renault and Nissan make use of gift-giving
to establish regularity, shared expectations and, ultimately, cooperative behavior in their relationship.

Although powerful, the simple idea of gift and contra-gift is not sufficient to explain the dynamics of the process observed. As we pointed out earlier, the process is not linear. How does a gift-theoretical approach help us understand non-linearity? The data clearly indicate that not all gifts are alike. Some gifts, such as the mock press release or the Big Picture presentation, look big and risky - the type of gifts that have the potential to make or break the cooperative behavior generation process. Other gifts, such as work in joint study teams, appear to serve the more standard purpose of maintaining the cooperative behavior generation process. In Table 4 below, we classify the gifts and contra-gifts accordingly, in temporal order.

<table>
<thead>
<tr>
<th>MAINTENANCE GIFTS</th>
<th>MAKE OR BREAK GIFTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schweitzer's first letter</td>
<td>Hanawa's response</td>
</tr>
<tr>
<td>Lead negotiators identify areas of synergy</td>
<td></td>
</tr>
<tr>
<td>S and H agree on exclusivity and joint study teams</td>
<td></td>
</tr>
<tr>
<td>Joint study teams work together</td>
<td></td>
</tr>
<tr>
<td>Mock press release</td>
<td>H invites presentation</td>
</tr>
<tr>
<td>Big Picture Presentation</td>
<td>Nissan pursues talks</td>
</tr>
<tr>
<td>Renault accepts/adapts</td>
<td>H opens offer (M &amp; D)</td>
</tr>
<tr>
<td>Lead negotiators on both sides press forward</td>
<td></td>
</tr>
<tr>
<td>Terms are not changed and alliance is signed</td>
<td></td>
</tr>
</tbody>
</table>

Make or break gifts are fewer in number than the maintenance gifts. Further, make or break gifts come at critical times in the process and appear to demand response in kind. Faced with a make or break gift, the receiving party can only respond by making a similarly bold offer or withdrawing. Make or break gifts are testing points in the cooperative behavior generation process. This interpretation of the data finds a parallel in Mauss, who speaks of the "clinching gift", as opposed to the more common "solicitation" gifts. The distinction between
make or break gifts and maintenance gifts helps us understand the observed non-linearity of cooperative behavior generation. Make or break gifts correspond to leaps and interrupts in cooperative behavior; maintenance gifts correspond to linear progression in cooperative behavior. With a gift-theoretical approach to making sense of the data in the case, we are now able to explain both the inter-individual processes at the heart of the generation of cooperative behavior and the time dynamics of generating cooperative behavior.

5. Conclusion

We started this paper with a query: How can unacquainted organizations generate cooperative behavior? Lacking a cogent base of research in the cooperation and strategic alliance literatures from which to address our query, we took rich data from one case study in alliance formation as a starting point for establishing a theoretical approach. The generation of cooperative behavior in inter-organizational relationships turns out to be a problem in two principal dimensions: time and inter-individual processes. Both dimensions are necessary to understanding the generation of cooperative behavior. A purely time-based approach does not do justice to the voluntary character of interaction between individuals in the generation of cooperative behavior. A purely inter-individual approach cannot explain the complicated dynamics of the generation of cooperative behavior.

The data led us to a gift-theoretical interpretation. Although well established in cultural anthropology (Mauss, 1925/1990; Levi-Strauss, 1969), gift theory has yet to make significant inroads in management and organization. Starting from the simple idea of gift / contra-gift to describe cooperative behaviors between unacquainted parties in the Renault/Nissan alliance formation, we worked with the notion of pace and the classification of different types of gifts...
to build a gift-theoretical approach to the generation of cooperative behavior that is true to both inter-individual processes and time. Attention to pace and type of gift make the gift-theoretical approach dynamic and therefore applicable to inter-organizational cooperative behavior.

Analyzed in the spirit of theory development, the case study has allowed us to identify the principal dimensions of the research problem and led us to an application and refined framework of fundamental anthropological findings in the management setting. The single case study methodology is subject to all the limitations associated with a sample of one, and clearly, much work remains to be done. From the point of view of a theory of cooperative behavior in inter-organizational relations, three avenues of further research seem most important:

1) **Theoretical replication.** The initial interpretative framework needs to be tested in different settings. In particular, we would be interested in discovering how the framework holds up in alliances formation processes that fail.

2) **Contingency modelling.** Such theoretical replication would in turn lead to a better understanding of the contingent properties of the framework advanced. We need to develop an understanding of what type of gifts are appropriate when. Make or break gifts are demonstrably powerful tools, but we do not yet know much about how to employ them in the cooperative behavior generation process.

3) **Bridging levels of analysis.** We have argued that the generation of cooperative behavior between organizations takes place at the inter-individual level of analysis.
This argument implies that inter-individual cooperative behavior, once generated, is transferred to the organization. The process of transferring inter-individual cooperative behavior to the broader organization takes place via executive signalling behavior, joint teams, and contractual legitimization, but almost certainly involves twists and turns that are important to study.

In his important study of alliance evolution, Doz acknowledges lack of cooperative behavior as a management challenge in alliances and argues convincingly for including cooperation-building into the process "early" on (1996:77). Doz' remarks take the alliance as given and pertain to management of the post-signing period. As our study of Renault/Nissan shows, the genesis of cooperative behavior critical to unacquainted organizations occurs even earlier - in the alliance formation process. The alliance formation process can establish relations and set a tone that carry over into the actual alliance. Hopefully, the research reported on in this paper can serve students as motivation for "completing the story": the evolution of strategic alliances between unacquainted organizations starts with the generation of cooperative behavior.
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