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EXPLAINING OUTCOMES OF NEGOTIATION: TOWARD A GROUNDED MODEL FOR NEGOTIATIONS BETWEEN ORGANIZATIONS

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Negotiation research, like other fields, has been fueled by numerous questions. No question, however, may be more central to this area of inquiry—and consequential for practitioners—than the following: Why did this outcome occur? Zartman (1994, p. 222) has called it the “basic analytical question for *any* negotiation analysis” (emphasis added). More grandly, Underdal (1991, p. 100) has written: “The ultimate aim of negotiation analysis is to predict, explain, or find ways of influencing the outcome...[it is] the *ultimate* dependent variable.”

These views may overstate the case, for they implicitly undervalue myriad studies on negotiation behavior and processes (see e.g., Pruitt, 1981; Rubin & Brown, 1975); but they draw attention. They suggest a shift from the usual perspective. Much existing literature examines negotiation outcomes only insofar as they are affected by or associated with certain negotiator behaviors (e.g., Thompson, 1990). The emphasis is on the negotiator’s effectiveness. Alternatively, as Zartman

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and Underdal suggest, a researcher might focus on negotiation outcomes directly and in their own right, treating them as part of the phenomenon of negotiation. He or she could then study different types of outcomes and their determinants. Few researchers have done so, particularly with respect to complex, "real-world" negotiations (Gulliver, 1979, p. 38; cf. Greenhalgh & Chapman, 1995, p. 170; Underdal, 1991).

My interest in explaining negotiation outcomes was sparked by the discovery of two comparable international negotiations between organizations. In the mid-1980s, Toyota Motor Corporation and General Motors Corporation conducted widely publicized talks to establish a joint venture to assemble cars in the United States. They reached an agreement. While gathering information about that negotiation (Weiss, 1987a), I learned that it followed talks between Toyota and Ford Motor Company that ended in no agreement. Here were two negotiations apparently similar on several dimensions yet diametrically different in their outcomes. That put the "ultimate question" in sharp relief: Why did Toyota reach an agreement with one partner but not with the other?

The comparability of these cases provided an extraordinary opportunity to explore and compare determinants of the outcomes of real-world negotiations. The complexity of these international joint venture negotiations added to their appeal, since it stimulated consideration of a wide variety of possible causal factors. Further, the Toyota-Ford "nonagreement" represented an entire class of outcomes excluded from most existing research (Kesner & Shapiro, 1991, p. 371). In short, the two Toyota cases neatly promised to advance understanding of the two fundamental—and for some researchers and practitioners, the most significant (see Greenhalgh & Chapman, 1995, pp. 179-184; cf. Sebenius, 1992, pp. 326-328)—classes of negotiation outcomes: agreements, and no-agreement outcomes.¹

This chapter presents the results of the dual purpose, qualitative study designed to answer questions about the two Toyota outcomes and to sketch the beginnings of a general, explanatory model for interorganizational negotiation outcomes.² Both purposes were pursued concurrently, iteratively, and cross-fertilized via what Reynolds (1971, p. 154), among others, has called a "composite" research approach. While it admits some obvious drawbacks not found in experimental research, this study leads to valuable insights and new lessons about interorganizational negotiations and their outcomes.

SYNOPSIS OF TOYOTA'S TWO NEGOTIATIONS

There are several *prima facie* parallels in the conditions and proceedings of the Toyota-Ford and GM-Toyota negotiations. In addition to a common purpose, namely, joint assembly of cars in the United States, the two cases shared one of the two main parties (Toyota), counterpart characteristics, proximity in time, some external conditions, and basic agenda items.

The negotiations involved a U.S. "Big Three" automaker as a counterpart and took place within a 3-year period, under a number of similar conditions. U.S. automakers were losing market share in their home market, especially to Japanese imports. In 1980, Ford lost \$1.54 billion on the year; GM reported its first loss in 60 years. Union officials lobbied for remedies on behalf of laid-off auto workers, and U.S. and Japanese government officials as well as politicians got involved.

At the outset of the two intercompany negotiations, the basic agenda included typical issues for joint venture negotiations (e.g., purpose, equity contributions, management control). In fact, both cases centered on the same core concept or formula for the joint venture: Toyota's contributing design and production technology, and the U.S. automaker's contributing an idle U.S. plant and sourcing and distribution channels (Weiss, 1988).

The paragraphs below describe each of the two ensuing negotiations, from beginning to end. Watch for additional similarities. (For example, both sets of talks would last 14 months.) Watch also for differences. These accounts of the proceedings, which were compiled from public and non-public data gathered during the study, will inform our consideration of their contrasting outcomes.

Negotiations with Ford

On May 12, 1980, Eiji Toyoda, president of Toyota Motor Company, wrote to Donald Peterson, president of Ford Motor Company, proposing a joint venture to assemble a Toyota-developed car in the United States at an idle Ford plant. Its output would be distributed by Ford and Toyota dealers. On June 24, in Toyota City, Peterson and Toyoda formally initiated talks,³ agreed to a basic framework,⁴ and formed a working group of negotiators.

As a product for the joint venture, Toyota proposed the Camry, a compact car that it had developed but not yet produced. Ford negotiators rejected the proposal in mid-July, and on August 1, Toyoda wrote to Peterson inquiring about the unsuitability of the car. Evidently, the Camry too closely resembled the Tempo/Topaz line that Ford was designing and planning to introduce in two and a half years.

Shortly thereafter, in a news interview, Ford Chairman Philip Caldwell stated that his company sought 500,000-600,000 cars per year from this venture (FCT, 1980 cf. 600,000-700,000 in Tharp, 1980). Toyota had proposed 240,000 (cf. 100,000-110,000 in Apcar, 1980a; FMR, 1980).

In early October, 1980, after two additional models had been considered and rejected, Ford initiated talks on Toyota's Town Ace mini-van. Intercompany study teams on business and manufacturing issues met frequently in subsequent months. On February 7, 1981, a Japanese news service announced agreement on the joint venture product, possible plant sites (e.g., Ford's Twin Cities, Minnesota plant for light trucks) and production volume. But a Ford spokesman publicly denied the agreement (FTB, 1981).

In late March, after a second disclosure then denial of an agreement to the press, lead Toyota negotiator T. Hasegawa and Ford's Peterson announced agreement on the basic design of the joint venture product (the van). Working subgroups on engineering and sourcing continued meeting. By April 17, the main negotiators had begun drafting a memorandum of understanding.

Two months earlier, in mid-February, Toyota's shipment of a fiberglass model of the Town Ace had arrived at Ford's U.S. headquarters. In mid-May, Ford reported the results of marketing studies of the mini-van. The results were unfavorable.⁵

Intercompany meetings took place in subsequent weeks, but on July 20, 1981, the executive vice-president of Ford's North American Automotive Operations, Harold Poling, announced an indefinite tabling of the joint venture talks. (For individual players and a month-by-month chronology, see respectively Appendices A and C.)

Negotiations with General Motors

Six months later, on January 21, 1982, after several months of preliminaries that included a difficult December, 1981 meeting between GM Chairman Roger Smith and Toyota Motor Sales Chairman Seisi Kato, Smith had a letter presented to Eiji Toyoda by Jay Chai, executive vice-president of C. Itoh and Company (America) and Smith's advisor on Japanese affairs. The letter proposed a joint venture to assemble a Toyota-designed subcompact car in the United States.

Five weeks later (on March 1), in New York City, Smith and Toyoda reached a preliminary understanding: With physical assets from GM, and cash and tooling from Toyota, the 50-50 joint venture would produce 400,000 cars at two West Coast plants managed by Toyota. The entire output would be sold to Chevrolet for resale.

On April 14, operational level negotiators from GM and Toyota met for their first talks. They agreed on a joint venture product—a car derived from Toyota's Sprinter (Corolla class). During subsequent months, they addressed and resolved most of the engineering and manufacturing issues, settling on only one plant (GM's Fremont, California plant), Toyota's redesigning the manufacturing layout, a nominal annual production capacity of 200,000, and construction of a new stamping plant on the site.

In late October, however, negotiations bogged down on financial issues such as valuation of the Fremont plant and property, royalties to Toyota, and capitalization of the joint venture. Roger Smith interceded with a letter to Eiji Toyoda. They subsequently agreed to a \$200 million capitalization—Toyota's \$100 million cash and GM's Fremont plant (\$89 million) and \$11 million cash—and elimination of up-front royalties.

Despite more hurdles thereafter, the company heads signed a memorandum of understanding on February 17, 1983. Additional negotiations would go on for another year between the two companies, between the companies and the United

Auto Workers, and between the companies and the U.S. Federal Trade Commission (see Weiss, 1987a). But the period directly comparable to the Toyota-Ford talks ended with the February, 1983 signing. (For individual players and a month-by-month chronology, see respectively Appendices B and C.)

EXISTING PERSPECTIVES ON NEGOTIATION OUTCOMES

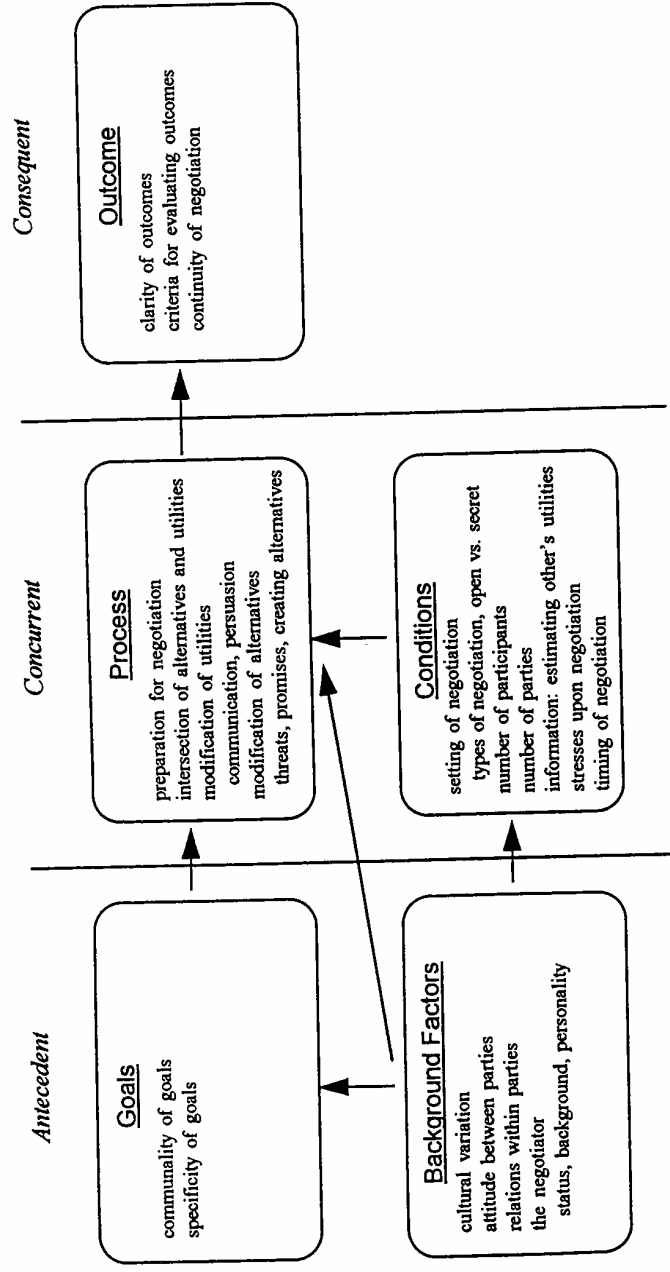
What can existing literature contribute to understanding the difference between hitting an impasse and reaching an agreement in these two negotiations? What generally leads to agreements and no-agreement outcomes?

The literature on this fundamental subject is surprisingly fragmented and sparse in comparison to the attention given to topics such as bargaining tactics. Some of the earliest work in the field concentrated on outcomes (e.g., Zeuthen, 1930; Nash, 1950), but over time, many researchers evidently became disappointed with their predictive power (e.g., Bartos, 1974; Zartman, 1976, pp. 482-484). In fact, several of the most comprehensive and renowned books on negotiation treat outcomes very briefly (e.g., Gulliver, 1979, pp. 77-79; Pruitt, 1981, pp. 20-21, 231-232; Rubin & Brown, 1975, pp. 10-11; cf. Ikle, 1976, pp. 191-224; Walton & McKersie, 1965, pp. 46-57). We lack a coherent tradition that defines, describes, classifies and explains negotiation outcomes and thus must glean ideas about causes here and there from existing literature.

"Negotiation outcome" commonly denotes, in research, the consequence or product of the negotiation process (Thompson, 1990, p. 516). This view is clearly reflected in Sawyer and Guetzkow's (1965) seminal "preliminary social psychological model of [international] negotiation." The model posits that negotiators' goals, which are influenced by background factors, directly affect the negotiation process; and the process, which is shaped by background factors and concurrent conditions, determines the outcome (elaborated upon in Druckman, 1973). (See Figure 1.)

Having just read about Toyota's negotiations, one might notice potential drawbacks to this model, especially for interorganizational negotiations (see also Graham, 1987; Tung, 1988). By emphasizing the process, the model obscures the role and effects of individual parties' activities on the outcome and ignores any direct determinants outside of the process. It does not explicitly recognize the multiple levels of analysis (individuals, groups, organizational wholes) or layers of context (e.g., circumstances, capabilities, environment) of interorganizational negotiations like Toyota's (see Weiss, 1993), which, if not fair to cite as flaws given the original purpose of the model, suggest limits to its applicability.

Pushing on, one finds two major areas of negotiation research to consider for specific causes of negotiation outcomes. The first is anchored in economics and decision (game) theory, the second, in the "bargaining school" in international business. Each merits some coverage here in order to acknowledge its relevance and to substantiate the need for further development.



Source: Sawyer and Guetzkow (1965, p. 468).

Figure 1. Preliminary Social-Psychological Model of Negotiation

The most common explanation for various negotiation outcomes, which is consistent with Sawyer and Guetzkow's ideas, rests on the notion that parties carry out some cost-benefit calculus. They compare their expected gains from counterparts' offers with their own goals, whatever their formulation. The various forms described in the literature include: "aspiration levels" or "targets" (respectively, Kelley, 1979; Pruitt, 1981, p. 25ff; Walton & McKersie, 1965, p. 41); "resistance points" or "reservation prices" (Walton & McKersie, 1965, p. 41; Raiffa, 1982; cf. White & Neale, 1991); and alternatives to a negotiated agreement or BATNA (Fisher & Ury, 1981; Lax & Sebenius, 1986, pp. 46-62; Sawyer & Guetzkow, 1965, p. 476ff; Wall, 1985, pp. 22-28). From this point of view, the Toyota-Ford impasse occurred because the companies' respective offers fell short of their counterparts' resistance points, whereas GM and Toyota reached agreement because offers met or exceeded resistance points.⁶

This rational, "goal-gain" explanation, as one might label it, is not very satisfying, however. Reliance on a single cause—goals—seems overly simplistic in light of the multiple facets of interorganizational negotiations like Toyota's. It further appears to be only a "first-order" explanation in that it does not elucidate what is being evaluated or how parties make evaluations.

Looked at more closely, when goals have been specified, they have tended to be narrowly construed. Experimental research has typically concentrated on quantitative, objective goals such as profit maximization (e.g., Chan et al., n.d.; Harnett & Cummings, 1980). During the 1980s, such individually (distributively) based analysis was enriched with the addition of joint or total (integrative, pareto optimal) criteria (Thompson, 1990, p. 517). Some researchers also extended their measurements to subjective results like counterpart satisfaction (Druckman, 1973, pp. 43-58; Graham et al., 1988). Still such a view of goals seems to serve the few-issue, interpersonal negotiations typical of experiments far better than Toyota's negotiations.

In addition to the greater number of goals that characterize a multi-issue, multi-individual, interorganizational negotiation, international negotiation may involve parties with fundamentally different types of goals. One party may target substantive issues (e.g., price, quantity); another may concentrate on relationship factors (e.g., compatibility, mutual trust) or personal/internal team matters (e.g., respect, internal dissent) (Weiss & Stripp, forthcoming). Gauging these goals on the same metric and determining whether or not a "zone of agreement" exists (Raiffa, 1982) is not straightforward. In a similar vein, what may be more telling and significant in explaining outcomes is what underlies the parties' goals, offers, and their evaluation: their basic concerns or "interests" (Fisher & Ury, 1981).

Furthermore, the economic rationality presumed by the goal-gain perspective does not always hold. In experimental negotiations, Pruitt (1981, pp. 20-21) found that failure to reach agreement occurred not only when negotiators made extremely high demands, but when they made very low ones. White and Neale (1991, p. 382) have reported a study in which some negotiators agreed to terms

lower than their BATNAs and another in which negotiators reached impasses even when they had large bargaining zones. In the same vein, one interviewee for this study who participated in one of the Toyota negotiations said that a team member made a final concession to the counterpart that the team had previously evaluated as economically “not favorable” (see also Greenhalgh & Chapman, 1995, p. 170; Sirower, 1997).

Of two remaining concerns, one has to do with the static view that a focus on goals—especially initial goals—may impose on a dynamic phenomenon. Ikle (1976, pp. 205-206) put it eloquently in his seminal work on international negotiation:

The terms of agreement are reached through a contest of wills, wits, and interests—much of which remains concealed from the opponent—in which the parties keep revising their expectations about each other, shift their evaluations for measuring gains and losses, and continually weigh (as long as they seek agreement) the choice between accepting the available terms and further bargaining.

The Toyota negotiations took place over 14 months, a period long enough that original goals were probably modified (CEOs did re-enter the negotiations for financial issues in the GM-Toyota case [see also Cross, 1978]) and additional goals may also have emerged.

Finally, notwithstanding Ikle’s words, which are directed at sovereign entities, not corporations, some negotiators’ choices may not be willful or self-determined: They may be compelled, even mandated by external parties (see Oliver, 1990, p. 243 on mandated versus voluntary interaction). Other criticisms may be found in Gulliver (1979, pp. 44-47) and Thompson (1990, p. 515). In sum, to explain the Toyota negotiation outcomes, one is motivated to continue searching if not for a substitute explanation, at least for additional causes.

The second major area of existing work on outcomes concentrates on parties’ resources and bargaining power. For the bargaining school of multinational enterprise (MNE)-host government relations, the usual proxy for the terms of this relationship is the MNE’s percentage ownership of its subsidiary in the host country. Studies of “real-world” negotiations have established significant positive correlations between a MNE’s possession of resources such as technology and foreign market access, and its ownership share (Fagre & Wells, 1983; Kobrin, 1987; Weiss, 1996, pp. 211-214).

Here again, though, a number of challenges arise in applying this perspective to the Toyota cases. How does bargaining power explain achievement of an agreement or no-agreement outcome, as opposed to the “division of spoils” for one issue of an agreement outcome? If power represents a party’s ability to influence a counterpart to do something he or she would not otherwise do,⁷ how does it bring about a no-agreement outcome (the Toyota-Ford case), especially in a negotiation where both parties ostensibly seek agreement? With respect to an agreement-outcome like GM and Toyota’s, is the idea that the more powerful party, seeking

agreement, compelled a reluctant counterpart to accept its offer? The answers to these questions are not obvious, but are needed to proceed with work based on this perspective.⁸

Beyond goal-gain and bargaining school explanations of outcomes, one discovers a hodge-podge of much more specific causes. In social psychological research, for example, studies have linked the difference between failing and reaching agreement to cognitive variables such as framing (Bazerman & Neale, 1992, p. 41), individual negotiator differences such as Machiavellianism (Fry, 1985; also Greenhalgh & Neslin, 1983, p. 131; cf. Thompson, 1990, p. 515), and conditions such as time pressure (Rubin & Brown, 1975, pp. 120-124). Practitioner-oriented literature offers reasons for “failure” such as unwillingness to compromise, emotional outbursts, and personality clashes (Calero & Oskam, 1983, pp. 213-222).

In international business negotiation research, which might speak most directly to Toyota’s two negotiations, researchers and practitioners focusing on agreement-outcomes have credited factors such as framing objectives flexibly (Posses, 1978, pp. 144-171), adhering to counterparts’ customs (Graham & Herberger, 1983, p. 166), and understanding local economic and political problems (Wells, 1977). For no-agreement outcomes, one book (Fayerweather & Kapoor, 1976, pp. 47-50) blames “major mistakes” related to empathy, the role of government, decision making characteristics, and organizing.⁹ With respect to Toyota’s negotiations, many of these causes seem ad hoc and unsystematic, some would be difficult to substantiate (e.g., Machiavellian traits of negotiators), and most appear limited in their potential to explain both outcomes.

In the end, it is clear that gaps and challenges exist in our knowledge of real-world outcomes. Defining and identifying an outcome may in itself be a challenge, for real-world negotiations are not always easily circumscribed. In some cases, negotiation is nearly continuous, raising the possibility of a series of outcomes. If the Toyota-Ford negotiations had continued after July, 1981, for instance, would the “indefinite tabling” still constitute an outcome—perhaps an intermediate outcome? Some parties may pursue negotiations for side-effects, not for agreement (Ikle, 1976, p. 43ff). Further, the outcome attributes considered in research have been rather narrow in scope when compared to the real possibilities noted in practitioner-oriented work (e.g., comprehensive versus partial, permanent versus temporary in Fisher & Ury, 1981, p. 72).¹⁰

While agreement-outcomes have received the most attention in research,¹¹ there is variation left to explain even in them (more than half remains in MNE-host government-type negotiations) (see Fagre & Wells, 1982; Lecraw, 1984). This emphasis has left our knowledge of the “products” of the negotiation process skewed—biased by “left-censored” data (Roberts, 1970). It is only recently that researchers have called attention to neglected no-agreement outcomes (Downie, 1991; Kesner & Shapiro, 1991; Mnookin, 1993; Underdal, 1991). There is certainly ample room for more systematic work on outcomes of negotiation, especially between real organizations.

Some 20 years ago, Gulliver (1979, p. 168) pessimistically asserted that real-life negotiation outcomes could not be foretold or “retrodictively...[perceived]...as specifically determined.” In the same year, Zartman (1976, p. 484) offered a counterpoint still useful today: Although the idea that negotiations are theoretically unpredictable could be, “cited to discourage further work in explanatory theory of negotiation,...the notion of theoretical inadequacy leads one to suspect that current theory is not sufficiently developed to leave us with theoretical unpredictability as the last word.” Zartman’s point is worth pursuing.

METHODS OF STUDY

The question most readily evoked by the two Toyota negotiations is: “Why did Toyota reach an agreement with one partner but not with another?” That question could be taken to mean that the outcomes were Toyota’s alone to determine and that the company had a choice between Ford and GM, as if the terms of the two potential partnerships had been laid out concurrently. To avoid these implications, the in-depth, empirical study that I undertook addressed a somewhat different question: “Why did Toyota’s talks with Ford result in an impasse and its talks with GM result in an agreement?” I expected my explanations for these two juxtaposed yet distinct cases to influence and be influenced by the development of a general, explanatory model for negotiations between organizations.

The main approach to “question-answering” in this study parallels Reynolds’ (1971, pp. 154-155) “composite” research approach. Rather than insisting on full articulation of a theory prior to data collection (or its converse), the composite approach involves exploratory observation, description of generalizable patterns, development of explicit theory (the explanatory stage), and then successive iterations of theory construction, testing, and reformulation. The researcher literally “builds” explanations (Yin, 1984, pp. 107-109; see also Glaser & Strauss’s, 1967 grounded theory and Lincoln & Guba’s, 1985 naturalistic inquiry).

Selection of this approach was based on the perceived inadequacy of current theory, as illustrated in the previous section of this chapter, and the potential for complex, real-world cases to provide important insights about negotiation outcomes. Several researchers have convincingly propounded the benefits of case study research (e.g., Eisenhardt, 1989; Yan & Gray, 1994; Yin, 1984). With respect to international joint venture specifically, Parkhe (1993) concluded that theory could be best advanced, in the near term, by case study research.

One of the main criticisms of case study research has been that single cases generate results of undemonstrated generalizability, but this study involves two closely matched cases (cf. Yan & Gray, 1994). Their degree of comparability, which is exceptional for real-world negotiations, merits special attention. Because of it, this study has the potential to bridge work based on single, real-world cases and that based on well-developed theory and experimental evidence.

The dual purpose of this study (case-specific explanations, a general explanatory model) was accompanied by another duality in the research itself. I sought out information about the negotiation proceedings *and* about outcome determinants. While the latter would naturally be expected to include aspects of the former, information about the proceedings was also needed to develop context and to understand the relevance and impact of determinants outside of the process.

Data Sources

My three primary sources of information consisted of newspaper accounts, interviews with individual negotiators and other knowledgeable observers, and company documents. It took multiple sources to find—and sometimes “triangulate”—the pieces for the full chronology and account of each negotiation and to cross-check accuracy (Lincoln & Guba, 1985, p. 268; Yin, 1984, p. 36). The number and diversity of sources were also indispensable for studying explanations of outcomes.

The periodical sources included some 200 English-language news articles on the Toyota-Ford talks and 110 on the GM-Toyota talks. The vast majority of these articles appeared during the negotiations and told parts of those stories. Other articles about the conclusions of the negotiations, supplemented with some of the aforementioned articles, were coded for explanations of outcomes (see Appendix D).

I personally interviewed 29 people: 23 employees or advisors to the companies, and six other knowledgeable individuals (e.g., government officials). About two-thirds of the total were done face-to-face; the balance, by telephone. All were conducted between 1986-1989. With regard to company decision makers, the interviewees included directors, executives (but no CEOs), and chief negotiators. Of the negotiators, I interviewed five of the 12 main Toyota-Ford participants and four of the 12 in the GM-Toyota talks (see Appendices A and B).

Selected internal documents were provided by all three companies—Ford, GM and Toyota—over the course of the study. One company allowed in-place perusal of the corporate headquarters’ file of internal communications and intercompany correspondence, agendas, and schedules for one negotiation case. These documents represented an extraordinary window to internal deliberations.

Early information-gathering, which relied largely on published sources, concentrated on developing pictures of the Toyota-Ford and GM-Toyota negotiations. Public information did not provide complete or entirely accurate accounts of the two negotiations. In fact, none of the three companies seems to have assembled a complete written account of either negotiation (cf. one brief description in Toyota Motor Corporation, 1988, pp. 329-337).¹² Thus, I used a technique employed in previous research (Weiss, 1987a, 1990) which consisted of keying on and successively refining three “building blocks.” They were: (1) a summary table of corporate financial performance and market statistics that characterized the parties and relevant conditions for the negotiations; (2) a list of individuals and organizations

involved in the negotiations; and (3) a chronology of actions and events during the negotiations.

Interviews

Interviews of negotiators and other knowledgeable observers constituted an invaluable data source. Prospective interviewees for each case were identified through news articles or recommended by previous interviewees. In written requests for an interview, I introduced myself and any mutual contact, explained that the purpose of my research was “to describe and understand the process [of international negotiation] and explain its outcomes,” referred to my information to date on the Toyota case involved, and requested a meeting to “confirm this information and to learn more about the negotiation process and your experiences at the time.” The latest versions of the three building blocks for a case were enclosed with the letter to demonstrate my familiarity with the case, credibility, and need for information that only participants could furnish. In some follow-up phone calls, prospects asked for my list of interview questions (see below) prior to the interview, and I fulfilled those requests. All of the interviews except one¹³ were conducted as one-on-one sessions with the interviewee. I promised all interviewees anonymity in written reports of my study.

Each first interview entailed three sets of open-ended questions in a preset format (Peterson, 1982). The first questions directed the interviewee to review and comment on my chronology of the negotiation and list of actors, then describe his own role in the negotiation (“reconstruction” in Lincoln & Guba, 1985, p. 268). The second set of questions requested the interviewee’s general impressions of the negotiation. Finally, the third set comprised one question each on the outcome, cultural influences, pre-negotiation preparations, negotiation sessions, difficult issues, and management of complexity (questions that had been established for a previous study of the GM-Toyota case [Weiss, 1987a]). The outcome question posed to the interviewee was, depending on his affiliation, either “Why do you think that the Ford-Toyota negotiation did not reach an agreement?” or “Why do you think the GM-Toyota negotiation reached an agreement?”¹⁴

The interviewee was not prompted to compare the two cases. Since interviewees were contacted because of their involvement in a case, I did not expect most of them to have direct knowledge about causes of both outcomes. Even then, only Toyota personnel would be in the position to make valid comparisons.¹⁵ Eventually, I learned of three individuals from Toyota directly involved in both negotiations, and I was able to interview one of them. All told, about 7 of the 29 individuals interviewed commented on both cases in the course of their remarks.

As the interviewer during these sessions, I followed common guidelines for research interviewer conduct. My questions were formulated without obvious presuppositions. To elicit the most information, I asked open-ended rather than “yes-no” questions. I refrained from expressing my own opinions, promising instead to

convey them in a final report. For the few interviewees who seemed reluctant to follow the preset, interview format, I inserted standardized questions as possible. I wrote down key points discreetly during each interview, trying not to reduce an interviewee’s responsiveness, and immediately after the interview ended, filled in, edited and added to my notes.¹⁶ Assiduously undertaken, this effort usually took at least as long to complete as the interview itself.

On the average, interviews lasted about an hour, although some went on as long as 2.5 hours. Of the 23 company personnel interviewed, eight made themselves available for at least one additional meeting and four of the eight met with me at least three times. These multiple contacts facilitated “reconfirmation” (Lincoln & Guba, 1985; Yin, 1984) to ensure the accuracy of data collection.

Interviewees’ Potential Biases

For some readers, the use of ex post facto interviews might raise concerns about the reliability of the descriptions of the proceedings and especially, about the validity of explanations for the two case outcomes. Those concerns are worthwhile to address and where possible, alleviate prior to perusing empirical findings. Also, explicating here the types of bias that manifest themselves systematically enables us to predict where and how they will emerge, if they are present in the data.

For the data incorporated into case descriptions—the largely objective reports of actions and events during the period of negotiation proceedings—I adopted a number of measures for accuracy. Interview questions were sequenced to facilitate recollection. Interviewees were asked to consult written records such as appointment books and files. Over a quarter of all people interviewed met with me more than once, and in follow-up meetings, I asked them to help resolve apparent inconsistencies. Their information was also cross-checked with news accounts and company documents.

Interviewees’ involvement in and explanations of outcomes—the heart of this study—entailed subjective processes such as perception, interpretation, evaluation, and decision making processes at the time of negotiation that could have been altered in the retelling, either deliberately or unintentionally. Perhaps three main sources or types of bias are most germane to this study. They are: (1) post hoc rationality; (2) the Japanese concepts *tatemae* and *honne*; and (3) the “self-serving bias” of attribution theory (Felson, 1981; Zuckerman, 1979).

First, as to post hoc rationality, interviewees’ explanations during interviews did come several years after the conclusion of the negotiation in question. The interviewees provided a “reconstructed logic,” not the “logic in use” (Kaplan, 1964). The latter can be difficult to capture even minutes after a human decision, let alone years. Still, the inability to access the actual negotiations while in progress is the more formidable hurdle here. The best the researcher can do in the two Toyota cases is to watch for and explicate inconsistencies between an interviewee’s

account on the one hand and company documents and recollections of other, similarly positioned interviewees on the other.

Second, while the distinction is not unique to the Japanese, they have become known for the degree of their emphasis on *tatema* (what is publicly said or acknowledged) versus *honne* (what one believes or truly thinks). Out of a concern for future competition, or collaboration, with other auto companies or for their personal careers, Japanese and American interviewees could have withheld *honne*.¹⁷ Here, though, the time lag between the negotiations and the interviews may have had a largely beneficial effect. It probably allowed interviewees to reveal more details about these sensitive, major negotiations and to talk about them with more balance than they could have during or right after them. My promise of anonymity in research reports was intended to encourage *honne*. The extent of my successfulness is difficult to measure, but it is noteworthy that most interviewees offered some information which they explicitly labeled “confidential” and that interviewees provided me with ways to contact other participants.

Third and finally, attribution theory predicts that GM-Toyota interviewees would credit their own efforts for the achievement of an agreement, whereas Toyota-Ford interviewees would blame external factors—factors beyond their control—for the impasse. Here, too, the timing of this study may be a mitigating factor. By the time of the interviews, the negotiators were probably not very concerned about superiors’ and others’ evaluations of their negotiating performance. More concretely, self-serving bias is directly observable. We will be able to detect it in the data presented later in the chapter.

In sum, the potential for interviewee bias was not trivial but seemed bearable or manageable. Among other measures, the objective, detailed pictures of both negotiation proceedings (see Appendix C) represented solid reference points and to some extent, boundaries by which the analyst could consider the plausibility of the explanations offered. Dealing with potential bias seemed a necessary and relatively small price to pay for learning about Toyota’s negotiations from so many of the very individuals who carried them out.

Data Analysis

With these interviews and other data, I concentrated on three tasks: (1) determining what happened during the Toyota-Ford and GM-Toyota negotiations; (2) conceptual development in the forms of a set of propositions and a preliminary, general model to explain outcomes of interorganizational negotiations; and (3) reaching conclusions as to specific causes of the Toyota negotiation outcomes. The first task involved evaluating and assimilating information from various sources to produce the synopses seen earlier in this chapter and the detailed chronologies in Appendix C. Discrepancies between sources were resolved where possible and recorded in the text when not. For the most part, this work was straightforward. The two remaining tasks—case-specific explanations, a general explanatory

model—represent the bulk of this study. They were carried out concurrently, usually separately, but they supported each other.

In the initial stages of research, my conceptualization of outcome determinants rested on Sawyer and Guetzkow’s (1965) model. I modified it slightly by, for example, adding factors such as leadership and learning from experience (Weiss, 1987b, 1988). I began scanning news articles and interviewee responses concerning Toyota’s negotiations and sorting them according to Sawyer and Guetzkow’s factors. It became apparent, however, that the modified form of their model and the treatment of data needed to be improved, and from that point on, the conceptual and the empirical tasks were pursued in their own right.

The next major step was largely conceptual. It involved delving into the nature of negotiation outcomes, the relevance of Sawyer and Guetzkow’s (1965) model to interorganizational negotiations, and the relationship between determinants of outcomes and the outcomes themselves. For example, it became clear that some outcomes could be effected unilaterally by the parties (i.e., withdrawals); not all outcomes were jointly determined. Seven perspectives were identified as sources of possible explanations for agreement and no-agreement outcomes. Related literature was studied to clarify these perspectives and to support and fine-tune a “determinant→outcome” proposition for each perspective. Work on these propositions stimulated design of a model which departed from Sawyer and Guetzkow’s (1965) formulation and which went through numerous iterations.

By this point, I had pushed ahead with the empirical analysis—or more accurately, empirical “explorations”—for the study, concentrating on explanations specific to the Toyota-Ford and GM-Toyota negotiations in news articles, interviews notes, and company documents. Only news articles that mentioned a cause of impasse in the Ford case or of agreement in the GM case were included (see Appendix D). I content analyzed the articles, notes and documents for actions and conditions cited as causes of the impasse or the agreement. These factors were then classified according to the seven perspectives mentioned above. At one point, I compiled an undifferentiated list of all major causes cited by interviewees and grouped them intrinsically. Each grouping that emerged corresponded with one of the seven perspectives or propositions, which attested to their exhaustiveness and internal validity.

Over several years, I grappled with various ways to capture and communicate the full scope of this information (e.g., Weiss, 1989, 1992). Some sources had cited the same factor but viewed its impact on the final outcome differently. More importantly, many sources pointed to agreement-promoting factors *and* impediments in a single negotiation. When the analysis of influences on outcomes was extended to both promotive and impeding factors in *each* negotiation, the depth and value of this analysis took a quantum leap. Incorporating both types of attributions more accurately reflected sources’ views and the complex interplay of influences they saw in an interorganizational negotiation. In addition, the sources were more finely “typed,” and a frequency count was performed on actions and

conditions they observed. The final presentation of case-specific explanations appears in an eye-opening table, as we shall see, in "Empirical Explorations with the Seven Perspectives."

With the completion of case-specific analysis, I returned to development of the general model. I had worked on it in spurts, stimulated sometimes by insights from the Toyota cases but guided more generally by concerns for meaningfulness and validity. A well-refined version of this multi-perspective and multi-causal model, dubbed the "M-Model," is described after the section on empirical explorations.

SEVEN TYPES OF EXPLANATIONS

In order to "build" explanations of Toyota's and other organizations' negotiation outcomes, this study considered several types of causes. This approach seemed more appropriate and potentially more fruitful than relying on one or two causes for the complex, international negotiations in which Toyota had engaged. Selecting a set of distinctive factors, which represented very different perspectives and addressed different facets of negotiation (recall Allison, 1971), also seemed likely to explain more of the variation in outcomes than single-focus studies have explained.

In addition to case-specific purposes, this approach was designed to illuminate, test, and compare various types of causes. Different paradigms like decision theory and the bargaining school of international business have advanced different explanations which tend to be isolated from each other. Placing them side by side for real-world negotiations promised some interesting glimpses, albeit not proof, of their comparative relevance and explanatory power. The case studies would also provide real-world examples of causes that have been studied primarily in experimental settings. All in all, a multi-perspective approach to real-world negotiations seemed likely to produce new insights that would improve general explanations for outcomes.

Diverse Perspectives

Seven types of explanations for interorganizational negotiation outcomes were selected for development and investigation into Toyota's negotiations. They came to light as a result of conceptual work based on Sawyer and Guetzkow's (1965) model and review of existing negotiation literature, and in two instances, which illustrate the composite research approach described above, early Toyota case interviews. These explanations were chosen because each is distinctive; each explanation—or cause—represents a different perspective, discipline, or paradigm.

The goal-gain perspective previously discussed, and more broadly, economic and decision theoretic (including game theoretic) schools within negotiation research, emphasize parties' goals or results of cost-benefit calculations. Early

interview data suggested shifting the emphasis on parties' individual goals to the *fit* between or complementarity of their goals (*italics* signify one of the 7 perspectives). The cost-benefit calculations apply principally to the *substantive terms of the last proposals*. These are the terms that parties face and are about to be decided upon; they have not already been accepted or rejected (i.e., the outcome itself). Some of Sawyer and Guetzkow's (1965) focus on process has to do with *negotiator behavior*, a perspective clearly reinforced by work in social psychology, organizational behavior, and communications, among other research fields.

International business and organization theory literatures have devoted considerable attention to the *environment* of an organization and its influences, which expands the reach of context as Sawyer and Guetzkow (1965) envisioned it with their "background factors" and "conditions." An international marketing colleague introduced to their model responded with the recommendation to add an historical perspective and more specifically, the nature of parties' previous *experience* with each other or with relevant others. From a practitioner perspective, a veteran U.S. diplomat unconnected with the Toyota cases but experienced in many international conferences, suggested the importance of *leadership* of the negotiation process.¹⁸ Finally, early interview data led to the inclusion of *intraorganizational activity*, a view mentioned only briefly by Sawyer and Guetzkow (1965) but certainly endorsed in the fields of labor-management and international relations.

The diversity and breadth of these seven perspectives is also reflected in their implicit emphases on different aspects of negotiation. For example, "experience" focuses on the influence of the past while other factors (e.g., leadership) remain in the present. "Environment" alludes to factors beyond the parties and their proceedings, implying that they have less influence on the final outcome, whereas other factors (e.g., negotiator behavior) do emphasize the parties and their actions. These factors differ among themselves: "Goal fit" points to where parties start out, before negotiation begins; "negotiator behavior" shifts attention to parties' moves during negotiation; and "substantives" stress where they end up. Yet another contrast lies in the emphases on location: namely, activity at the negotiation site (e.g., leadership, negotiator behavior) versus activity back at parties' headquarters (intraorganizational activity).

There are a number of other differences between these perspectives. Some are intrinsic (e.g., the level of analysis); others depend on how the perspective is represented (e.g., direct versus mediated effect on outcome, magnitude of effect).¹⁹ Some statements of goal fit, for instance, imply that it is a sole or principal determinant—a necessary *and* sufficient condition—for an agreement outcome. (In this paper, I will use the term "determinant" reservedly because of this connotation.) This second source of differences indicates a need for precision at some point. That will come, in the discussion section of this chapter. Meanwhile, the basic characteristics and distinctions for each of these perspectives can be used to further understanding of outcomes.

Table 1. Explanations for Interorganizational Negotiation Outcomes: Propositions from Seven Perspectives

1. Experience	The nature of parties' previous experiences in similar negotiations influences their decisions and actions in a negotiation, and they, in turn, strongly influence the reaching of a negotiation outcome.
2. Environment	Environmental forces (e.g., market conditions, governmental and other political pressures) determine the negotiation outcome.
3. Goal Fit	The degree of fit between the parties' negotiation goals predetermines the negotiation outcome.
4. Leadership	The presence or absence of an individual with the capability to act as a nerve center, motivating negotiators on both sides and managing the overall process, determines the negotiation outcome.
5. Negotiator Behavior	The behavior of the individuals and groups in the negotiations (at the table) determines the negotiation outcome.
6. Intraorganizational Activity	The counterpart's internal activities (away from the negotiating table) influence each party's decisions and ultimately, the attainment of a negotiation outcome.
7. Substantives of Last Proposal(s)	The benefits and costs of the last proposal(s) on the table determine the negotiation outcome.

A Set of Propositions

Table 1 lists seven general propositions: one for each explanatory perspective. Some perspectives, such as the environment, encompass many variables and could thus generate a number of specific propositions. The propositions in Table 1, however, were intended primarily for heuristic purposes. A general proposition was sufficient to serve as a focal point by which to explore each perspective and various explanations offered by interviewees and other observers for Toyota's impasse with Ford and agreement with GM.

Each proposition identifies a main effect not on an established negotiation outcome, but on its *formulation*. (See Table 1.) Their order is not intended to convey a hierarchy or different weighting of causes, although some propositions do assert stronger positions than others in their influence on outcomes. Their order is actually based merely on a convenient coherence: The list moves from past to present, and roughly from the beginning of the negotiation process to its end.

(1) Experience

This perspective and its accompanying proposition suggest that an important way to explain parties' actions and decisions in a negotiation is to consider what the parties did in—and learned from—similar negotiations in the past.

Several years ago, Winham (1977, p. 106) identified organizational learning as one of the principles governing the programmed operations characteristic of large negotiations. He suggested that negotiation teams learned to gather and store information about, among other things, counterparts' perceptions and priorities; to adapt organizational goals to fit the situation; and to develop procedures for communication. These kinds of lessons concern "action-outcome relationships" (see Duncan & Weiss, 1979) and while they may occur during a negotiation in progress, one could, as we will do here, concentrate instead on the lessons that are transferred from one negotiation to another. For the time being, let us not pursue the reasons for which a negotiator might associate two or more negotiations (e.g., same counterpart, similar agendas).

According to this view, Toyota and Ford's impasse could indicate that they did not have previous experience negotiating with each other or more generally, with negotiating the formation of a U.S.-Japanese joint venture. Alternatively, if they had relevant experience, they either failed to act on the lessons they learned (Ward, 1977) or did not learn the right lessons.²⁰ In contrast, experience enabled GM and Toyota to reach an agreement. (Additional considerations, including pertinent research discovered or published in the latter stages of this study, are taken up in the section "A Multi-Perspective Model.")

(2) Environment

An organization's environment consists of "concentrations of resources, power, political domination and most concretely, other organizations" (Aldrich, 1979, p. xii). These influences on an organization's behavior have been widely examined in fields ranging from organization theory (e.g., Aldrich, 1979; Hannan & Freeman, 1977), strategic management (e.g., Harrigan, 1988), and marketing (e.g., Achrol, Reve, & Stern, 1983) to industrial organization theory (e.g., Barney, 1986) and international business (e.g., Rugman, Lecraw, & Booth, 1985, p. 101ff). In the extreme case, an environmental factor such as a government decree may solely determine a negotiation outcome.

Research on international business negotiations has shown that many multinational firms enter into joint ventures abroad primarily—and often, only—because of host government pressure (see Kobrin, 1987, p. 623). In fact, government influence has figured prominently in joint ventures in the auto industry (e.g., Contractor & Lorange, 1988; Kobayashi, 1988; Womack, 1988). With respect to the Toyota-Ford negotiation, Proposition 2 would suggest that the parties hit an impasse because environmental factors at the outset of the negotiation were not

sufficiently promotive of agreement or what is worse, required the parties to reject each other. In contrast, GM and Toyota were pushed along by agreement-promoting environmental forces.

(3) *Goal Fit*

In its extreme form, this view, like the environment, insists that the fit of parties' respective, original goals determines the negotiation outcome from the very outset. The term "goal" essentially refers here to what the parties are after (given the exploratory nature of this study, a stricter usage is both unnecessary and undesirable). Early GM case interviewees prompted the inclusion of this explanation, for they spoke of a "good match" and "marriage of goals." Researchers have expressed similar ideas in concepts such as "congruence of interests" (Grosse & Arambaru, 1990), "strategic symmetry" (Harrigan, 1986, p. 12), Pruitt's (1981, p. 16) "goal/expectation hypothesis" (goal of achieving coordination and expectation of trust), and the "anchoring effect" of goals (Bazerman & Neale, 1992, pp. 28-29). The interviewees implied, however, that this fit had to do with "larger forces," forces beyond the creation or control of individual negotiators.

These goals are set by the organizations as the principal parties to interorganizational negotiations. They are to be delineated from the personal aspirations of the individual negotiating representatives. Moreover, these goals are intended to cover concerns about compatibility and relationship quality, which Japanese firms have been known to pursue (Sullivan et al., 1981; see also Sheppard, 1995), as well as task or substantive matters.²¹ Typical goals for prospective partners in international joint ventures include risk reduction, cost reduction, responding to competitors' competitive advantages, and responding to trade restraints (Contractor & Lorange, 1988, p. 19; Womack, 1988, pp. 307-312) and learning about markets, technology or operations (Kogut, 1988).

What distinguishes this explanatory perspective from existing goal-gain views is the emphasis on the organizations' as opposed to individuals' goals, the inclusion of relationship as well as task-related goals, the *interaction* of parties' goals, and the timing of their impact (cf. Harnett & Cummings, 1980, pp. 52-55; Thompson, 1990, p. 521). Some aspects of this proposition, such as how much of a fit establishes a "fit" and who makes the assessment (the individual negotiators?) required further clarification, but the core idea offered sufficient guidance to explore Toyota case data. It suggested that the impasse with Ford was foreordained by a mismatch or incompatibility of the companies' goals whereas a "good fit" made agreement with GM inevitable.

(4) *Leadership*

According to the diplomat who suggested this explanation, large-scale, interorganizational negotiations involve an organizational complexity and amount of

substantive detail that, through sheer entropy, often cause a no-agreement outcome *unless* a pro-agreement individual acts to motivate the parties and coordinate the negotiation process. This leader could emerge from a negotiating team or enter from outside. In the same vein, a Japanese interviewee for this study underscored the role of Japanese general trading companies as "system organizers": They identify and broker deals. These were novel ideas in the 1980s when this study, began, for little research on leadership existed within the field of negotiation.

One negotiation study by Greenhalgh and Neslin (1983, p. 131) found that leaders ("those who have the ability or tendency to take charge and guide a negotiation") achieved higher individual outcome utility. Management literature offered more support. Hambrick and Mason's (1984) "upper echelons perspective" related organization outcomes to powerful actors in the dominant coalition. Also, Meindl, Ehrlich, and Dukerich (1985) found that attributions to leadership increased as organizations performed at the extremes (success, failure), although they concluded that this attribution was not necessarily warranted.

For the Toyota negotiations, the application of Proposition 4 is straightforward: The Ford case lacked a leader; the GM case had one. Even without a list of specific leadership qualities (e.g., types of actions, their timing in the negotiations), an analyst could at least recognize references to leadership in case sources. (We shall see in "A Multi-Perspective Model" that in the 1990s, negotiation researchers began to take greater interest in leadership.)

(5) *Negotiator Behavior*

This concern directs attention to what the individuals and groups who represent the organizational principals in these negotiations do "on the front line," in the very act of negotiating. Negotiating "behavior" encompasses a wide range of observable variables: forms of persuasion, verbal styles, and other communicative factors; bargaining moves such as initial offers, concessions, and package deals; and problem-solving (Weiss, 1993, pp. 279-286; also Bies, Lewicki, & Sheppard, 1995; Pruitt, 1981; Rubin & Brown, 1975; Thompson, 1990).²²

Proposition 5 is not news to negotiation researchers, for most existing research on outcomes dwells on behavioral antecedents. Very extreme initial offers, for example, have been correlated with incidence of no-agreement outcomes (Hammer & Yukl, 1977). This is in part because they strongly influence negotiators' views of what is possible (Bazerman & Neale, 1992, pp. 28-29). Recent general literature recommends that negotiators behave integratively and concentrate on creating value in order to reach agreement. Specifically, they should identify no-conflict issues, share information, avoid the use of threats, and employ logrolling and bridging techniques.

Negotiator behavior obviously covers a broad area, and it may become even more complicated when the negotiators involved do not come from the same home country or culture. Standard negotiating behavior of one culture may elicit quite

different responses from “foreign” negotiators (e.g., Graham & Sano, 1989; Weiss, 1994; Weiss & Stripp, forthcoming). Explanations for outcomes based on behavior could treat negotiators’ respective behaviors separately or focus on the nature of their interaction (e.g., complementary or coordinated versus antagonistic). In the same vein, it is conceivable that some outcomes are determined as much by a particularly salient action (e.g., threat or major concession) as by an individual or team’s conduct throughout a negotiation.²³ Let us leave these possibilities open for exploration in the Toyota cases.

Generally, advocates of this viewpoint would expect to find that Toyota and Ford negotiators did not communicate effectively, antagonized each other, or avoided use of integrative behavior. On the other hand, GM and Toyota representatives achieved an agreement by doing much the opposite.

(6) *Intraorganizational Activity*

Negotiations between organizations—particularly large companies—typically involve many individuals and groups, as representatives and as constituents, and various allied organizations. Proposition 6 deals with this differentiating feature of interorganizational negotiations. Indeed, it is the only proposition in Table 1 that is not transferrable to other types of negotiation. In short, it posits that a counterpart’s activities away from the negotiation table, during the period of negotiation, influence a negotiator’s decision to enter into or defer from an agreement. These activities would include communications between counterpart negotiators and the constituents they represent,²⁴ and based on a broad notion of an “organization,” contacts between an organization and other members of its networks and business groups (the Japanese *keiretsu*).

Although it was inspired by early interview data, this proposition is supported by various existing studies. Wall (1977) has reported that opposing constituents’ bargaining stances in negotiation experiments had a direct, main effect on a negotiator’s bargaining (see also Friedland, 1983). In labor relations, Walton and McKersie’s (1965, pp. 283-289) classic treatise discussed intraorganizational bargaining and internal conflict caused by a negotiator’s “boundary role” and different factions’ conflicting expectations. Diplomats and politicians have always grappled with the intersection of foreign and domestic affairs (Ikle, 1976, p. 122ff; Hopmann & King, 1976, p. 108) and with “delegation/bureaucracy coordination” (Druckman, 1986, p. 344; also, Allison, 1971). And in international business, governments of developing countries have shown their awareness of these issues for foreign investors and tried to ease their negotiating travails by consolidating and centralizing the number of agencies that deal with the investors (Encarnation & Wells, 1985).

With respect to Toyota’s two negotiations, this proposition suggests that in the Ford case, at least one of the organizations revealed traits or maneuvers that led the other to see it as an unsuitable or ineffective partner. In the GM-Toyota case, the

parties’ intraorganizational activities bolstered the counterpart’s sense of the desirability of a partnership.

(7) *Substantives of Last Proposal(s)*

This last explanatory angle, which borrows from the goal-gain perspective described earlier in “Existing Perspectives...,” zooms in on the terms of the parties’ last negotiating proposals, those on which they must make their final decisions. Parties agree when those terms meet or exceed their respective “resistance points” (Walton & McKersie, 1965, p. 41) or “no-agreement alternatives” (Lax & Sebenius, 1986). In practice, it may be difficult to identify before the conclusion of a negotiation those proposals that are “final.” But the conceptual distinction between the terms of a last proposal (the terms that lie before the parties for their evaluation and decision) and the terms of an outcome (the decisions once made) deserves consideration.

The plausibility of this explanatory perspective rests on the dynamic, fluid nature of the negotiation process. It continuously brings new information and conditions into play. Especially in negotiations lasting months or years, parties’ initial goals and offer levels change significantly. There comes a point, however, when neither party is willing or able to make any additional modifications in its positions (Douglas, 1960), and a final decision must be made. The set of terms at hand at this point is what interests proponents of this perspective, not the various terms discussed or the number of concessions granted along the way.

With respect to the Toyota-Ford impasse, then, the explanation put forward from this perspective would be that the two companies—or at least one of them—determined that the last terms proposed by the counterpart were too costly or not sufficiently beneficial. (This perspective does not stipulate particular evaluation criteria; it simply assumes that faced with final terms, parties perform a cost-benefit assessment of some sort.) Obversely, GM and Toyota reached an agreement because final terms benefitted each party.

The Seven Explanations Recapitulated

This conceptual ground work, assisted by some soundings of initial interview data, thus resulted in identification and selection of seven types of explanations for negotiation outcomes; namely, experience, environment, goal fit, leadership, negotiator behavior, intraorganizational activity, and substantives of last proposals. Each represents a different discipline or perspective and highlights a different facet of negotiation.

Many statements of these views in existing literature forcefully claim that their facet or factor is the sole or primary determinant of agreement and no-agreement outcomes. They were toned down somewhat for Table 1, but no quantitative degree of influence for any factor was envisioned or proposed for the Toyota cases.

Nor were relationships between determinants considered, or crisp hypotheses formulated.²⁵

Instead, these propositions were to be elucidated in the real world contexts represented by the two Toyota negotiations. Their a priori value to understanding the cases rested on their breadth of scope. The operating hunch going into the two case studies was that most, if not all, of these perspectives would contribute to explanations of the negotiation outcomes.

EMPIRICAL EXPLORATIONS WITH THE SEVEN PERSPECTIVES

Why did Toyota's talks with Ford result in an impasse? Why did its talks with GM result in an agreement? With the explanatory perspectives above for reference, let us now return to the questions that motivated this study and examine responses by interviewees and other knowledgeable sources.

Organizing the Data

In explaining an outcome, each interviewee cited various actions, events and conditions as causes without classifying them. They relate, however, to the 7 types of explanations discussed earlier. These factors are the heart of a table that summarizes explanations from 29 interviews and 43 news articles (see Appendix D).²⁶

Table 2 presents all of the 81 causal actions and conditions cited in those explanations, by explanatory perspective and by attributed effect. Every source attributed a given action or condition with an impeding effect on reaching agreement, no real effect on the final outcome, or an agreement-promoting effect (see Druckman, 1986, p. 336 on "facilitating" and "interfering" factors). The table identifies individual sources generically in order to simplify the display and to preserve confidentiality for interviewees. The three symbols for company ("insider") sources were only used for interviews conducted for this study. Outside sources, signified by "X," are mostly news articles. (Only 6 of them were interviews. For a list, see Appendix D.) Any references in these articles to particular negotiators, including their direct quotes, were still assigned the "X" code. The table captures 303 observations or attributions: 103 for the Ford case, 200 for GM.

Within each category for the perspectives, actions are listed in descending order. For the Ford case, the order goes from impediments most consistently cited by insiders to actions with a mixture of attributions to agreement-promoting factors most consistently cited by insiders. For the GM case, the order goes from most consistently cited promotive factors to mixed attributions to most consistently cited impediments.

These data may be approached in two ways: perspective by perspective (that is, across cases), with the objective of using the cases to demonstrate the relevance and explanatory power of a perspective for interorganizational negotiations gener-

ally; and case by case, in order to explain Toyota's two negotiation outcomes. This section of the chapter begins with the latter, since it makes the data more accessible for a first glance. In particular, the most frequently cited causes for each outcome are presented. Some observations on opposing influences on these outcomes follow. Lastly, we will consider the data with respect to each of the 7 perspectives.

An Orienting Preview

Before taking up particular observations in Table 2, let us consider a brief summary of its contents. A preview—or background—should facilitate understanding of particulars. It should also be useful as an overview because not every observation in the table can be discussed within the space constraints of this chapter.

Look first at each explanatory perspective across the two cases. Every perspective contains some observations, even though perspectives were not mentioned to sources. With respect to experience, sources alluded to previous negotiations between Ford and other Japanese auto makers, and GM and other Japanese auto makers. Environmental factors cited for the two cases cover quite a range: trade friction, host government legislation, third government pressure, foreign exchange risk, competitors' moves, and more.

Under goal fit, observations touched on purpose, interests, strategy, and also relationship issues such as sincerity and commitment. The leadership factor was illustrated by reference to top management, negotiation team leaders, and the availability of go-betweens. Aspects of negotiator behavior mentioned by sources include preparation, types of demands, translators, responsiveness and pace, and relationships between individual negotiators. For intraorganizational activity, the Ford and GM cases both saw intracompany conflict and effects from company affiliates. Finally, substantives of last proposal(s) figured into the cases via a number of topics: equity contributions, joint venture product, labor, local content, and learning opportunities.

Next, shift axes to glance down the table within each of the Toyota negotiations. For the Ford case, 62 out of the 103 source attributions were negative (12 were neutral); for the GM case, 124 out of 200 were positive (15 were neutral). The causes cited most frequently and consistently for the Toyota-Ford impasse represented the environment, leadership, negotiator behavior, intraorganizational activity, and substantives of last proposals. For the GM-Toyota agreement, they were environment, goal fit, leadership, negotiator behavior, and substantives.

Now, let us delve into the most prominent and interesting explanations listed in Table 2 for each case.

Ford Case: Explanations for Impasse

Why did the Toyota and Ford talks result in no agreement? In this limited space, it seems only appropriate to highlight key causes in which one can have a certain

Table 2. Observations and Explanations for the Outcomes of Toyota's Negotiations:
By Perspective, Case, Source and Attributed Effect

Explanatory Perspective	FORD CASE			GM CASE				
	Action/Condition Observed	Attributed Effect Source			Action/Condition Observed	Attributed Effect Source		
		-	0	+		-	0	+
Experience	prior Toyota-Ford talks	...	FT.	...	GM-Isuzu, Suzuki talks	...	...	G..
	Ford-Toyo Kogyo talks			F	Toyota-Ford (1980) case		G	GT
Environment	mass media coverage	FT.	...	...	Honda's, Nissan's entry	...	...	GTX
	export restraint agreement	X			U.S. auto industry shape			TX
	U.S. auto market slump	X			negative public opinion			TX
	Arab boycott threat	F X	T		protectionism worldwide			G X
	FTC's, ITC's concerns	X	T		export restraint renewal			X
	U.S. auto industry shape			TX	foreign exchange risk			X
	USG and GOJ pressure			X	U.S. Congress's actions	X	G X	GTX
	protectionism worldwide			X	USG and GOJ pressure	X		X
Honda's, Nissan's plans				Ford's, Chrysler's protests	TX			
				mass media coverage	X			
Goal Fit	Ford's two games	.T.	...	...	complementary interests	...	...	GTX
	corporate strategies	X			GM's "will to cooperate"		X	T
	Toyota's sincerity	F X		TX	clarity of GM's purpose			TX
	sincerity of Ford	TX		FTX	companies' "arrogance"	G X		
	Toyoda's view of Ford	F		TX	Toyota's sincerity	X		
joint venture benefits			X	initial disparities	G			
Leadership	absence of go-between	F..X	...	...	"will" of two chairmen	...	...	GTX
	lack of direction	T			Chai's active mediation			GTX
	Ford's top management	T		F	team leaders' motivation			GT
Negotiator Behavior	Ford's indecisiveness	.TX	...	...	intensive preparation	...	...	GT.
	leaks to the press	F			GM's patience			GT
	scheduling by Ford	T			caliber of personnel			G X
	pace of Toyota	F			lawyers' limited role			G X
	business-like talks		T		early information by GM			G
	personal rapport	T		FT	GM's intrateam rapport			G
					"smooth" talks			X
					one-text procedure	G		GT
					business-like talks		T	G
					"no personal chemistry"	GTX		
				"tough tactics"	G X			
Intraorganizational Activity	Ford's Toyo Kogyo ties	F..X	...	...	GM's Isuzu, Suzuki ties	..X	G..	..X
	Toyota's U.S. dealers	X			internal Toyota discord	GTX	T	
	TMC-TMS discord	FT	F		Toyota's slowness	C	T	
	opposition within Ford	T	F		opposition within GM	G X		
Substantives of Last Proposals	risks for Toyota	.T.	...	...	"economics were right"	...	...	G..X
	local content	X			plant, royalty solutions			TX
	equity participation	X			Toyota's low risk		T	GTX
	products proposed	FTX	F		learning opportunities		G X	GTX
	licensing only	X	F X	X	financial, legal issues	GTX		
all terms but product			F	sourcing of parts	X			

Notes: Each boldface letter represents at least 3 different sources who directly cited the action or condition. Letters that are not bold represent 2 or fewer sources. F, G and T represent only individuals at Ford, GM and Toyota interviewed by the author ($n_F = 5$, $n_G = 8$, $n_T = 10$). X represents outsiders, i.e., observers not employed by one of the two companies in the case specified; it includes both interviewees close to the negotiations (e.g., U.S. government officials) of which $n = 6$ and news reporters/articles ($n = 43$). Company officials cited generically or by name in news articles are both treated here as X. ... simply serve as place markers for columns.

Observations within an explanatory category are listed according to the degree of source consensus on the attributed effect of an action/condition on the formation of an agreement-outcome, starting with detrimental effects for the Ford case and promotive effects for the GM case. The classification of each observation into an explanatory category (e.g., experience) was done by the author.

N.B. This chart does not directly show which company in a negotiation was affected (by a given action or condition) or how it was affected.

degree of confidence. Thus, out of all the answers provided, those described below were the most frequently, consistently cited actions and conditions with negative attributions. Specifically, they were cited as impediments either by at least *both* insider sources unanimously or by five or more sources representing at least two source types (e.g., *F* and *X*), with no more than one dissenting attribution.

For convenience, we can simply start at the top of Table 2 and move through these actions or conditions in their order in the table. They are not listed in order of importance or degree of impact. After presenting these key causes, this section will also mention a few other noteworthy factors.

Key Causes

The five main causes of impasse cited were: in the environment category, “mass media coverage” and the “Arab boycott threat”; in intraorganizational activity, “Ford’s Toyo Kogyo ties” and “TMC-TMS discord”; and in substantives of last proposals, “products proposed.”

Mass Media Coverage. On July 9, 1980, two months after the Toyota chairman’s letter went to Ford’s chairman, Japan’s NHK television broadcast a report that the two companies had agreed to a 50-50 joint venture. This report prompted a “[news] scoop war.” Reports of failure as well as success circulated for the rest of the month (e.g., NDF, 1980; TFW, 1980), and subsequent ups and downs were widely covered (FTR, 1980). Perhaps most notably, on two later occasions, a basic agreement was announced: (1) on February 7, 1981 by Kyodo News (FTB, 1981), and (2) on March 9, in various newspapers (e.g., TTJ, 1981) that credited Toyota Motor Company’s Executive Vice-President as their source. Both times, Ford spokesmen denied the existence of an agreement (Fitzgerald, 1981a; FTS, 1981; TTJ, 1981).²⁷

Such coverage was a “headache,” in the words of one Toyota interviewee. He also observed that Ford was taken aback by the “tenacious” Japanese press.²⁸ A Ford negotiator suggested that the sources for many “leaks” were probably officials at Toyota Motor Sales (see below and in Table 2, Intraorganizational Activity—“TMC-TMS discord”).

Arab Boycott Threat. The environmental cause most frequently blamed for the Toyota-Ford impasse was a set of threats by Arab states to boycott purchases of Toyota cars if the company linked up with Ford, which was on the Arab blacklist for trading with Israel. The Iraqi Ministry of Trade issued the first threat on November 10, 1980, during the sixth month of the intercompany talks; eight months later, the Saudi and Kuwaiti governments issued warnings of their own. Within a month, the Toyota-Ford talks were abandoned.

In 1980, Toyota was sending 14.4 percent of its car exports (250,000 units) to Arab countries. Saudi Arabia represented its second largest export market. Japan’s

extraordinary dependence on foreign oil complicated this picture politically for Toyota, a company renowned for its conservatism.

One Ford interviewee assigned this threat 90 percent of the blame for the impasse. Outsiders also cited it extensively (e.g., Ofusa, 1981). However, two Toyota interviewees said the threats had “no effect” on their company. One Ford interviewee, a negotiator, mentioned that he asked his Toyota counterparts about the boycott threat during the negotiations and was told it “wasn’t a problem.”²⁹

Ford’s Toyo Kogyo Ties. In November, 1979, about half a year before Eiji Toyoda wrote to Ford President Donald Peterson, Ford acquired 25 percent of Toyo Kogyo (later renamed Mazda). Ford had first been approached by the Sumitomo *keiretsu* (business group) about Toyo Kogyo in the late 1960s and talks about some sort of linkup had continued since then. In 1973, Sumitomo Bank rescued the auto maker, Japan’s third largest in 1980, from financial collapse. But the Toyota-Ford talks began without Toyo Kogyo’s—or Sumitomo’s—knowledge.³⁰ They were “caught by surprise” (FTE, 1980). Once news broke, Sumitomo was expected to “use its influence to make sure that any such venture [would] not hurt Toyo Kogyo” (Hanson, 1980), for matters of reputation, or face, as well as financial gain.

A Ford interviewee cited this factor as one of three explanations for the Toyota-Ford impasse. Several outside observers emphasized it as well (e.g., FTE, 1980; FTI, 1980). What is less clear is how much Toyota, in particular, was affected by these ties.

Ford felt their impact. A Ford interviewee stated that the company was “nervous” about the relationship (see also FMR, 1980).³¹ In June, 1980, Peterson met with Sumitomo officials and over time, proposed various roles and projects for Toyo Kogyo. Thereafter, prior to each round of negotiations with Toyota in Japan, the Ford negotiating team would first meet with Toyo Kogyo and Sumitomo.³² The effect of Ford’s relationship with Toyo Kogyo was compounded by the fact it put two major competitors head to head. Toyota, while large enough to corral several hundred companies into its own business group, had a longstanding relationship with the Mitsui *keiretsu*. By discussing business with Toyota and by extension Mitsui, Ford with its Sumitomo ties was crossing business groups, an action that one interviewee labeled “very unusual” in Japan.

Nevertheless, intraorganizational activity, as framed in this study, has to do with effects *on the counterpart*, so it is really the effect on Toyota that counts here. In mid-July, 1980, a Toyota spokesman reportedly said discussions were “proceeding carefully” because of the Ford-Toyo Kogyo relationship (FTI, 1980). By then, Eiji Toyoda had apparently agreed to allow Toyo Kogyo a 10 percent share of a Toyota-Ford joint venture. But insider sources in Table 2 did not speak directly to the effect of Ford’s problems on Toyota.

TMC-TMS Discord. Toyota’s auto operations were carried out by two organizations: Toyota Motor Company—the manufacturing arm—and Toyota Motor

Sales.³³ TMC initiated the negotiations with Ford. TMS opposed this undertaking, according to a Ford negotiator interviewed for this study. In his words, TMS's attitude was "Toyota is joining a loser" (recall that Ford lost \$1.5 billion in 1980). A Toyota interviewee stated that the company's own feasibility studies, which were done in addition to outside consultants' work, did not recommend the move, and as he gently put it, there were many "conservative opinions" within Toyota against it.

Several Toyota interviewees admitted the strained nature of the TMC-TMS relationship during the negotiation. Speaking generally rather than specifically about the Toyota-Ford case, TMC President Toyoda (1987, p. 159) himself observed:

When it came to production and sales, however, TMC and TMS did work each other over pretty fiercely. There's no denying that this left outside observers with the impression that we were always fighting.

Perceptions of the effect of this discord on Ford were mixed. The Ford negotiator quoted above believed that the TMC-TMS conflict was one of two, equally important reasons for the no-agreement outcome (the other being "Products Proposed" [see below]). He also said he suspected that TMS was the source of leaks to the press during negotiations and that he consequently worried about confidentiality, among other things. A second Ford negotiator downplayed the impact of TMC-TMS discord, noting that internal differences did not surface at the negotiating table. He acknowledged TMS dissent but treated it as a typical amount of opposition that any such undertaking incurs.

Products Proposed. The most widely cited, unanimously attributed cause of the Toyota-Ford outcome—and the reason publicly announced by Ford on July 20, 1981—was the "inappropriateness" of the products discussed. All six of the Ford and Toyota negotiators interviewed pointed to this reason, as did numerous outside sources (e.g., Ofusa, 1981; Stevens, 1981b).

According to this view, the parties could not find a Toyota product that offered advantages in time or cost to Ford. The products discussed duplicated products already in development by Ford or fell short as suitable substitutes. During the summer of 1980, Toyota first proposed a new car—the "415B" (which became the Camry)—but it too closely resembled the Topaz/Tempo subcompacts that Ford was developing for release in early 1983. A mini-car was then discussed and rejected. In October, Ford suggested investigating Toyota's mini-van, the Town Ace. (No mini-vans had yet been introduced in the U.S.) The two companies agreed on this product (which Ford code-named "Nevada"), Toyota sent a fiberglass model to Michigan in February, 1981 for Ford to do market research, and in April, a draft memorandum of understanding based on the model was drawn up.

Although Ford personnel liked the van and relayed those first impressions to Toyota, the market research turned out to be unfavorable. Focus groups criticized the awkwardness of front door entry and the difficulty of moving from front to

back inside the van. Ford also discovered that the van it was developing (code-named "Sierra," later the Aerostar) would outsell the Nevada by 4 to 1. The focus group results were reported to Toyota on May 20-21, 1981.³⁴ Toyota was "shocked." According to one Toyota interviewee, that news was the "first and final blow."

Through a high-level intermediary from Toyota parts subsidiary Nippondenso, Toyota asked Ford whether the market research was Ford's way of ending the project. Ford assured Toyota that was not the case. In fact, two Ford interviewees and one from Toyota said if the market research had been positive, "the deal would have gone through." On June 6, 1981, a Ford representative suggested a joint venture based on Ford contributing its Sierra mini-van design and Toyota, cash, instead of product design. Toyota responded that they would be willing to supply components for that program, which Ford interpreted as a polite refusal. One month later, the talks were indefinitely tabled.

The only source with a differing view, a Japanese interviewee associated with Ford, claimed product differences were only "surface reasons" (which could be interpreted as public truths, or *tatema*). He blamed external factors, leadership, and personality conflict between key executives other than those in the negotiation room.

Other Noteworthy Factors

In addition to the key causes above, 5 other conditions deserve some explanation and clarification. They are: in the experience category of Table 2, "prior Toyota-Ford talks"; in environment, "export restraint agreement"; in goal fit, "Ford's 'two games';" "Toyota's sincerity," and "sincerity of Ford"; and in leadership, "absence of go-between." The export restraint agreement, for example, is interesting because its attributed effect is counterintuitive. The absence of a go-between stands in direct contrast to conditions in the GM case. Other points of interest will be mentioned below.

Prior Toyota-Ford Talks. What makes this factor noteworthy is its near omission. Only one inside source, from Toyota, referred to it in passing to illustrate Toyota's "intimacy" with Ford—Toyoda's reason for initially contacting Ford. Only one other source, a news source (Koshiba, 1980), brought up any of the three previous joint venture negotiations between Toyota and Ford.

Eiji Toyoda (1987, pp. 61, 128-130) has written about them in his autobiography. In 1939, after years of negotiation, Ford, Toyota and Nissan agreed to form a 40-30-30 percent venture but it died a "natural death." In 1950, Toyota and Ford discussed a technical guidance agreement whose execution was prevented by a U.S. military injunction issued because of the Korean War. In 1960, some years after Toyoda's sojourn at Ford plants in the United States, Toyota proposed a joint venture between Toyota Motor Company, Ford, and Toyota Motor Sales

(40-40-20%) to produce a national car in Japan. After a year, this negotiation ended with "an abrupt dismissal" by Ford that in Toyoda's (1987, pp. 128-130) words, "smacked of blatant disrespect."

According to interviewees, these experiences were not brought up in the 1980-1981 talks. A Toyota interviewee asserted that because of personnel changes, only Eiji Toyoda remembered the negotiations. A Ford negotiator said these experiences were "lost in corporate memory." They evidently exerted little influence on the outcome of the 1980-1981 talks.

Export Restraint Agreement. Although no insiders pinpointed this cause, several outside sources cited the finalization of a voluntary export restraint agreement (VRA) between the Japanese and U.S. governments. (It required, among other things, a 7.7 percent reduction in Japanese exports for the 1981-1982 fiscal year.) The two governments had begun negotiations in April, 1980 (Winham & Kabashima, 1982), and many observers believed that Toyota had simply initiated negotiations in order to head off imposition of a VRA (e.g., Fish, 1980; Gooding, 1981; Stevens, 1981a). The finalization of the deal on May 1, 1981 meant that Toyota could no longer prevent a VRA, and when U.S. newspapers reported three weeks later that Toyota's interest in a joint venture had diminished, these observers considered their views confirmed. (Recall that another major event coincided with the news reports: Ford's report to Toyota on the unfavorable evaluation of the proposed joint venture product.)

Ford's "Two Games." These words refer to a Toyota interviewee's perception that Ford was simultaneously searching for a suitable Toyota model and developing their own model. During this period, Ford was rationalizing drastically (cutting annual US production volume by 36% to 1.3 million cars), had conceived a revolutionary car design (the aerodynamic look to be marketed in 3 years), and had spent \$2.15 billion in 1979 to upgrade its facilities. At the same time, according to Ford sources, Ford entered talks with Toyota with three objectives: (1) obtaining better product; (2) saving engineering costs; and (3) learning about Toyota manufacturing techniques as applied in the U.S.³⁵ As the Toyota interviewee put it, Ford's twin "games," while understandable, "made things difficult."

Toyota's Sincerity; Sincerity of Ford. These conditions mirror each other: Each company maintained its own sincere interest in the negotiations while doubting the sincerity of the other. Their doubts constituted significant impediments to reaching agreement.

With respect to Toyota's sincerity, a Ford source asserted that Toyota's initial proposal was primarily a publicity move intended to counter negative criticism of Toyota's export policy. Eiji Toyoda evidently conveyed as much to Ford representatives; his company pressed Ford to issue a press release about the proposal; and Toyoda himself informed Japanese government officials of his proposal at a time

when they, in turn, could and did tell President Carter about it just as he was completing his visit to Japan on July 10, 1980 (TPW, 1980). An industry analyst in the United States summed up this skeptical point of view months later by saying "...they [Toyota] blew hot and cold depending on the status of the trade negotiations" (Holusha, 1981). (Also, recall above "Export Restraint Agreement.")

On the other hand, two Toyota sources stated their company's "good intentions" and sincerity. Ford President Peterson publicly supported this position (Gooding, 1981).

With respect to Ford's sincerity, one Ford source said the company "had every desire to do it" (to reach a joint venture agreement). Another stated that if Ford's intentions had been sufficient to carry the negotiations through and if market study results on the van had been positive (see above "Products Proposed"), a deal would have been reached. A Toyota source noted that Ford had responded with interest to Eiji Toyoda's initial proposal. Toyota felt Ford was sincere, and Toyota's attitude was "as long as sincere, the talks should continue." Japanese auto industry analysts believed both companies were "serious" in their negotiating efforts (Tharp, 1980; see also Aparcar, 1980b).

Others viewed Ford's intent differently, however. During the summer of 1980, Ford Chairman Caldwell corrected reporters' references to the companies' meetings as "negotiations"; instead he called them "conversations and direct communications." In September, he announced an interest in building 500,000-600,000 cars a year with Toyota—numbers two to three times Toyota's figure—which led some observers in Detroit to believe Ford was "merely calling 'Toyota's bluff'" (Darst, 1980; FRS, 1980). (Note in Table 2, a related condition, "Ford's indecisiveness.") From Toyota's perspective, one interviewee said, "Ford was never excited by the idea." Toyota's queries to Ford after Ford's unfavorable market report, as already described in "Products Proposed," further indicate that some concern, or uncertainty, about Ford's sincerity lingered well into Spring.³⁶

Absence of Go-Between. Two sources pointed out the absence of an active intermediary. The senior managing director of Nippondenso, M. Tanabe, played the role of an "introducer" for Toyota's Eiji Toyoda and Ford's Donald Peterson in June 1980, at the very beginning of the talks (see Appendix A). After that, Tanabe was not actively involved again until trouble arose in May, 1981 over the market study. Even then, however, he primarily communicated information between the companies. Other individuals could have served or wanted to serve as match-makers (e.g., the presidents of Sumitomo Bank and of Nomura Securities International), but they ultimately did not.

GM Case: Explanations for Agreement

Why did GM and Toyota reach an agreement? Following the same criteria applied in the Ford case (unanimity from both insider source types, or five or more

sources from at least two source types, with not more than one dissenting attribution), let us look into “key causes” of agreement in Table 2. Then other noteworthy factors will also be discussed.

Key Causes

The 12 main actions and conditions most frequently and consistently cited, with positive attributions, were: in the environment category, “Honda, Nissan’s entry” into U.S. production and “U.S. Congress’s actions”; in goal fit, “complementary interests” and “clarity of GM’s purpose”; in leadership, “will of two chairmen,” “Chai’s active mediation,” and “team leaders’ motivation”; in negotiator behavior, “intensive preparation,” “GM’s patience,” and “caliber of personnel”; and in substantives of last proposals, “economics were right” and “Toyota’s low risk.” Four of these factors, namely, team leaders’ motivation, intensive preparation, GM’s patience, and caliber of personnel, are sufficiently straightforward in meaning that they do not, given space constraints, merit elaboration below.

Honda’s, Nissan’s Entry. Without any dissent from others, several sources observed that these competitors’ early moves to produce cars in the United States pressured Toyota substantially to reach an agreement with GM. Honda and Nissan had announced their plans back in 1980. In November, 1982, when Toyota was 11 months into talks with GM, Honda started car production in Ohio. Nissan was set for startup seven months later.

One Toyota interviewee said Toyota lost a “precious one and half years” in the U.S. market when the negotiations with Ford collapsed. Outside sources made a point of Toyota’s general lack of international manufacturing experience and the urgency of its need to invest overseas (e.g., TCA, 1982; TTA, 1983).

The specifics of observers’ views differed, however. One outside source (TCA, 1982) pointed to Nissan as Toyota’s chief Japanese rival internationally. A second Toyota interviewee said Toyota was “very concerned” about Honda, which Toyota considered its main competition in the United States. And a GM negotiator, believing that these competitors’ moves did motivate Toyota, contended that Toyota felt itself “far superior” to both Honda and Nissan. (See also below, “U.S. Auto Industry Shape.”)

No sources in Table 2 implied that GM was directly influenced by Honda and Nissan’s moves, but they contributed to GM’s declining market share in the U.S., which certainly motivated GM to take action.

U.S. Congress’s Actions. Two GM sources and six outsiders, including two U.S. government officials who were interviewed, believed that legislative action pushed Toyota to agree to a deal with GM. Their explicit references to the U.S. Congress differentiate this observation from others listed in Table 2 (e.g., “nega-

tive public opinion,” “export restraint renewal”). The Toyota source included here acknowledged that “trade conflict” was a major concern for the company.

In March, 1980, two Congressmen introduced bills to set quotas on imported cars, and although those bills died, a number of other actions were taken. In December 1981, the month of the first, official, high-level meeting between Toyota and GM, a bill requiring 50 percent domestic content (HR 5133) was introduced in the House of Representatives. It passed in the House a year later, but then failed in the Senate. A similar bill (HR 1234) was passed in the fall of 1982. (For the exact timing of these events, consult Appendix C.)

Not everyone believed that these actions promoted agreement between Toyota and GM. In a view consistent with those who denied the more general impact of “political pressure” (see Table 2, “USG and GOJ pressure”), Toyota President Shoichiro Toyoda (successor of Eiji Toyoda) publicly asserted, according to an outside source (Hartley, 1983), that domestic content legislation could damage the company’s plan to cooperate with GM.

Complementary Interests. This reason for the GM-Toyota agreement stands out more than any other in Table 2. Sources talked of a “nice marriage of goals,” “good match,” and “different interests but common ground.”

What were these goals and interests? Toyota President Shoichiro Toyoda reportedly stated (TCA, 1982, p. 51):

GM...is not confident enough to build those cars [smaller cars] by itself in their idle plants. So for them it is better to shake hands with Toyota....we are not confident about setting up a new plant and making it profitable. So both companies have their reasons.

In the same vein, GM Chairman Smith said, “We had an empty plant, and they had an empty car, you might say, and we put the two of them together” (Dyer, Salter, & Webber, 1987, p. 155). Sources differed slightly in the goals they paired, but generally the goals entailed for GM, getting a small car replacement for its aging, unprofitable Chevette, making use of an idle plant, and minimizing its cost and risk, and for Toyota, responding to political pressure, minimizing financial risk, and countering competitors’ moves.

Lest the marriage metaphor sound too rosy—the deal was, after all, announced on Valentine’s Day—some observers called the deal a “marriage of convenience” (TGM, 1983). GM’s Smith himself called it a “one-shot deal,” an interim step for GM until the company developed its own small car (General Motors Corp., 1983).³⁷ Moreover, one of the negotiators interviewed said, “in the beginning [of a negotiation], two sides never fit perfectly.”

Clarity of GM’s Purpose. Two Toyota interviewees independently remarked that GM had a clear policy not to develop a successor to the Chevrolet Chevette and to source its successor from Toyota (cf. in Table 2, “Ford’s two games”). Several outside interviewees similarly opined that GM’s real purpose in the talks was

simply to source a replacement. The lone differing view came from a U.S. Government interviewee, who said the joint venture car was the least important element of the companies' motivations and argued that "neither side needed it."

The second Toyota interviewee offered a possible gloss on this position in his distinction between short and long term goals. GM very consistently stated its intention to develop, over time, more efficient small car manufacturing techniques (e.g., General Motors Corp., 1983). Replacing the Chevette was a short term goal.³⁸ (See also above "Complementary Interests.")

"Will" of Two Chairmen. Many insiders emphasized Eiji Toyoda and Roger Smith's commitment and involvement. A GM negotiator said "the deal [was] driven by the two chairman"; without them, negotiations would have "failed." Another source credited the "vision of the two chairmen."

Through a third party (see below "Chai's Active Mediation"), they initiated and sponsored the joint venture talks (see Appendix B). What makes this particularly noteworthy is the limited support they had within their organizations. Toyota interviewees observed that Toyoda made his first moves before an internal consensus developed. A GM interviewee described Smith's decision as a "personal act of leadership" because his executives opposed him. Both chairmen personally appointed the negotiating teams. The teams reported directly to them.

Once working level negotiations began, Toyoda and Smith were involved in negotiations "sparingly," as one source put it, but at critical points. In the fall of 1982, for example, the talks reached a standstill over valuation of GM's plant contribution to the joint venture. Smith and Toyoda intervened and over a month, resolved this and related issues (see below "Financial, Legal Issues").

Chai's Active Mediation. Jay Chai, the executive vice-president of C. Itoh & Company (America), was GM Chairman Roger Smith's advisor on Japanese affairs. A close follower of the auto industry who is fluent in Japanese, Chai assisted GM in its 1971 tie-up with Isuzu and provided support for the study conducted in early 1981, that convinced Smith of the wide cost advantage Japanese producers enjoyed over U.S. auto makers.³⁹ Chai played a variety of roles, including planting the original seeds for the joint venture idea and participating in negotiations as a member of GM's negotiating team, but it was his work with and between Smith and Eiji Toyoda that drew the most praise from insiders. (Notably few outsiders knew of his role. His name did not appear in any news articles found for this study.)

Between August and November, 1981, Chai used his contacts at Toyota to begin quietly sounding out its executives about their talks with Ford and hint at the possibility of a tie-up with GM.⁴⁰ On December 15, Toyota asked him to arrange the December 21 meeting in Detroit which occurred between Roger Smith and Seisi Kato, the chairman of TMS. Communication problems made the meeting less than auspicious, and Smith later turned to Chai, among others, to make sense of it. For

the next month, Roger Smith, GM's Worldwide Product Planning Director (and future CEO) Jack Smith, and Chai researched possible projects between GM and Toyota. Roger Smith drafted a letter to Eiji Toyoda proposing a joint venture, and in late January, 1982, Chai personally presented and explained the letter to Toyoda in Japan.

Several GM and Toyota interviewees unwittingly used the same term to characterize Chai's subsequent activities: a good "bridge" between the two companies and between the two cultures. He explained differences between American and Japanese ways. GM sources said he interpreted occasionally, served as a conduit for the "real negotiation" that occurred away from formal, conference table sessions, "kept the ball rolling," and at impasses, conveyed Roger Smith's proposals to Eiji Toyoda in Japanese. Toyota participants said Chai was a good coordinator who developed a good rapport with them. Chai himself stated in my interview with him that he tried to act as a "motivator," a "positive, optimistic force," and to help negotiators keep the "the big picture" in mind. Another interviewee, pushing himself to gauge the relative degree of Chai's influence, decided that without Chai, the companies probably would have reached an agreement because their needs fit; but he quickly added that Chai's presence constituted the second major reason why the parties achieved agreement.

"Economics Were Right"; Toyota's Low Risk. These factors are closely related, particularly for Toyota. A Toyota interviewee said the company was looking to invest in the United States, "safe way, small money." No Toyota interviewees commented further on economics. In fact, a GM negotiator had the impression that Toyota simply did not quantify the project in GM's "return-driven" manner. Toyota appeared much more concerned about long term strategic value.

Several outside observers did go into the economics of the deal for Toyota. They pointed out that through this joint venture, Toyota, an historically conservative company, would bear only half the investment cost of a wholly-owned venture (about \$400 million for construction of a greenfield plant plus another \$400-500 million in capital equipment). The joint venture memorandum of understanding also guaranteed Toyota income from royalties on the design of the car, supply of major parts (e.g., powertrain), and 50 percent of the joint venture's profits, which were ensured by direct cost-plus sale of the joint venture car to GM's Chevrolet division (Koten, 1983e). In GM, the joint venture had a built-in customer for 100 percent of its production output.⁴¹ As more than one outsider added, Toyota also minimized risk to its reputation. The joint venture car was not going to carry the Toyota nameplate. If the car were not of high quality, Toyota would have some distance from it.

As for GM's decision making, a GM negotiator offered the explanation that the "economics were right." Other GM sources concurred. According to a news article (De Lorenzo, 1983) Chairman Roger Smith himself said:

...we have...a memorandum of understanding to proceed to do the venture....What it really says is that we've been working a year together with our engineers and our cost people and that we've decided that we can put a good car together at a high quality at a profit.

Several outsiders noted that GM got a product at a "fraction of the cost of developing its own" (Johnston, 1983)—a cost which could be measured in time as well as dollars. (During this period, this cost ranged from \$1-\$3 billion and 4 to 6 years until production of the first car.) In addition, according to two GM interviewees, the company "made an idle plant valuable" again.⁴²

With respect to differing attributions, the one Toyota source in Table 2 who attributed risk with a neutral effect said that reducing the cost of the investment was not a "big concern" for cash-rich Toyota. (Indeed, one of the company's nicknames in Japan is "The Bank.") On the other hand, some outside sources not recorded in Table 2 expressed concern—and in some cases, doubt—as to whether the economics were "right" for GM.⁴³

Other Noteworthy Factors

Several other actions and conditions promotive of agreement are also worth considering in Table 2. They include: for experience, the "Toyota-Ford (1980 case)"; for environment, "U.S. auto industry shape"; and for substantives of last proposals, "learning opportunities." The first factor obviously ties in with the Ford case discussion, and the second is, as we shall see, counterintuitive and perhaps peculiarly culturally based. The third factor is interesting because it represented, at the time, an historically unusual goal for a U.S. Big Three auto maker.

Toyota-Ford (1980) Case. Two sources—one from GM, one from Toyota—suggested that the Toyota-Ford negotiations eased GM and Toyota's talks. The Toyota interviewee implied that GM had benefitted in his assertion that GM had watched Toyota's previous negotiations with "considerable interest" and made the first contact with Toyota. In contrast, two GM sources, including one negotiator, stated that GM did not study the negotiations with Ford ("no effect" in Table 2). The discrepancy may hinge on the amount of "study" that these sources felt noteworthy (or were willing to admit), for a different GM negotiator who was interviewed made a point about the GM-Toyota talks that seemed straight out of the Toyota-Ford experience. He said product was "important to agree on at the outset in such negotiations."

The GM interviewee who attributed the Toyota-Ford negotiation with a positive effect saw it as a joint benefit. He observed that Toyota had been protective of their Corolla design; historically, the car had been their "bread and butter." Discussing it during negotiations with Ford loosened their hold, so when GM asked about jointly producing it, Toyota was willing to discuss the possibility.

The only source to see a benefit for Toyota—a GM source—noted that having had a "dry run" with Ford gave Toyota an unfair advantage in its talks with GM.

(This observation is not recorded in Table 2, since the source did not indicate how that advantage affected *reaching* an agreement.⁴⁴) On balance, though, it should be made clear that GM had some dry runs of its own, albeit shorter and less complicated ones. Between 1981-1982, through Isuzu contacts, GM unsuccessfully approached Honda about an affiliation, unsuccessfully attempted to acquire Toyota's stake in Daihatsu, and succeeded in acquiring part of Suzuki (Keller, 1989, pp. 86-87).

U.S. Auto Industry Shape. Publicly and in internal meetings, Toyota officials stated that they sought to help out U.S. industry. An American observer may see this motivation as rather unusual; but it may reflect cultural differences in one of two—or a combination—of ways. The first has to do with Japanese norms concerning debt and obligation (Weiss & Stripp, forthcoming); the second recalls the distinction made between what one says publicly and what one thinks (*tatemaie, honne*).

An American interviewee retained by Toyota during the negotiations said that when he inquired about the company's motives, one reply was their "debt to the U.S."—what he perhaps wryly labeled a "reverse Marshall Plan." Similarly, a Toyota negotiator interviewed stated that Toyota felt a need to do something because "U.S. industry was in big trouble." (The oil shock of 1979 saw a drop-off in demand for large cars and a rise in imports that continued annually thereafter.) In early 1983, Toyota's vice-chairman reportedly declared that his company was "giving [GM] medicine," as in the Japanese tradition of "offering salt to our enemy" (Holusha, 1983).

The alternative point of view, which could be seen as "private truth," was the global strategic significance of the U.S. market, the likelihood of a shake-out and the market's sustaining only a limited number of Japanese companies, and Toyota's desire not to "lose out" (interviewee data; CST, 1980, p. 28). According to one outside source, GM's \$40 billion "rearmament in its home market" between 1980-1984 added to the urgency of the talks for Toyota (TTA, 1983).

Learning Opportunities. On the eve of the signing ceremony for the joint venture memorandum of understanding, Maryann Keller, a renowned auto industry analyst, claimed: "...intangibles...make this a significant deal. The number of cars isn't that important, but the amount of experience that each company stands to gain is" (Koten, 1983c). Indeed, 11 sources in Table 2 brought up the perceived learning effects of the agreement.

For GM, GM sources cited the opportunity to learn about Toyota management methods, particularly their labor practices. Toyota used half as many workers as GM did and produced a car in half the time and on an assembly line a mile shorter than GM's. GM knew such facts. As a GM official stated to an outside source (Koten, 1983d), "It's not like there's a great mystery about what the Japanese do. The real problem is how you apply some of those things in this country and how you manage the new system. It's almost a question of learning to think Japanese..."

Toyota executives such as Eiji Toyoda recognized GM's "theoretical" familiarity with their company's production system (Holusha, 1983) and emphasized the need to see it in action. An outside source interviewed for this study dramatized the point by saying that in a U.S. industry that had looked for "ways to save nickels," a \$2,000 per car cost advantage was a "tremendous difference." The joint venture plant was envisioned to be a "laboratory" that could provide a labor "demonstration effect" and lessons for management to transfer to other GM plants.

For Toyota, according to one Toyota interviewee, the agreement represented an opportunity to "speed up the learning curve" for working with U.S. labor and U.S. suppliers. Eiji Toyoda stated publicly that an objective of the joint venture plant was to "introduce the Toyota production system in an Americanized way ... [one that is] working efficiently..." (De Lorenzo, 1983). Obviously, Toyota as well as GM stood to gain experience from learning how to produce this way in the United States. GM sources similarly pointed to these benefits for Toyota.

The three sources who deferred from attributing learning potential with a promotive effect on agreement (one GM, two X sources) doubted benefits for GM and did not mention learning for Toyota. The GM insider said that the company's statements during negotiations about learning the Toyota production system had just been "a...line." (Interestingly, a Toyota interviewee did note that GM negotiators made a "big deal" out of how much they needed the process.) One of the outsiders rejected outright the notion that GM was entering the joint venture in order to learn; in his view, they just wanted to replace the Chevette, pure and simple.

Contrary Influences in the Two Cases

The actions and conditions above were perceived as causes of the ultimate outcomes of the Toyota-Ford and GM-Toyota negotiations; however, other influences during these negotiations pushed and pulled the parties in directions away from their final destinations. In the Ford case, knowledgeable sources identified a number of agreement-promoting factors, just as in the GM case, they observed a number of impediments.

These factors, which I did not originally target but grew to appreciate during the research, are important to report. They were present in the negotiations. While the pictures of negotiation that leave them out would be cleaner and easier to deal with, it is also clear from Table 2 that those pictures would be biased and grossly incomplete. Including contrary influences should help us to develop a better, more powerful set of externally valid explanations.

Toyota-Ford Negotiations

Their inauspicious start notwithstanding, Toyota and Ford did reach a conceptual agreement by early February, 1981. It comprised the following terms: 50-50 ownership of the joint venture; an allowance for equity participation by Toyo

Kogyo, if necessary; production of the Toyota-designed van; minor product differentiation so as to minimize overall investment cost; production volume of 315,000 vehicles, with two-thirds to be distributed to Ford and the balance to Toyota; and a local (U.S.) content target of 75 percent within 24 months. In an early March letter to Eiji Toyoda, Ford's executive vice-president requested completion of a memorandum of understanding (MoU) by the week of April 6. An MoU was drafted on April 17. A joint timetable dated April 10, 1981 set the signing of a final agreement for July 6-10, 1981.

Although that plan went unrealized, the conceptual agreement clearly draws attention to a different side of the Toyota-Ford negotiations. Using the same criteria invoked to select impediments for discussion (unanimity of both insider source types, or five or more mixed sources with no more than one different attribution), one finds one key agreement-promoting condition in Table 2: for negotiator behavior, "personal rapport." Two other noteworthy factors are "USG-GOJ pressure" (environment category) and "Toyoda's view of Ford" (goal fit).

Personal Rapport. In an interesting twist to the story (or more skeptically, clear evidence of the tenets of attribution theory), sources from both sides of the negotiating table emphasized their positive relationships with each other. A Toyota interviewee wrote me that Ford negotiators were "very open-minded and interesting personalities [sic]...we enjoyed talking with them." They exchanged "lots" of jokes at the table and in fax transmissions.

Ford sources voiced similar impressions. One interviewee favorably mentioned specific individuals from Toyota by name. Another source described talks as "pleasant" and "good meeting."

The dissenting attribution in Table 2 comes from an American with Toyota who remarked that Ford representatives' communications with him during the negotiations in which he participated put Toyota in a bad light and him in an awkward position. One Toyota negotiator straightforwardly called the proceedings "business-like." Since he made no attribution to the negotiation outcome, this comment is not recorded in Table 2, but it does contrast with the more positive comments above.

USG and GOJ Pressure. Three outside sources cited political pressures on Toyota, in particular, as a positive influence on the talks. These pressures all centered on getting Toyota to set up a plant in the United States. One source simply cited the Japanese government; another specifically reported that the Ministry of International Trade and Industry (MITI) "supported the Ford-Toyota venture" (Ofusa, 1981).

Much of this had to do with what was generally referred to as "U.S.-Japan auto trade friction." Beginning in late 1979, poor sales of domestic cars and massive layoffs in the United States motivated the United Auto Workers (UAW), congressmen from the Midwest, Ford, and various other parties to seek remedies from the

U.S. and Japanese governments and Japanese automakers. For instance, Ford and the UAW filed a complaint with the International Trade Commission that Japanese exports were injuring the U.S. auto industry. During the first half of 1980, MITI called on Japanese automakers to invest directly in the United States. On April 7—roughly a month before Eiji Toyoda sent his joint venture proposal to Ford—the U.S. and Japanese administrations began negotiations over a voluntary restraint on auto exports.

None of the sources in Table 2 that pointed directly to this factor were company (insider) sources. Still, as we learned above in “Toyota’s Sincerity,” Ford did wonder, given these pressures, about Toyota’s motives for initiating talks. Ford itself was in a precarious position to talk about this factor publicly, having lobbied the U.S. Government for countermeasures on the one hand and then talking to Toyota on the other.

Toyoda’s View of Ford. One Toyota negotiator who was interviewed for this study emphasized that Eiji Toyoda’s main motive for approaching Ford was his sense of “intimacy”—that is, affinity and gratitude—toward the company. The companies’ ties could be traced beyond 1933, when Toyota Automatic Loom Works set up the Automobile Department, the precursor to Toyota Motor Company which was established in 1937 (Toyota Motor Corporation, 1988). It was a “teacher-pupil” relationship, wrote one writer (Koshiha, 1980), who noted that Toyota studied Henry Ford’s methods and imported Ford parts for its first car.

Eiji Toyoda was in contact with Ford before World War II then in 1950, “studied” at Ford and toured its plants (Toyota Motor Corp., 1988, p. 113). In his autobiography (Toyoda, 1987, p. 165), he wrote, “Of the Big Three, I felt the closest to Ford...” When negotiations got underway in 1980, the Japanese press portrayed him as an enthusiastic proponent who expected agreement within six months (TFW, 1980).

On balance, Toyoda (1987, p. 165) acknowledged that closeness “...was definitely not the only factor guiding my decisions.” Moreover, as a company, Ford did not register a pro-agreement attitude from his initial communications and concluded that his sole purpose in 1980 was to head off a VRA on autos (see above “Toyota’s Sincerity”).

GM-Toyota Negotiations

The achievement of an agreement notwithstanding, these talks were “very tough” according to many negotiators and observers. This is a striking result in light of the complementary interests and numerous other promotive factors described earlier. Nonetheless, according to sources in Table 2, there were a number of impediments to reaching agreement. Using again the same criteria as in the Ford case, the 5 key influences contrary to the actual GM-Toyota outcome were: under goal fit, “companies’ ‘arrogance’”; under negotiator behavior, “no personal

chemistry” and “‘tough’ tactics”; under intraorganizational activity, “internal Toyota discord”; and for substantives of last proposals, “financial, legal issues.” Two other noteworthy factors are “lengthy GM documents” (negotiator behavior) and “opposition within GM” (intraorganizational activity).

Companies’ Arrogance. Several sources, albeit none from Toyota, distinctly noted that the “arrogance” of the two companies interfered with progress toward an agreement. A GM source called it the “toughest issue” in the negotiations. Labeling both companies “self-centered,” he explained that GM, with its Midwestern base, was not known for international negotiation, and Toyota, based in Toyota City, near Nagoya, was not known for its “global view.” In the early 1980s, Toyota still had an image in Japan as a “country bumpkin” (Armstrong et al., 1985, p. 43).

Outsiders reiterated both companies’ status as their respective countries’ largest industrial companies, not simply the largest auto companies. One industry expert wrote: “...Toyota self-assurance borders on the arrogance often fostered within GM’s clannish world” (Schnapp, 1983). An outside source interviewed for this study cited “lots of acrimony” between the two companies.

“No Personal Chemistry.” In what might seem to be an astounding observation (and mirror image of a Ford case observation), both sides volunteered comments on negative relationships across the negotiating table. A Toyota source described the talks as “business-like, pragmatic and a bit austere.” A GM negotiator said there was no “personal chemistry,” noting that it was “like negotiating in a house with glass walls.” Sources from both companies pointed out individuals on the other side whom they found to be aggressive and difficult (see also Keller, 1989, p. 86). In fact, one GM negotiator perceived a key member of the 7-person Toyota negotiating team to be *against* the deal. On one of the last days of talks, two members of the GM team were so exasperated that they refused to join Toyota negotiators for lunch.⁴⁵

“Tough” Tactics. In light of the aforementioned observations, and some to come below, it may come as no surprise that insiders and outsiders labeled the talks generally “tough.” GM sources used terms such as “hard negotiations” and “tedious, frustrating, and a pain in the neck.” Toyota sources did not reveal such impressions in my interviews with them. (Note that the only contrary observation in Table 2 came from a Japanese news article [TGM, 1983] which referred to the proceedings as “smooth.”)

Among outside sources, one expressed the view that the companies were trying to “get too much from each other.” Another stressed the missed target dates, the heavy and contradictory media coverage, difficult issues such as exchange rates and valuation of equity contributions, and the number of “decisions that have to be made with practically every part [roughly 15,000-20,000 of them] that goes in the car” (Koten & Kanabayashi, 1983).

The GM negotiators interviewed for this study made several specific observations about parties' tactics. During the early rounds, Toyota made "terrible" hotel reservations for GM, showed GM cars that were lackluster, not the cars in which GM had a real interest, and put forward an "outrageous" initial proposal. At the same time, the GM sources noted that the GM Treasurer's Office generally preferred a "tough" style involving extreme initial offers followed by concessions. Two negotiators independently admitted that GM's initial proposal to Toyota was "outrageous."⁴⁶

During the last round of negotiations (see Appendix C for dates), Toyota made some last minute demands, according to GM sources. (Toyota sources did not disclose these details.) The GM negotiating team arrived in Japan on January 20, 1983, a Thursday, for several days of negotiation. Toyota representatives said they could not meet until the following Monday. On Tuesday, the parties negotiated all day. GM perceived no movement from Toyota and felt the deal was on "the verge of collapse." After a critical concession the following day, January 26th, a memorandum of understanding was drafted. But that evening, Toyota reopened labor and joint venture termination issues. When the deal was finally done, the exhausted GM negotiators deliberately headed for familiar ground amidst their Japanese surroundings in order to celebrate: They ate hamburgers at McDonalds.⁴⁷

Internal Toyota Discord. Two sets of observations concerning intraorganizational activity point up additional impediments to GM-Toyota agreement. A Toyota source said the company debated intensively over whether or not to produce in the United States and more specifically, over UAW strikes, cost, and product quality. The organization split along several lines. From a GM negotiator's point of view, Toyota's manufacturing personnel favored the joint venture whereas finance opposed it. The "internecine warfare" between Toyota's manufacturing and marketing branches, which was noted in the Ford case, continued during the talks with GM (TCA, 1982), even though TMC and TMS merged on July 1, 1982. Finally, an outside observer (Koten, 1983b) hinted at a management-labor rift in writing that Toyota's "main problem" in completing the joint venture deal would be convincing its Japanese workers that a U.S. plant was necessary when Toyota's worldwide sales were declining.

The one dissenting view concerning the impact of this condition came from a second Toyota interviewee who acknowledged some internal dissent regarding a U.S. entry, but asserted that it did not have a "major impact" on the joint negotiations.

Financial, Legal Issues. Finally, the most frequently cited impediment to reaching agreement in Table 2 (11 sources) was financial and legal issues. These included the value of GM's plant, royalties, component prices, and the related issue of foreign exchange risk, product liability, the legal form of the joint venture, and pricing of the car. As a Toyota negotiator interviewed for this study noted, the

"engineering side reached to understanding rather smoothly [by August, 1982]... financial side of two companies, as usual of their nature [sic], batted for a while..."⁴⁸ A GM negotiator put it more bluntly: the plant and royalty issues, in particular, put agreement in jeopardy. They were on the agenda in the latter stages of negotiation (see Appendix C).

GM's agreed contribution to the joint venture was the Fremont, California plant. Just before it was closed, GM had invested \$280 million dollars in the plant (Schnapp, 1983). According to company documents, GM set its valuation at \$264 million (cf. a negotiator interviewed who said \$280 million). Toyota's view, however, was that the equipment was too old to increase productivity effectively. Toyota's initial response, in mid-October, 1982, was an offer of \$13 million. "One side treats it like gold and platinum, the other like junk steel," said one interviewee. In addition, Toyota introduced a demand for a minimum initial royalty of \$50 million in addition to an ongoing royalty when its company practice, according to a GM source, had been a percentage royalty on parts and on finished product. The GM source noted that the valuation gap could be explained partly by different bases for plant valuation (e.g., book value, replacement value, greenfield site), but he made it clear that GM was put off by the demand for an up-front royalty.

It took the intervention of the two company chairmen, from November 30 to December 27, to solve this problem. They agreed to value GM's plant at \$89 million (another \$36 million in assets were to be sold to the joint venture), and Toyota dropped its demand for an initial royalty payment, settling for a rate reported to be 2.5 percent of factory shipments (TGR, 1983). (See, in Table 2, the positive attributions given to "plant, royalty solutions.")

On the legal side, the two companies struggled with the legal entity for the joint venture and termination clauses. A Toyota source said the "negotiation process lost a month" over whether to form a partnership or a new company. GM favored a partnership. Toyota's outside counsel also recommended a partnership to Toyota since it provided a \$40 million tax benefit and reduced antitrust worries.⁴⁹ Still, Toyota wanted to concentrate on the general relationship and keep it simple, and considered partnerships appropriate only for small companies.

On the very night of the day the deal was rescued, Toyota reopened talks on joint venture termination and labor issues. From GM's viewpoint, Toyota wanted "to be able to walk out of the deal" whereas GM "wanted to lock them into it." Toyota also sought more time to work out labor problems—the issue that GM thought Toyota would use to pull out of the deal. The final memorandum of understanding included an escape clause for up to 120 days that either party could activate to exit the relationship if it was not "satisfied with the prospects of developing an acceptable employee relations structure."

Lengthy GM Documents. According to a Toyota source, GM wanted a "thick" document, and Toyota would have "no part of it." The negotiations had progressed along several draft memoranda of understanding, and they ultimately

served as the basis for the final, 15-page long memorandum signed by Eiji Toyoda and Roger Smith.⁵⁰ A Japanese academic familiar with the case said Toyota simply rejected “big, U.S.-style, GM documents.” The two companies’ practices and expectations concerning formal documentation contrasted even more dramatically several months later when their representatives sat down to draw up the contract for the joint venture.⁵¹

Opposition within GM. Although Toyota interviewees did not comment on it, there was opposition within GM to an agreement with Toyota.⁵² Finance favored it. Indeed, four of the five GM negotiators were based at the Treasurer’s Office in New York City, an office with strong ties to GM’s Executive Committee and whose personnel generally represented the company in external negotiations. But operations people were “dead set against a deal with Toyota.” Manufacturing representatives were confident in their own capabilities, and when they learned that Toyota employed half as many workers to make a comparable product, they reacted with incredulity. Some corners of the company harbored residual antipathy toward the Japanese as a result of World War II experiences. Finally, an outside source (Koten, 1983b) noted that groups debated the potential for the joint venture car to cannibalize sales of GM’s J-cars and captive imports from Isuzu.

Evidence for the Seven Propositions

The 81 actions and conditions in Table 2 inform each of the seven explanatory perspectives and propositions originally set forth in Table 1 and substantiate their *relevance* as explanations for outcomes of interorganizational negotiations.

The variety of these factors illustrates each perspective and elucidates their breadth as a set. For example, for the environment, one sees host and home government pressures; auto market and industry conditions, including competitors’ moves; financial factors (e.g., foreign exchange rates); public opinion; and mass media. Goal fit addresses not only the parties’ corporate strategies and substantive negotiating goals, but attitudinal and relationship elements such as willingness to work together (cf. “arrogance”) and sincerity of desire to reach an agreement.

More importantly, the seven perspectives, or themes, *matter* as explanations. That is, the 81 actions and conditions cited in Table 2 support the relevance—the significance—of the seven different explanations. Sources cited at least one action or condition for every one of the seven types. (See Table 3.) If “relevance” specifically means that an action or condition for a theme was attributed appropriately for a given case, then one can see that not every theme applied within a case. In the Ford case, there were no negatively attributed factors for experience, just as in the GM case, there were no positively attributed factors for intraorganizational activity. Both of these themes did receive appropriate support from the other case, however, so that the seven perspectives still appear relevant to interorganizational negotiations in general.

Table 3. Number of Attributions Corresponding to Explanatory Perspectives

Perspective	Ford	GM	n
Experience	3	5	8
Environment	27	44	71
Goal Fit	21	28	49
Leadership	5	19	24
Negotiator Behavior	12	39	51
Intraorganizational Activity	16	18	34
Substantives of Last Proposals	19	47	66
Total	103	200	303

Let it be clear also that this is not an argument for the power of an explanatory theme. Some perspectives clearly encompass more observations than others. It would be misleading, however, to use simply the frequency of citation in Table 2 as an accurate proxy for the relative contribution of a theme—or of a particular action/condition—to explaining the outcome of one of Toyota’s negotiations. (For more on this, see a subsequent section entitled “Discussion....”)

These exploratory results still cast doubt on explanatory propositions that present themselves as individually necessary and sufficient explanations for an interorganizational negotiation outcome. Table 2 demonstrates that no single explanatory perspective provides a complete explanation for the outcome of an interorganizational negotiation or for all such negotiation outcomes as a set. The number of actions and conditions cited mandates a multi-causal approach.

A MULTI-PERSPECTIVE MODEL

In line with the second purpose of this study, the second result—a conceptual one—is an explanatory model for outcomes of interorganizational negotiations generally. It originated with Sawyer and Guetzkow’s (1965) “preliminary social-psychological model” and as already described in “Methods of Study,” went through a number of transformations during—and sometimes because of—the analysis of the Toyota cases. What finally emerged seems apt to call a “preliminary multi-perspective model” (hereafter, “M-Model”) for interorganizational negotiation outcomes.

This model is preliminary in the sense that, like Sawyer and Guetzkow’s (1965), it is, at this point, a conceptual framework—a heuristic—rather than a rigorously testable model; but several of its features are distinctive. Whereas most existing negotiation models focus on process (see Lewicki, Weiss, & Lewin, 1992), the M-Model zeroes in on negotiation outcomes. It incorporates diverse explanatory perspectives instead of being confined only to one. (Since some, not all, of the perspectives are discipline-based, it would have been misleading to label the entire model *multi-disciplinary*.) Lastly, the model is grounded by the Toyota case data.

The main elements of the multi-perspective model are organizational parties' "final choices" (a term explained below), the type of negotiation outcome, and seven types of factors that shape those choices and effect the outcome. To depict them graphically, I borrowed from an existing model for interorganizational negotiations, the "RBC" (Relationships-Behaviors-Conditions) Model (Weiss, 1993, p. 276), which shows both jointly defined and individually based facets of negotiation. While it, like Sawyer and Guetzkow's model, centers on the relationship between negotiating parties, it also delineates factors specific to each party.

Figure 2 presents M-Model explanations for the outcome of a bilateral negotiation between "Organization T" (for example, Toyota) and "Organization X" (see Figure 2). Causes corresponding to the 7 explanatory perspectives are represented as numbered lines. The lines are dashed for clarity but also to indicate that 7 factors, while usually present, are not all necessary or major influences in every case of negotiation. (Only influences on Organization T are shown since the figure would be too cluttered with lines from both sides; moreover, the sides of the figure are symmetric.) Similarly, the separation of an organization's "final choice" from the organization itself (and of "substantives" from negotiation process) has a two-fold purpose: emphasizing that decision or action, and clearly drawing connections between it and the influences upon it.

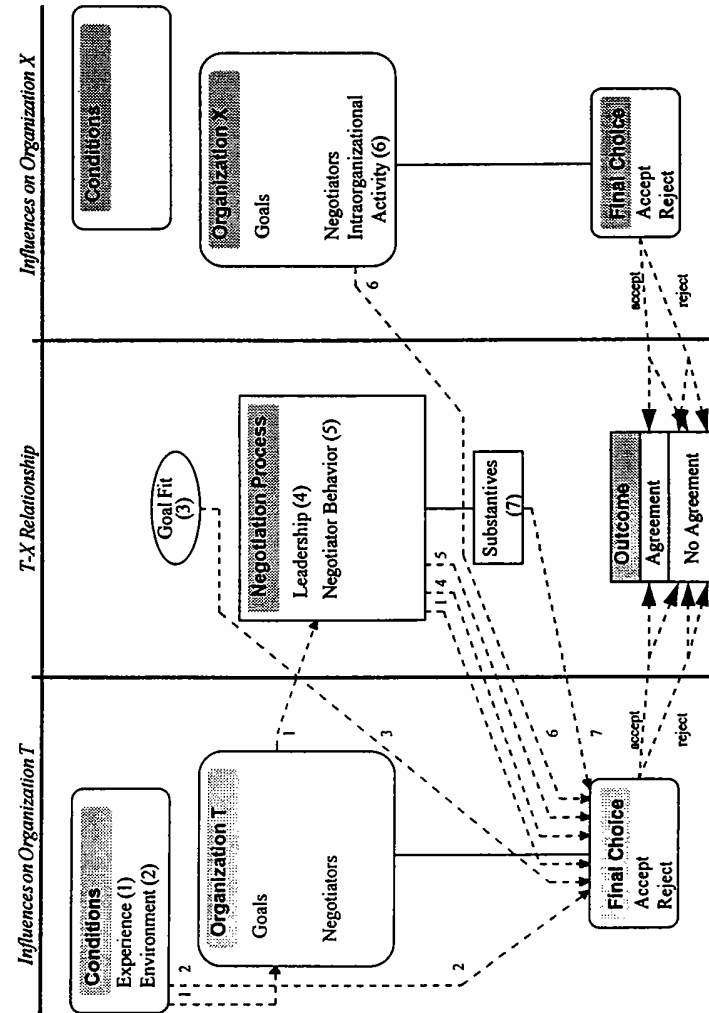
The relationships in the model follow a logic not readily available in existing literature. In fact, development of the M-Model required some "reverse engineering." A logic had to be derived; and use of some common terms, such as "outcome" itself, had to be clarified.

Reconsidering Outcomes

As noted earlier in the section "Existing Perspectives on Negotiation Outcomes," negotiation outcomes generally fall into one of two broad classes: agreements and no-agreement outcomes. Much of the exploration of Toyota's negotiations concentrated on the determinants of these outcomes. But one might well ask—and this will acquire pragmatic significance when we return to the Toyota cases—what constitutes or defines an agreement or no-agreement outcome in the first place?

Ikle (1976, p. 59ff) pithily observed that at every moment in negotiation, every party has a "threefold choice": to accept present terms, to break off, or to continue, albeit with no assurance of reaching agreement or improving the terms. In the same vein, Douglas (1962; also Blaker, 1977; Gulliver, 1979) identified a final stage of bargaining that she called "precipitating the decision-reaching crisis": the time when parties reach an "insurmountable point of decision" to settle or declare stalemate. These commentators' ideas, which are based on extensive observation of real world negotiations, provide an initial answer to the question.

A negotiation outcome results from the parties' choices at the point of "crisis." Here, "choice" refers, as in game theory, to a decision or action (see Patchen,



Note: * A full view would also symmetrically map major influences on X's final choice.

Figure 2. Preliminary Multi-Perspective Model for Interorganizational Negotiation Outcomes: One-Sided View for a Bilateral Case*

1988, pp. 95-122). It implies that a selection has been made from a set of options, but it is the selection, rather than the set of options, that is of import here. At the final point of negotiation, when neither party is willing to concede further, a party may either accept or reject (including walking away from) the terms on the table. In a bilateral negotiation, as reflected in Figure 2, these options produce four possible outcomes: one agreement, three no-agreement outcomes. (One might also clearly picture the situation as a 2x2 game theoretic matrix.)

Nevertheless, an agreement may stem from different types of intersecting acceptances. One party could accept the counterpart's current (last) offer. Alternatively, the two parties could jointly develop proposals (e.g., a single negotiating text) and simultaneously arrive at mutually acceptable terms (consider signing ceremonies where parties simultaneously sign and exchange multiple copies rather than each party sequentially signing one copy at a time). It is conceivable that two parties could even independently and unwittingly accept a counterpart's last offer which matches or complements the party's own (as when proposals cross in the mail). In each of these cases, both parties have moved from their original positions (otherwise, no negotiation occurred), and their final choices "match."

No-agreement outcomes complicate this picture. Both parties may break off by mutual consent, perhaps agreeing to disagree. But no-agreement outcomes may also be determined solely by one party, regardless of what the other does. It takes only one party—Organization T or Organization X in Figure 2—to reject a final offer or withdraw from proceedings and thereby cause the negotiation as a whole to stop short of agreement.

This unilateral capability underscores the importance of explicitly delineating parties' individual choices in an explanatory model of outcomes. Indeed, these choices are easily forgotten in models that represent the outcome simply as an output of the process (e.g., Greenhalgh, 1987; Sawyer & Guetzkow, 1965; cf. Lecraw & Morrison, 1991). As the M-Model shows, a negotiation outcome affects both parties in a relationship, but that outcome may be unilaterally *or* jointly determined.

Multiple Influences of Varying Impact

Whereas some propositions in Table 1 put forward individually sufficient causes of negotiation outcomes, the M-Model, reflecting its grounding in the Toyota cases, suggests practically the opposite view: several, diverse causes drive parties' final choices and by extension, the outcomes of interorganizational negotiations. The model incorporates all 7 of the explanatory perspectives or themes explored thus far as "influences" or "factors." (Since only some perspectives, such as leadership, offer a direct correspondence with well-defined variables, while others entail broad areas of concern, it seemed premature to use more precise terminology.) The treatment of the 7 influences in Figure 2 (dashed lines) is meant to indicate that all 7 are generally present in an interorganizational negotiation and each explains some portion of a party's final choice.

Even at this preliminary stage, one might expect that not all 7 factors are *necessary* to determine parties' final choices in most interorganizational negotiations. It is plausible, albeit probably rare, that one factor (e.g., environment, substantives of last proposals) would be sufficient in a particular case of negotiation. It seems more likely that these influences vary in impact. One subset of factors might determine parties' choices in one negotiation, and another subset might determine them in another negotiation. A particular party may be most influenced by certain factors in one negotiation and by others in another. Further, in a given negotiation, Party X's final choice may be determined by a subset of factors different from Party T's. What the M-Model establishes, even if primitively, is that the influences that are significant and most powerful in an interorganizational negotiation will be from the set of 7 in Figure 1.

Forms of Related Propositions

The M-Model relates to the propositions in Table 1. They influenced its development, and it, in turn, prompted a number of insights about them. For instance, as they appear in the table, the propositions do not mention parties' "final choices" or acknowledge the possibility of unilateral as well as joint determination of outcomes. Such observations elicited review and respecification of the propositions once the model had been finalized, so that they would correspond more closely with it (see below Table 4). But the model in Figure 1 and propositions in Table 1 (or 4) each constitute only one conceptualization of the seven explanatory influences. Each influence has many aspects; and each influence may take more than one form of representation.

Among other possibilities, these forms differ by: (1) socio-analytic orientation (the particular party or relationship involved); (2) the level of behavioral analysis (individual, group, organization); and (3) the path of the effect (direct or mediated). With respect to socio-analytic orientation, proposed influences may be individualistic (i.e., party-specific or autonomous), joint (interaction-based or common), or other-based (i.e., concerned with the counterpart or reciprocal).⁵³ These dimensions appear in the revised list of propositions in Table 4.

The number of propositions for every explanatory perspective or influence could also be expanded by focusing on its finer points. The literature covered earlier in the paper provides ample information and ideas on the environment, goal fit, negotiator behavior, and substantives of last proposals. The remaining three—namely, experience, leadership, and intraorganizational activity—have received far less attention, yet there are some useful studies for each of them.

For experience, there is a distinction to draw between personal learning and organizational learning, which is communicable and integrated (Duncan & Weiss, 1979). Historical experience can be constraining as well as beneficial (Walsh & Ungson, 1991), so that the researcher should consider *which* lessons have been learned and the capacity to "unlearn" (Hedberg, 1981). To develop additional

Table 4. Respecifying 7 Propositions on Interorganizational Negotiation Outcomes

Experience	
1.1 _{ij}	The type and extent of previous experiences in similar negotiations influence at least one party's decisions and actions in this negotiation, and they in turn influence that party's final choice and thus, the determination of the negotiation outcome.
Environment	
2.1 _j	Environmental forces (e.g., market conditions, governmental and other political pressures) acting on each party separately influence at least one party's final choice and thus, the determination of the negotiation outcome.
Goal Fit	
3.1 _j	The degree of fit between the parties' negotiation goals partly determines at least one party's final choice and thus, the negotiation outcome.
Leadership	
4.1 _j	The presence or absence of an individual with the capability to act as a nerve center, motivating negotiators on both sides, managing the overall process, and coordinating their respective final choices, partly determines the negotiation outcome.
Negotiator Behavior	
5.1 _{i,o,j}	The behavior of the individuals and groups representing the parties in the negotiations influences at least one party's final choice and thus, the determination of the negotiation outcome.
Intraorganizational Activity	
6.1 _o	The counterpart's internal activities (away from the negotiating table) directly influence at least one party's final choice and thus, partly determine the negotiation outcome.
Substantives of Last Proposal(s)	
7.1 _{ij}	The benefits and costs of the last proposal(s) on the table, partly determine each party's final choice and thus, the negotiation outcome.

Note: Subscript indicates the socio-analytic orientation of the proposition: *i* = individualistically-directed (or autonomous); *j* = interaction-based (or joint, common); *o* = other-based (or reciprocal).

propositions, one should also consult work on the learning organization (Senge, 1990) and on information flows in Japanese management systems (Pucik, 1988).

On leadership, obvious touchstones include who becomes a leader, how leaders "lead," and when in negotiation a leader most effects the outcome. Underdal (1994) has suggested three leadership modes: unilateral action, coercion, and instrumental (see also, albeit in a discussion specifically about mediators, Kolb, 1983). The subject of leadership is just beginning to be addressed in negotiation literature (e.g., Kouzes & Posner, 1987; Rubin, 1991, pp. 94-96; Telhami, 1990, pp. 174-175; Young, 1991). As work on it goes forward, it will be important to monitor our tendency to overestimate the impact of individuals (see Meindl, Ehrlich & Dukerich, 1985; Moravcsik, 1991, p. 46) and to focus on salient parties or "superpowers" when "middle powers" may play the pivotal roles (see Higgott & Cooper, 1990, p. 607).

And lastly, for intraorganizational activity, existing research points to the individualistic version as a natural alternative to Proposition 6. That is, a party's own internal activity—as opposed to the counterpart's—may well affect its final choice. This activity occurs in both hierarchical (vertical) and collegial (horizontal) relationships, involving either non-negotiators or negotiators and non-negotiators, *away* from the negotiating table. (Goings-on within the negotiating team are a different matter.) For some new ideas on this topic, a management researcher may borrow from the growing body of work on two-level games (international, domestic) in international politics (e.g., Lehman & McCoy, 1992; Putnam, 1988).

DISCUSSION OF THE EXPLORATIONS AND THE MODEL

Many features of these data and results are interesting and merit discussion. Within the limits of this paper, however, let us consider only some of the most significant. The discussion below addresses first, the explanations specific to the Toyota negotiations and then, the generally designed M-model for interorganizational negotiations.

Case-Specific Explanations

Returning now to the question that originally sparked this study, *why did* Toyota's talks with Ford result in an impasse and its talks with GM result in an agreement? Table 2 provides important answers. As a basis for discussing them, the short sections below address the quality of the data and the type of impasse to be explained in the Ford case.

Data Quality

Perhaps more than anything else, Table 2 dramatically demonstrates the richness—the multiple facets—of interorganizational negotiation and the variety of observers' perceptions and explanations. These observations, as a set, demonstrate that there are multiple, diverse causes for negotiation outcomes. At the same time, actions and conditions in a complex negotiation that have the potential to shape the eventual outcome are not uni-directional or "monotonic." The pictures presented in Table 2 show that negotiation entails agreement-promoting *and* agreement-inhibiting influences—that is, influences consistent with the eventual negotiation outcome and influences contrary to it.

For more specific conclusions from the table, two issues are crucial to address and allay. They relate to the validity and reliability with which actions and conditions cited by sources were coded, and to biases in the sources' attributions.

Coding Validity and Reliability. Deliberately approached as an "exploration" rather than a quantitative study (for a variety of reasons already mentioned), Table 2's value and usefulness still depend on the validity and reliability with which it was

constructed. These concerns apply to three different efforts of the analyst: identification of a relevant action/condition for inclusion, identification of the attribution the source assigned to it, and classification of the action/condition within one of the seven explanatory perspectives. The first two efforts were straightforward (even if somewhat more difficult for news articles than for interview sources), and although not quantitatively measured, their coding reliability deserves confidence. Moreover, every action/condition cited as an outcome determinant by an interviewee or by a news source in Appendix D appears in the table. Its contents are not a mere sample.

The classification of these action/conditions into explanatory perspectives was more subjective, although a perusal of Table 2 will show that it, too, was relatively straightforward. There are few cases where an action/condition seemed possible to place in more than one category or where some observations in different categories appear connected, not independent. In the Ford case, for instance, one interviewee suspected that "TMC-TMS discord" (intraorganizational activity) caused "leaks to the press" (negotiator behavior) which relates to "mass media coverage" (environment). Because no other source made this three-way connection, I kept the parts separate. In other cases, rather than presume or impose connections, which would have reduced the total number of entries (and the specificity of the table), I relied on and attempted to preserve sources' own emphases when classifying their observations.

Perhaps the most important validity issue here is external, for Table 2 takes the observed action/condition, not the interviewee response, as the unit of analysis. Many sources cited multiple causes for a negotiation outcome; a couple of them even apportioned weights or ranks.⁵⁴ Yet these aspects were neither systematically analyzed nor incorporated in the table since the study was primarily intended to identify and illustrate different types of causes. Moreover, the table would have become far more complicated to comprehend. The combinations and ranks, which are preserved in the raw data, could be pursued in future analyses.

Attribution and Source Bias. As noted in "Methods of Study—Interviewees' Potential Biases," attribution theory predicts that individuals will be self-serving in their causal attributions. Several observations in Table 2 fit this pattern, although some contradict it. For the former, insider sources in the Ford case blamed the environment ("mass media coverage") and some aspects of the counterparts' negotiator behavior (Ford sources cited "leaks" and Toyota's "pace"; Toyota insiders cited Ford's "scheduling").⁵⁵ They also credited themselves for interpersonal rapport. Similarly, insiders in the GM case underscored leadership and a number of aspects of negotiator behavior.

The attributions inconsistent with theory include, in the Ford case, "products proposed." That factor would generally be within the parties' capability to control. In the GM case, insiders positively attributed some external factors (e.g., "Honda's, Nissan's entry"), not just their own efforts, with causing the agreement. The sources also admitted that "no personal chemistry" existed between the negotiators.

To measure attribution bias most accurately, however, one would have to examine the attributions of each individual source, which cannot be done with only the data in Table 2. Short of that, and thus not knowing with certainty the scope of any bias, one should cautiously draw conclusions. In the meantime, the availability of outsider ("X") attributions in the table does provide a crude check on insider bias.

There is considerable agreement in the attributions made by the sources in Table 2. Of the 60 action/conditions observed by more than one source, 65 percent involve sources in *perfect* agreement with respect to the "valence" of their attribution for a given action/condition, whether the valence is negative, neutral or positive. Another 16 percent involve attributions that are polar opposites, but in most of these cases (8 out of 10), the opposing attribution was made by only one source.

To a reader who desires congruence across all three source types (negotiator, counterpart, and outsider) in order to accept an action/condition as a credible or valid cause, a word of caution. That is a high standard to meet, in part because there are some systematic differences between sources. Outsiders, for example, cited action/conditions that could be observed or inferred relatively easily, such as those related to the environment, corporate goals, or substantives of last proposals. They simply tended to make fewer observations about experience, leadership, negotiator behavior, and intraorganizational activity.

In sum, there are caveats to respect in the use of Table 2, but the value of the data should not be underestimated. They derive from primary sources—insiders and knowledgeable others—from both sides of the negotiating table in both cases.

Toyota-Ford and GM-Toyota Outcomes

The M-Model makes it clear that explaining an outcome fully entails identifying the type of outcome, which in turn, depends on deciphering the final choices that the parties made.

Which Types of Agreement and No-Agreement Outcome? In the GM-Toyota negotiation, both parties seem to have simultaneously "accepted" in order to reach a final agreement. It is difficult for an outside analyst to be certain. There were proposal-counterproposal exchanges throughout the negotiations, and one Toyota interviewee, translating from a company history in Japanese, said GM's "concession" [acceptance] on plant valuation led to agreement. Yet the process leading up to the final choices—and the final choices themselves—appears to have been much more a matter of coordination than capitulation. Nine months of the parties' proceedings were guided by 11 successive drafts of a memorandum of understanding: six written by GM, five by Toyota (see Appendix C). This "one-text procedure," coupled with Chai's active mediation, was prominent right up to what one might call the parties' "concurrence."⁵⁶

The Toyota-Ford case is less direct and more interesting, for it requires one to select from among three possible final choices: rejection by Ford, rejection by Toyota, or agreement to disagree. In July, 1981, when the impasse was announced,

news articles carried titles that supported each possibility: "Ford Rejects Models Discussed with Toyota" (FRM, 1981); "Toyota ends discussions on Ford deal" (TED, 1981); and "Ford and Toyota Call Off Talks on Joint Production in U.S." (Gooding, 1981).

Publicly, the two companies communicated that the decision was mutual. In a press conference, Ford's Executive Vice-President for North American Auto Operations, Harold Poling, announced that "active efforts" to create a joint venture were being "tabled" because the companies could not agree on a product (Stevens, 1981b). The draft text for a joint statement prepared for the press included the language, "...We agreed that talks would continue to explore further an association between Ford and Toyota. No time limit...Both companies share the belief that there is potential for a future business relationship and are committed to exploring that potential to the fullest."

This stance was created for public consumption, however. (Recall the concept of *tatemaie*.) A Ford interviewee involved in the early negotiations asserted that the final impasse was indeed a question of "who gave up first." He suggested two possibilities—that Toyota became concerned about the Arab boycott threat, or that Ford could not find a suitable car—and he assigned a 90 percent probability to the first possibility and 10 percent, to the second. He said, "Toyota blinked first." They had been looking for an excuse to pull out after the boycott was threatened.

On the other hand, another Ford negotiator interviewed for this study stated at one point, "Ford pulled the plug on Toyota before Toyota pulled it on Ford." Toyota seems to have believed this as well. On May 22, the day after Ford reported the unsatisfactory van marketing results to Toyota, Nippondenso's Tanabe interceded for Toyota to ask Ford about their "real intentions" and whether the market research was Ford's way of ending the project.

The Ford official said, "No, there was a desire to go ahead." In early June, Ford proposed a Ford product design for the joint venture, with Toyota providing capital instead of the design.⁵⁷ Toyota negotiators replied that they would be happy to supply components for Ford's program, which Ford representatives took as a "polite refusal."

Back on May 22, journalists in Tokyo reported that Toyota was "having second thoughts" about a joint venture with Ford (THQ, 1981). By early June, the time of Ford's proposal, Toyota felt the discussions were, in the words of a Toyota interviewee, "fruitless talk" and that the company was losing "precious time." On June 10, a Toyota spokesman publicly admitted the company's concern about its relations with the Arab League, especially Saudi Arabia (Fitzgerald, 1981b). On June 24, the Saudi government officially warned Japan's minister of international trade and industry of retaliatory action should it link up with Ford (SWT, 1981). (Iraq had issued an initial threat in November, 1980.) In early July news conferences, Eiji Toyoda, noting that Ford had rejected Toyota's proposal for a mini-van, stated "We [Toyota] have no alternative car to suggest. Nor are we inclined to make a new proposal" (Ofusa, 1981).

These actions raise questions about the real intentions of the parties. Was Toyota trying to learn about Ford's revolutionary technology? Did Toyota tacitly signal the Saudis? Was Ford trying to delay Toyota's entry into the United States in order to buy time for its own products? Did Ford know in advance that Toyota would reject their June, 1981 proposal? If the parties were negotiating primarily for such side-effects, then their final choices represented decision points quite different from those for negotiators seeking a deal. The choice to reject had been pre-set: All that remained was choosing an opportune time and face-saving justification for a withdrawal.

For the outside analyst, discerning the type of no-agreement outcome that actually occurred is a difficult call—one further complicated by the possibility that the parties hedged their bets and negotiated both for a deal and for side-effects. At a minimum, the discrepancies above indicate that the companies' final decisions were not coordinated (until the July press conference). If forced to make a call, this author would say "rejection by Ford." Since the companies had reached an agreement (MoU) in April, Ford's subsequent rejection of Toyota's mini-van design seems to have been a turning point. Ford made this decision internally between March (when at least one official with sign-off authority voted against the van) and May (when results were reported to Toyota). Faced with that decision, Toyota seems to have let up.

The companies' initial timetables also support this conclusion. Very early in the talks, in June, 1980, the Ford negotiating team informed their board of directors that Toyota counterparts had said Toyota would make a final decision in July, 1981 on whether or not to proceed with the joint venture project. (During that first summer, Ford set an internal deadline for a decision by the end of 1980.) Given Toyota's management practices and organizational behavior, it is unlikely that Toyota would have made a final decision two months earlier, in May, 1981.

"And the Answer is..." As to the why's behind the Toyota-Ford impasse and agree GM-Toyota argument, "Empirical Explorations..." presented action/conditions from Table 2 that could be treated as "key causes" (based on frequency and congruency of attributions). Thorough explanation should explicitly link these action/conditions with parties' final choices. Table 2 does not detail which party was influenced by a given action or condition, but in most cases the affected party was mentioned by sources in interviews or can be easily inferred.

In the Toyota-Ford negotiations, the impasse appears to have been brought about by Ford's rejection of the deal, a rejection based primarily, as reported, on the "product proposed" (mini-van). In preparing to meet the press in July, 1981, Ford drafted a statement and list of anticipated questions, which included one about why the products were inappropriate. The prepared response was:

The fundamental issue has been to find a Toyota product that could be developed in a time frame that suits both companies and that does not duplicate other products being developed by Ford. Ford has an aggressive product plan and will launch 10 new cars and trucks over the

next three years. We have the market covered in those segments where a Toyota product was available and substitution did not offer any real advantages in timing, complexity, or cost.

Other formidable influences on Ford's choice came from concerns about Toyota itself, as a prospective partner ("Toyota's sincerity," "TMC-TMS discord") and about Ford's other relationships in Japan ("Ford's Toyo Kogyo ties"). Although intraorganizational activity is framed as an effect on the counterpart in Propositions 6 and 6.1 (an other-based orientation), Ford sources stated that it clearly affected their own company network (individualistic orientation).

There is another side to this discussion as well. It came out in interviews and other sources (see also in Table 2, "Ford's two games," "sincerity of Ford," "Ford's indecisiveness"). Ford was probably negotiating also—not only—for side-effects such as gathering intelligence about Toyota's products and manufacturing system and maintaining, as one company source put it, "friendly relations."

If the impasse resulted from a unilateral pull-out by Toyota (which seems unlikely, but cannot here be ruled out entirely), observers in Table 2 pointed to one key external pressure on Toyota: the Arab boycott threat. The appropriateness of the mini-van was not the issue for Toyota that it was for Ford. Toyota had committed to licensing its design. It would only have been responsible for selling one-third of the joint venture's output. Moreover, Keller's (1991, p. 54) comment about Toyota's negotiators in the GM case, that is, that they concentrated on manufacturing and the product, suggests that two years before that in the Ford case, they would have been equally disinterested in financials.

"TMC-TMS discord" affected Toyota as well as Ford. Many elements within Toyota opposed the liaison. While these attitudes persisted in the negotiations with GM, the negotiations with Ford did not see the counterbalancing leadership that was exerted for GM.

Several other action/conditions, which might loosely be called Ford's qualities as a prospective partner, also could have influenced Toyota to withdraw or once Ford had rejected the deal, convinced Toyota to let things lie. These include "Ford's two games," "sincerity of Ford," "lack of direction," and "Ford's Toyo Kogyo ties." In his autobiography years later, Toyota Chairman Eiji Toyoda (1987, p. 130) wrote: "We attempted to form ties with Ford on a total of four occasions before and after the war, and in each case, nothing came of our efforts. I suppose that we were never meant to become partners."⁵⁸

Finally, if Toyota was partly negotiating for side-effects (e.g., to acquire information about Ford technology), they were achieved or finalized after several months of negotiation. Any hope of heading off an export restraint came to a close when the U.S. and Japanese governments put one in place on May 1, 1981. There was no point to continue negotiating for that side-effect.

In the end, if one were to summarize the key causes of impasse cited in Table 2 more broadly, from the perspective of the negotiation as a whole, insiders unanimously faulted mass media (2 negative attributions from 2 sources). The other key

causes were: "products proposed" (10 from 11), "Arab boycott threat" (7 from 9), "Ford's Toyo Kogyo ties" (5 from 5), and "TMC-TMS discord" (5 from 6). While there were influences promotive of agreement, these five negative factors, along with others, clearly outweighed them.

In the GM-Toyota negotiations, the "concurrence" cited earlier was induced by 12 key causes in Table 2. Insider interviewees from both companies unanimously attributed agreement-promoting effects to four of them: "complementary interests" (10 positive attributions from 10 sources (of all three types)); "'will' of two chairmen" (8 from 8), "Chai's active mediation" (7 from 7), and "team leaders' motivation" (4 from 4). These influences form a logical combination which facilitated the attainment of a coordinated outcome: The parties' complementary goals established the foundation for agreement, and leadership enabled the parties to pursue, maintain, and achieve those goals.

The remaining key causes were cited by a broader range of sources, in some cases slightly less consistently. In comparison to the four causes above, these eight include causes that influenced only one party rather than both. Specifically, the eight action/conditions are: "U.S. Congress's actions" (10 from 11), "Toyota's low risk" (9 from 10), "economics were right" (7 from 7), "Honda's, Nissan's entry" (6 from 6), "clarity of GM's purpose" (5 from 6), "caliber of personnel" (5 from 5), intensive preparation (3 from 3), and GM's patience (3 from 3). The impact of these influences is underscored by the significant number of action/conditions that impeded progress toward an agreement (e.g., "tough tactics," "internal Toyota discord," and "financial, legal issues").

Focusing on each party's final choice individually reveals some interesting dimensions of these data. This would be particularly appropriate had GM acceded to Toyota, or vice versa, but even in the case of concurrence, it is telling to see whether certain influences worked uniquely or directly on one party or the other. For GM, there do not appear to have been unique influences that steered it directly toward an "accept" decision, although there are action/conditions that supported the development of a decision (e.g., "GM-Isuzu, Suzuki talks," "intensive preparation," "GM's patience"). However, for Toyota, in addition to the aforementioned, four insider causes, three influences specific to Toyota, two of them externally based, pushed for an "accept" choice: "U.S. Congress's actions," "Honda's, Nissan's entry," and "Toyota's low risk."

The foregoing answers, for both cases, refer to action/conditions, not explanatory perspectives or themes. This approach minimizes information loss or distortion of the interviewees' and other sources' observations. It also avoids first, the complexities of say, aggregating action/conditions within a perspective to ascertain the net effect on a negotiation outcome from the perspective as a whole (for those perspective-categories containing both action/conditions with negative attributions and those with positives); and second, the complexities of making comparisons between perspectives when some of them represent two action/conditions and others represent 14. Still, the 7 different types of explanations dis-

cussed earlier in this chapter are interesting and consequential, and to get back to them, one can legitimately and usefully look at "indications" in Table 2.

For the Toyota-Ford case, the types of influences that most clearly impeded agreement, or caused impasse, were intraorganizational activity and substantives of last proposals. Two other sets of causes, environment and goal fit, drew far more observations and attributions (refer to Table 3), but their overall effects on final choices and outcomes appear ambivalent. The contradictory attributions for the same action/conditions in goal fit indicate a highly inauspicious beginning for the negotiations. It made what the negotiators did or did not do in subsequent proceedings even more important if they were to reach an eventual agreement. And yet only one aspect of negotiator behavior promoted agreement (one of the strongest pro-agreement action/conditions observed), while several others impeded the development of an agreement. Experience and leadership were virtually neglected by observers. That inattention is itself significant.

For the GM and Toyota case, leadership shows its influence on the outcome more clearly than any other perspective (in either case). Every source credited related action/conditions with a positive effect. The environment also had a largely positive effect, although some aspects were negative. A more balanced mix of agreement-promoting and impeding elements characterizes three other types of influences: goal fit, negotiator behavior, and substantives of last proposals. (Note that negotiator behavior and substantives of last proposals included the action/conditions that the most observers deemed anti-agreement influences). As in the Ford case, intraorganizational activity had an almost purely detrimental impact on forming an agreement. (In contrast to the Ford case, though, this influence was countered by leadership, among other factors.) Finally, experience again received little attention from observers. These perspectives thus provide another level of analysis on which to explain the Toyota-Ford and GM-Toyota outcomes, although firm conclusions about these types of causes would require more research at a finer grain of analysis.⁵⁹

Cultural Differences. For years, cases of international negotiation, especially between Americans and Japanese, have drawn queries about the role of "cultural differences." They are typically deemed impediments rather than opportunities for building agreement. This is reflected in observations in Table 2 as well, as seen in the category of negotiator behavior. For instance, in the Toyota-Ford case, observers commented on "scheduling" and "pace," and in the GM-Toyota case, on "patience," "lengthy documents," "early information by GM," "Toyota's unresponsiveness," and "translation time." The emphasis placed on parties' "sincerity" (goal fit) reflects Japanese norms and expectations. And with respect to communication and language, perhaps the most vivid differences came out in accounts of an initial, feeling-out meeting between Toyota and GM company heads, which left the GM representatives saying, "... we didn't understand what the hell this nice old gentleman [the Toyota Motor Sales chairman] was talking about" (Keller, 1989, p. 86; also interview notes).

Yet no sources for the Toyota-Ford negotiations explicitly blamed "cultural differences" for the final impasse. Since the same national cultures were involved in the GM-Toyota case, GM and Toyota's achievement should at least give pause to anyone tempted to make a broad generalization about such differences being insurmountable.⁶⁰

The Preliminary M-Model

Built partly on insights from the Toyota cases, the preliminary multi-perspective model (M-Model) sets forth a "multiple cause, diverse perspective" approach to explaining outcomes of interorganizational negotiations. It is this feature that defines the model. The model also distinguishes itself by decomposing outcomes and explicating individual, party-specific as well as joint, interactional influences on parties' choices.

In describing desirable qualities of theory and research work more generally, Reynolds (1971, pp. 13-18) listed abstractness, intersubjectivity of meaning and logical rigor, and empirical relevance. These basic concerns can usefully guide a critical appraisal of the M-Model. Specifically, let us concentrate on: (1) individual elements, (2) relationships between elements, (3) the model as a whole, and (4) usefulness.

Individual Elements

Used heuristically for exploratory purposes, the definitions of the 7 influences, or elements, were adequate. Their essential meanings are clear. For more rigorous work such as hypothesis testing, however, the more encompassing influences (e.g., environment, negotiator behavior) and the vaguer influences (e.g., intraorganizational activity) will have to be crisply defined and operationalized.

If each influence is treated as a set of components like the actions and conditions in Table 2, then a means will have to be developed to handle the conflicting valences that may occur among components. In some cases, they may all point in the same direction (e.g., leadership in the GM case). When they do not, that is, when some promote agreement and others impede it, the M-Model does not, at this stage of development, show how to combine or otherwise relate them. An analyst's conclusions about main influences on a negotiation outcome could be significantly affected by the types and number of components identified or selected for each influence. Using a single proxy variable could be tenuous.

In the same vein, the "final choice" of parties in interorganizational negotiations deserves scrutiny. There are at least three levels of decision making in strategic deals like Toyota's experiences here: the chief negotiator, CEO, and board of directors (Gottfredson & White, 1981, p. 478). Conflicts or "disconnects" may occur between these levels, none of which are reflected in the single box in Figure 2.

Relationships between Elements

The diagram does not designate a degree or relative weight of impact on outcomes for the 7 influences or map out interaction effects. The model leaves this matter open, undetermined, rather than assuming that influences equally affect final choices. The Toyota cases suggest unequal influence and should encourage researchers to compare these influences empirically in the future across a statistically significant sample of interorganizational negotiations.

While Figure 2 does not show interactions between influence types, the Toyota negotiations provide actual, not just conceptual, possibilities that warrant further attention in the development of this model. Two, in particular, stand out: goal fit and substantives of last proposals, and goal fit and leadership. The Toyota-Ford case demonstrates that in order to reach an agreement or even make headway in negotiations when parties' initial goals are unaligned, what they do during negotiation and where they end up become especially important. As Toyota and Ford showed in reaching an MoU, substantives of last proposals (and probably some change in initial goals) may make up for an inauspicious start.

On the other hand, even if parties' goals are complementary, the GM-Toyota case shows that interorganizational negotiation across national borders can be so complicated, so fraught with pitfalls (e.g., negotiator behavior, intraorganizational activity), that an agreement may be achieved only if a leader or leaders rise to move the negotiation process toward it.

The Model as a Whole

Critically viewing the model as a whole raises three issues: comprehensiveness, alternative representations, and actual operation.

Comprehensiveness. The intent behind construction of the M-Model has been to broaden the narrow perspectives often adopted in outcome explanations to date. It was not designed to be an exhaustive representation of causes of negotiation outcomes. Parsimony and explanatory power are far more desirable properties of a model than inclusiveness. Nevertheless, the reader might have expected to see three factors in an explanatory model of negotiation that are absent from the M-Model: power, culture, and time.

A sizeable literature on bargaining power, including work of the bargaining school, already exists. Yet, as noted earlier in this paper in "Existing Perspectives," "power" has been problematic to operationalize and measure (e.g., Gulliver, 1979, p. 186ff), and its conceptualization and use in outcome explanations to date have been rather sterile and simplistic.⁶¹ Not one of the interviewees in the Toyota negotiations referred to power, leaving little reason to include it in a grounded model.

Culture, while not explicitly delineated in the M-Model, does shape several of its elements (e.g., goals, leadership, negotiator behavior, intraorganizational activity). It is a construct whereas most of the influences in the model (cf. experience) are

observable. Few inside or outside sources gave reason to identify culture per se as a major cause of interorganizational negotiation generally (cf. Weiss, 1993, p. 276). This topic was addressed in greater length above, in "Case-Specific Explanations."

Last and most critically, the only temporal dimension of Figure 2 is indirect, in the numbering of the 7 influences and their top-to-bottom layout, which roughly corresponds to pre-negotiation and the beginning, middle, and end of the negotiation period. There are other important aspects of time.

First, the M-Model seems to neglect deadlines. Pruitt (1981, p. 231), among others, has identified a deadline that cannot be postponed as one of two ways to "fail to agree." Fiscal and calendar year-ends do pose certain barriers. Some of these factors are external conditions and to remember to look for them in particular negotiations, an analyst using the M-Model could simply employ an expanded notion of the environment. The nature of this effect should be carefully studied, though, for it is not clear that a deadline necessarily detracts from or promotes progress toward an agreement (Patchen, 1988, p. 311).

Second, the individual influences do not appear to be treated dynamically. By definition, goal fit and substantives of last proposals are discrete and static; they are tied to one point in time. The other five elements—and perhaps even the aforementioned two, if redefined—should be treated longitudinally in future work on the model (see Weiss, 1993). In negotiations like Toyota's that take place over many months, "things change." For instance, new events or actions in the environment may occur. In the same vein, an influence, or particular conditions within an influence, such as government pressure, might change in its effect on a party's choice over time, from pro-acceptance to pro-rejection.

Alternative Representations. As Table 4 illustrates, most of the seven influences may be specified and represented in more than one way. Figure 2 simply presents one set of possibilities—a carefully refined set, but one set nonetheless. One case in point is the other-oriented form of intraorganizational activity. As we saw in both Toyota cases, a party's intraorganizational activity may affect the party itself as well as the counterpart. This internal effect could either replace the dotted line for intraorganizational activity now in Figure 2 or be added to it to show that Party X's intraorganizational activity influences X and T's final choices. This is just one example of various representations of the influences that should be assessed in future research.

Operation. Finally, as one looks ahead to how to further development of this preliminary model, a central concern is how it "works." This will require sorting out issues such as which influences, if any, are "necessary conditions" in any negotiation; interaction effects; and the simultaneous or sequential timing of the impact of these influences. That done, there are a number of possibilities.

One colleague at a research seminar suggested that the 7 influences might constitute a "hurdle" model in which parties "jump" each influence in turn in order to

reach an agreement.⁶² If environmental factors are promotive, then goals should be considered. If they fit, leadership should be addressed, and so on. Alternatively, the M-Model could be looked at in terms of probability functions.

Usefulness

Grounding the M-Model in the two Toyota cases has consequences not only for research, but for practice as well. Its empirical relevance has already been substantiated, at least preliminarily, which suggests that it is worth pursuing further, testing more rigorously, and potentially validating. The foregoing discussion has laid out a number of topics for future research.

At the same time, for practitioners, the M-Model focuses attention on how negotiations conclude and cautions against simplistic views. Negotiators can use the model to monitor various influences on themselves and channel their efforts toward points of influence on their counterparts. It implies that among other actions, negotiators seeking agreement should ensure the presence of a leader and minimize unintended leaks from their own organizations.

A systematic framework like the M-Model should also promote efforts to build and use corporate, or institutional, memory. Of all 7 factors, experience was the least cited in Table 2. Yet in the Toyota-Ford negotiations, one Ford negotiator had participated in previous Ford-Toyo Kogyo negotiations, and one of Toyota's negotiators went on to the talks with GM. A GM negotiator had been involved in GM-Suzuki and GM-Isuzu talks. Moreover, the GM-Toyota negotiations in 1982-1983 themselves constitute an "experience," for the two companies subsequently went on to negotiate other ventures, including a holding company and product-sharing arrangement in Australia in 1987.

CONCLUSION

...competing explanations overlook the potential for concurrent or multiple causes of IORs [interorganizational relationships]....rigorous adherence to the explanations of any single theoretical paradigm or contingency is likely to reveal only part of the truth about why interorganizational linkages develop (Oliver, 1990, pp. 249, 260).

Intrigued by what Underdal (1991) called the "ultimate" dependent variable in negotiation research—the negotiation outcome—I pursued this study with two main purposes. One was to explain the outcomes of Toyota's two joint venture negotiations; the other, to rough out a general model for interorganizational negotiation outcomes. One of the themes that ran most clearly through both endeavors was, as indicated in the quote above, the appropriateness and power of a multiple cause, diverse perspective approach to outcomes of interorganizational negotiations.

The Toyota-Ford and GM-Toyota cases stimulated many insights and supported many lessons. The chronologies of proceedings, assignments of personnel, and participants' explanations constitute extraordinary pictures of the richness and complexity of real-world negotiations between organizations. In addition, the Toyota-Ford talks illustrate the challenges of deciphering a real endpoint in protracted discussions.

But it is the specific types of causes brought out by both cases that are most interesting. To name just a few, these causes include the valuable role of intermediaries (leadership influence); internal conflict such as that between Toyota's manufacturing and marketing arms, GM's finance and manufacturing people, and Ford and Toyo Kogyo (intraorganizational activity); and host and home government pressure, competitors' moves, and the Arab boycott threat (environment). All of these actions and conditions underscore the variety of influences on negotiating parties and reinforce the position that an explanation centering on a goal-gain perspective simply does not tell much of the story.

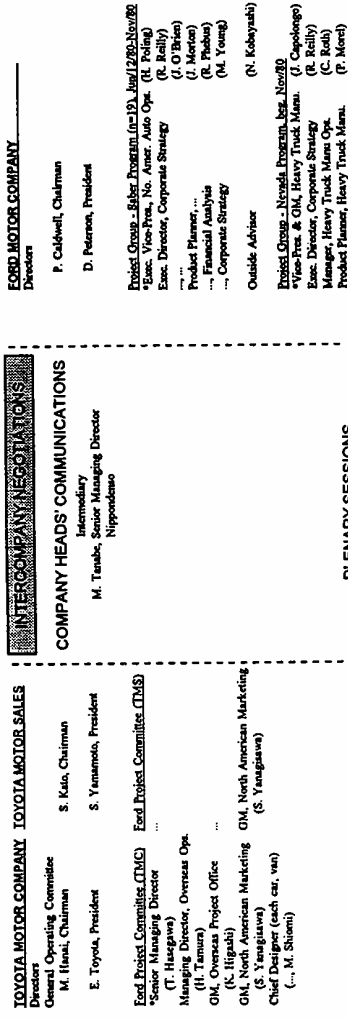
The biggest surprise—an unintended discovery—in this study had to do with contrary influences in the two negotiations. In the Ford case, agreement-promoting factors—"countervailing effects" (Druckman, 1986, p. 346)—included the negotiators' rapport, government pressure, and the Toyota chairman's memories. In the GM case, intraorganizational activity generally and in other areas, the parties' initial arrogance, lack of chemistry between negotiators, tough negotiating tactics, and financial and legal issues, all impeded progress toward an agreement. These observations remind us that negotiating for an agreement is not a facile, by-the-numbers trajectory, but an ongoing, often delicate, balancing act.

As for the broad implications of this study, the Toyota cases certainly ground the M-Model, the preliminary, multi-perspective model for interorganizational negotiation outcomes. This model unbundles the outcome of a negotiation and in the spirit of Oliver's above quote, incorporates multiple paradigms, new and old. Its components and form, and its allied propositions, offer researchers a way to organize disparate, existing studies and various ideas for future research, while also providing practitioners now with focal points to monitor and try to influence in their negotiations.

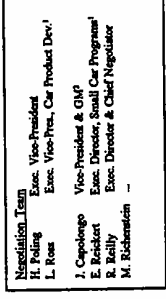
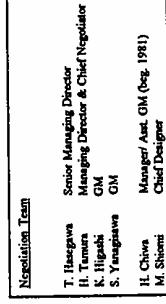
What causes the outcomes of interorganizational negotiations, especially those conducted internationally, is undoubtedly a complex truth. As Gulliver (1979, p. 168) suggested, real-world outcomes may not be entirely predictable (cf. Armstrong & Hutcherson, 1990). Indeed, one of the attractions of negotiation for parties who seek to resolve conflict or deliberately shape their relationships is its inherent malleability. Nonetheless, predictability is only one test of validity and value, and one can discover more of this truth without necessarily diminishing the malleability of the process. Just how much of a role the M-Model can play in this process for other studies of negotiation remains to be seen. It has clearly heightened awareness and advanced our understanding of influences in negotiations like those which Toyota undertook with Ford and GM.

APPENDIX A

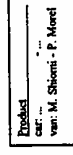
Toyota-Ford Negotiations—Internal and Joint, Intercompany Groups (May 1980-July 1981)



PLENARY SESSIONS



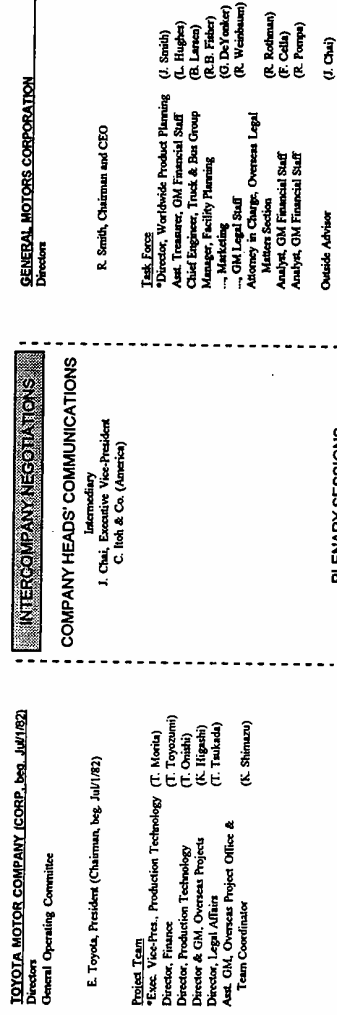
STUDY TEAM (JOINT MEETINGS)



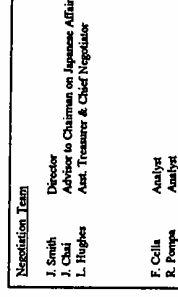
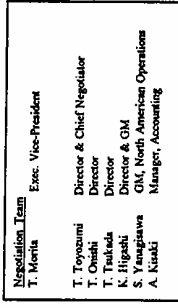
Notes: * Executive responsible for project.
Negotiators are listed hierarchically and on line with counterparts of equivalent rank (GM = General Manager).
1. Only involved in discussions of car. 2. Only involved in discussions of van. Reilly appointed chief negotiator beg. Jan./8/81.

APPENDIX B

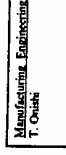
GM-Toyota Negotiations—Internal and Joint, Intercompany Groups (January 1982-February 1983)



PLENARY SESSIONS



STUDY TEAM (JOINT MEETINGS)



Notes: * Executive responsible for project.
Negotiators are listed hierarchically and on line with counterparts of equivalent rank (GM = General Manager, except for positions on General Motors' (GM) Task Force).

APPENDIX C

Juxtaposed Month-by-Month Chronologies of Toyota's Two Negotiations*

Month	Date	Ford Case	Date	GM Case
1	1980 May 12	E. Toyoda writes to Peterson proposing a joint venture in manufacturing	1982 Jan	R. Smith writes to E. Toyoda proposing a joint venture in manufacturing
	Jun 1-5	Nippondenso Senior Managing Director Tanabe presents E. Toyoda's letter to Peterson in the U.S.	Jan 7	GM assembles internal task force
	Jun 10	Peterson meets with Tanabe, sends letter expressing his interest in proposal to E. Toyoda	Jan 19	J. Smith, Larsen and Chai go to Japan to survey Toyota's projects
			Jan 21	Chai presents R. Smith's letter to E. Toyoda in Japan; E. Toyoda, Hanai and Tamura talk extensively with him
2	Jun 12	Ford establishes internal project group	Feb	J. Smith and Chai visit Toyota for preliminary talks with Tamura and Yanagisawa
314	Jun 12	With UAW, Ford files complaint with ITC, under 1974 Trade Act, that imports are injuring domestic auto industry		
	Jun 16	Toyota replies to Ford that it is willing to proceed		
	Jun 17-18	Ford team meets with Toyota representatives in Japan for initial talks concerning Toyota's proposal		
	Jun 22-23	four-man Ford team visits Toyota for product and business review (car: Toyota Camry, code-named Saber by Ford)		
	Jun 24	Peterson and Poling meet with presidents of Toyo Kogyo and Sumitomo Bank in Japan		
	Jun 24	Peterson and E. Toyoda meet in Toyota City, review a joint discussion paper, agree on framework, form working group		
	Jul 3	E. Toyoda meets Sumitomo Bank President Isoda and agrees to 10% equity participation in joint venture for Toyo Kogyo		
	Jul 7	Ford's Small Car Programs completes product evaluation of Toyota's Camry		
	Jul 9	NHK reports Toyoda-Peterson meeting in a news scoop during President Carter's trip to Japan for PM Ohira's funeral	Feb 26	Ford sends letter to Toyota offering to sell it Ford's Mahwah, NJ assembly plant
	Jul 10	Peterson writes to E. Toyoda outlining major problems and inviting him to meet Poling		
3	Jul 14	Ford publicly confirms reports of its talks with Toyota	Mar 1	R. Smith and E. Toyoda meet in New York City to discuss the joint venture concept and agree to pursue it
	Jul 17	after attending Kissinger Forum in New York, E. Toyoda meets Poling in Cleveland to discuss outstanding problems	Mar 8	Toyota's General Operating Committee convenes to discuss specifics of GM's joint venture proposal
	Aug 1	E. Toyoda writes to Peterson requesting more information on unsuitability of Camry	Mar 9	Wall Street Journal reports Smith-Toyoda meeting and their exploration of joint production in the U.S.
			Mar 15	E. Toyoda assembles project team and designates Morita as its lead
			Mar (end)	Agreement in principle reached on undertaking a feasibility study for a joint venture
4	Aug 21	Caldwell publicly asserts Ford's interest in 500,000-600,000 cars per year and a family of models from Toyota	Apr 5	GM Board of Directors informed of discussions with Toyota and their strategic implications
	Aug 25-26	Negotiation #1 to select a product held in Dearborn between teams led by Ross and Hasegawa		

Appendix C (Continued)

Month	Date	Ford Case	Date	GM Case
	Aug 29	Target date for completion of memorandum of understanding (Ford's, set in June)	Apr 14-16	At Negotiation #1 in Tokyo, GM proposes memorandum of understanding (MoU) (G-1) hoping to complete it by the end of their trip; product (Sprinter) agreed upon
5	Oct 1	Prior to talks with Toyota, Ford team meets with presidents of Toyo Kogyo and Sumitomo Bank	May 17-20	Negotiation #2 takes place; GM presents a few site location analyses for plant, recommends Fremont, CA; discussion ensues
	Oct 1-3	Negotiation #2 held in Toyota City, and discussion shifts to mini-car and compact van as possible joint products		
6	Nov 10	U.S. ITC finds against Ford-UAW import complaint filed in June	Jun 24	Negotiation #3 begins after Morita and other Toyota officials survey GM's U.S. plants, including Fremont
	Nov 10-14	Iraqi Ministry of Trade notifies Japanese embassy that Arab nations may boycott Toyota if agreement signed with Ford		
7	Nov 17	Negotiation #3 to select a product held in Nagoya; Toyota proposes Town-Ace (van); Capolongo sees Toyota facilities	Jul	Engineers from GM and Toyota meet to discuss technical details
	Nov 17-21	Ford representatives visit Toyo Kogyo in Japan		
	Nov 20 (by)	ITC Commissioner Calhoun queries FTC about anti-trust implications of the negotiations	Aug 6	During Negotiation #4, Toyota proposes a draft MoU (T-1)
8	Dec 18	Reilly writes to Hasegawa requesting shipment of fiberglass model of van to Ford before mid-February		
	Dec	Communications between companies' lead negotiators concern assembly linespeeds, degree of automation in design, etc.		
	1981 Jan 1	Feasibility study on Toyota production in U.S. completed by Arthur D. Little (began in April, 1980)	summer (end)	Agreement reached on engineering and manufacturing issues (product, plant site, production volume, sales channels)
	Jan 2	Working groups on business and on manufacturing meet		
9	Jan (mid)	Toyota manufacturing team led by Onishi visits Ford plants and talks to Assembly Division executives		
	Feb 1	Caldwell, on an Asian tour, meets with E. Toyoda in Tokyo		
	Feb	Working group on sourcing meets		
	Feb 5	Negotiation #4 in Nagoya summarizes progress and produces a conceptual agreement on ownership, role of Toyo Kogyo, local content, production volume, and distribution; Ford assembly representatives visit Toyota to study its assembly processes for plan to convert Ford plant	Sep 20-23	Negotiation #5 held in Tokyo, and GM proposes its second draft MoU (G-2)
	Feb 7	Kyodo News reports agreement on van, number of plants, possible plant sites, production volume, sales channels		
	Feb	Ford spokesman later denies reports of agreement to produce 1.8 liter van		
	Feb	Toyota ships fiberglass model of van to the U.S.		
	Feb	Toyota contacts three U.S. firms as potential antitrust counsel		
	Feb 11	Ford announces at press conference in Los Angeles that the companies have short list of three possible cars		
10	Feb 16	Fiberglass model of van arrives in Dearborn		
	Feb 22	Reilly and Tamura meet to review memorandum of understanding (MoU)		

(continued)

Appendix C (Continued)

Month	Date	Ford Case	Date	GM Case
	Feb 23-25	Poling visits Toyo Kogyo then goes to Toyota; Negotiation # 5 held		
	Feb 26-27	At Negotiation #6 in Dearborn, Ford states van product is acceptable; production site discussed		
Mar		Second target date for agreement (set by Ford)	Oct 14	GM and Toyota exchange revised draft MoUs (T-2, G-3); the issues remaining include total investment amount, profit margin of joint venture, plant price, royalties, sourcing and component prices
Mar 2-5		Product/supply working groups meet in Dearborn; preliminary sourcing plan developed		
Mar 5		Poling writes to E. Toyota that framework for parts sourcing well-established, van well accepted, asks to complete MoU before week of April 6	Oct 19-20	Negotiation #6 in New York addresses Fremont plant valuation (GM seeks \$264 million; Toyota offers \$13 million); cool period ensues
Mar 9		Yamamoto announces agreement with Ford on 9-person mini-bus but Ford denies it; Toyota supports Ford's correction		
Mar 9-10		Toyota representatives visit Ford's MSD and AAD Metropolitan plants		
11	Mar (mid)-early Apr	Focus group at Ford finds Town Ace-based van unsatisfactory successor to Econoline van ^a ; report completed later	Nov 1	Honda starts car production in Marysville, Ohio
Mar 19		Working group on engineering meets in Toyota City	Nov 11	Toyota proposes another draft MoU (T-3) and demands upfront royalty payment of \$50 million plus ongoing royalty rate
Mar 23		Agreement announced by Hasegawa at press conference	Nov 16-26	E. Toyoda visits the U.S.
Mar 30		Peterson announces general agreement on basic design of a joint venture product	Nov 30	R. Smith suggests solution for valuation of Fremont property and capitalization of venture, and requests that Toyota drop its demand for initial royalty; GM offers MoU (G-4)
Mar-Apr		Feasibility study on Toyota production in U.S. completed by SRI (had begun in April, 1980)		
12	Apr 16-17	Joint working groups on manufacturing and on sourcing meet; draft MoU discussed	Dec 15	Domestic content bill HR5133 passed in U.S. House of Representatives
Apr 20-21		Negotiation #7 in Nagoya addresses business issues and changes in MoU	Dec 23	Yamamoto and Iwasaki meet with R. Smith in Detroit
May 1		After one year of negotiation with the U.S., MITI announces Japan's first voluntary restraint on auto exports to U.S.	Dec 27	E. Toyoda accepts Smith's proposal for Fremont valuation and capitalization of venture, and drops demand for upfront royalty; they resolve to finalize MoU quickly; Toyota offers revised MoU (T-4)
May 11		Poling writes optimistic letter to Hasegawa encouraging continuation of joint efforts		
May 12		GM and Suzuki conclude negotiations allowing GM to acquire 5.3% of Suzuki for \$38 million; Suzuki and Isuzu swap shares	1983 Jan 9	GM drafts and presents another MoU (G-5)
May 20-22		Joint target date for management approval of MoU (set by Ford and Toyota on April 10)		
May 20-21		During Negotiation #8 in Toyota City, Ford negotiators present negative market research results ^b ; sourcing raised	Jan 20	GM team arrives in Nagoya for last negotiation (#7), tables draft MoU (G-6); Toyota suggests Jan. 24 for next meeting
May 22		Tanabe meets with Reilly to learn for Toyota more about Ford's intentions concerning cooperation	Jan 25	All-day negotiations held; GM perceives no movement by Toyota and fears collapse of deal
May 23		Toyota pullout from talks reported in <i>Detroit News</i> , <i>Washington Post</i> , <i>Financial Times</i> , and (on May 26) <i>Wall Street Journal</i>	Jan 26	Critical meeting between J. Smith, Toyozumi and Chai revives agreement; MoU (T-5) quickly assembled; that evening, Toyota reopens legal and termination issues, but they are resolved
May 26		At joint meeting #9, Toyota inquires about Ford's market research methods; disagreement lingers on product type, production facility, financing, organizational structure		
May-Jun		Toyota representatives meet with Arent, Fox (U.S. antitrust specialists) for the first time		
Jun 2		Ford reportedly very much encouraged by latest talks	Jan 27	GM negotiating team celebrates finale at McDonalds

APPENDIX D

"X" Sources for Table 2

X Code:

1. outside interviewee for Toyota-Ford case
- 2-6. outside interviewees for GM-Toyota case

Toyota-Ford case articles:

7. Ofusa, J. (1981, July 3). Ford link to Toyota is stalled. *New York Times*.
8. (TPW). (1980, July 11). Toyota president in Washington to explain intended Ford tie-up. *Japan Times*.
9. Gooding, K. (1981, July 21). Ford and Toyota call off talks on joint production in U.S. *Financial Times*.
10. (TNA). (1980, July 11). Toyota negocie avec Ford un accord de cooperation industrielle. *Le Monde*.
11. Tharp, M. (1980, August 30). Toyota expects accord by year's end on joint production of cars with Ford. *New York Times*.
12. (ETF). (1980, July 15). Editorial: Toyota-Ford tie-up. *Japan Economic Journal*.
13. Koshiha, K. (1980, July 15). Toyota to aid Ford; history's irony? *Japan Times*.
14. (THT). (1980, July 21). Toyota hopes to reach agreement with Ford. *Asahi Evening News*.
15. Aparcar, L.M. (1980c, August 7). Ford would consider a new Toyota plan for car-making venture, sources say. *Wall Street Journal*.
16. (FMR). (1980, July 16). Ford may reject Toyota's proposal. *Japan Times*.
17. (FSI). (1981, June 2). Ford says it is making progress in talks with Toyota on possible joint production. *Wall Street Journal*.
18. Stevens, C. (1981a, July 16). Ford, Toyota officials to resume talks on venture in U.S. as pessimism grows. *Wall Street Journal*.
19. (THQ). (1981, May 23). Toyota has qualms on Ford venture. *Washington Post*.
20. Fitzgerald, P.J. (1981b, June 10). Arab boycott chills Ford. *Detroit News*.
21. Aparcar, L.M. (1980b, September 3). Ford and Toyota officials will meet soon to continue talks on auto output in U.S. *Wall Street Journal*.
22. Holusha, J. (1981, July 21). Ford fails to reach Toyota accord. *New York Times*.
23. (FTI). (1980, July 11). Ford, Toyota in talks on setting up plant in U.S. *Bangkok Post*.
24. (FTE). (1980, July 14). Ford, Toyota eye U.S. production. *Automotive News*.
25. Stevens, C. (1981b, July 21). Ford, Toyota shelve joint venture plans in disagreement on what product to make. *Wall Street Journal*.

Appendix C (Continued)

Month	Date	Ford Case	Date	GM Case
	Jun 6	Negotiation #10 held in Nagoya to address revised cost and profit analyses for van; Ford proposes new car product	Jan 31	Final MoU drafted
14	Jun	Ford notifies Toyota by letter of results of marketing studies on van ^b	Feb 7	GM Board of Directors approves final draft of agreement
	Jun 21	Third target date for preliminary agreement (Ford's) Reilly goes to Japan	Feb 12-13	MITI informs USTR of limit of 1.68 million auto exports for third year (April 1, 1983-March 31, 1984)
	Jun 23	Saudi Ministry of Commerce warns Toyota of possible boycott; later in week, Kuwait follows suit	Feb 14	Toyota Board of Directors convenes; GM and Toyota simultaneously issue press releases on agreement in U.S. and Japan
	Jul 2	E. Toyoda announces the companies' disagreement on type of product and asserts his unwillingness to make new offer	Feb 17	Memorandum of Understanding signed by E. Toyoda and R. Smith in Fremont, CA
15	Jul 16	Hasegawa and Poling decide to abandon van program during meeting in San Francisco		
	Jul 20	Poling announces indefinite tabling of Ford-Toyota joint venture talks		

Notes: Dates are based on time at location specified (e.g., Nagoya), or implied, given the actor (e.g., U.S. for Ford). Otherwise, assume U.S. (Eastern) time. Tokyo is 14 hours ahead of U.S. Eastern Standard Time.

For main, operational level negotiations; working group meetings not included.

^aOne Ford interviewee recalled the focus group meeting in January or February and Ford's Vice-President of Truck Operations voting against the van in March.

^bConcerning the communication of the marketing test results, notice the possible discrepancy between the May 20 meeting (Ford source) and the June letter of notification (Toyota source).

Sources: Ford and Toyota company documents; interviews of participants at Ford, GM, Toyota, and other organizations.

26. (FED). (1981, July 21). Toyota ends discussions on Ford deal. *Detroit News*.
27. Hanson, R. (1981, July 3). Toyota and Ford plan for joint venture in U.S. hits new snag. *Financial Times*.
28. (FRS). (1980, August 29). Ford raises stakes in Japan talks. *New York Times*.
- [29.] (CST). (1980, February). Corporate strategy analysis: Toyota Motor Co., Ltd. *Oriental Economist*, 26-30. [Ultimately, not cited in Table 2.]

GM-Toyota case articles:

30. Fleming, A. (1983, February 21). GM-Toyota: Blazing topic. *Automotive News*.
31. Kahn, H. (1983, February 7). FTC keeping close eye on any GM-Toyota deal. *Automotive News*.
32. (GTA). (1982, March 9). GM, Toyota agree to explore joint output of small car, a proposal rejected by Ford. *Wall Street Journal*.
33. (TGS). (1982, March 13). Toyota and GM: Shadow-boxing. *Economist*, p. 66.
34. Korten, J., & Kanabayashi, M. (1983, January 24). GM "90%" sure of joint venture accord with Toyota in U.S. as the talks drag on. *Wall Street Journal*, 14.
35. Korten, J. (1983b, January 31). GM, Toyota pact is expected soon on joint output. *Wall Street Journal*.
36. Korten, J. (1983e, February 14). How Toyota stands to gain from the GM deal. *Wall Street Journal*.
37. (TCA). (1982, August 2). Toyota: Can a "handshake" with GM revive its slumping export sales? *Business Week*.
38. Hartley, J. (1983, January 24). GM and Toyota trying too hard? *Automotive News*.
39. (TTA). (1983, February 5). Toyota takes a foreign trip with General Motors. *Economist*, pp. 65-66.
40. (TGR). (1983, February 8). Toyota, GM reach rough accord on joint car production in U.S. *Japan Economic Journal*.
41. Korten, J. (1983c, February 15). GM, Toyota unveil U.S. small-car plan; signing of tentative pact due Thursday. *Wall Street Journal*.
42. Schnapp, J. (1983, September 16). Behind the GM-Toyota pact. *Wall Street Journal*.
43. Holusha, J. (1983, March 22). Toyota on GM deal: Giving aid to opponent. *New York Times*, p. D1.
44. De Lorenzo, M. (1983, February 14). GM-Toyota venture needs much work to wrap up details. *Automotive News*.
45. Korten, J. (1983a, February 18). GM's Smith voices confidence that plan with Toyota will satisfy antitrust law. *Wall Street Journal*.

46. Korten, J. (1983d, June 10). GM-Toyota venture stirs major antitrust and labor problems. *Wall Street Journal*.
47. Hershey, R.D., Jr. (1983, October 19). Toyota Warned By F.T.C. *New York Times*.
48. (HTG). (1983, February 28). How the GM-Toyota deal buys time. *Business Week*.
49. (TGM). (1983, February 20). Toyota & GM agree on forming joint venture. *Nihon Keizai Shimbun*.
50. Johnston, W.B. (1983, March 20). No great deal for the U.S. *New York Times*.

ACKNOWLEDGMENT

This study was made possible by the generous cooperation of Ford Motor Company, General Motors Corporation, and Toyota Motor Corporation management and staff, and other interviewees, and partial support from the Center for Japan-U.S. Business and Economic Studies at New York University. This manuscript also benefitted greatly from audience feedback at several research seminars (e.g., University of Michigan, Waseda University [Japan]), the editors of this volume, and research assistant Stephane Hickmott. None of these organizations or individuals bear any responsibility for errors in the text.

NOTES

1. To cover this entire class of outcomes, the term "no-agreement outcome," which was popularized by Lax and Sebenius (1986, p. 46ff), is preferable to a number of alternatives with narrower meanings or built-in biases. These terms include "impasse" (see Druckman, 1986, p. 333; Underdal, 1983, p. 184), "standoff" (Bueno de Mesquita, 1990), "no progress" (Greenhalgh & Kramer, 1990), "stalemate" (Gulliver, 1979, p. 77ff), and "failure to agree" (Pruitt, 1981, p. 231ff).
2. By necessity, this chapter is an abridged version of a much longer report.
3. Publicly, Ford Chairman Caldwell and other company spokesmen insisted through September, on labeling these meetings "direct communications" and "exploratory talks" instead of "negotiations" (FAT, 1980; FRS, 1980).
4. A Toyota interviewee mentioned the development and use of a joint "discussion paper," although a Ford interviewee told me there had been no such document. Perhaps the paper was a key internal document for Toyota negotiators. I have not been able to settle this dispute definitively.
5. According to Haberstam (1986, p. 573ff), Ford had developed a mini-van, the Mini/max, in the late 1960s. In 1976 and again in 1978, one Ford executive had recommended its introduction to the U.S. market but was overridden by others. The first mini-van was introduced in the United States in the fall of 1983 by Chrysler. On September 12, 1988, over 8 years after Eiji Toyoda first wrote to Donald Peterson, Ford announced an agreement with Nissan to jointly produce mini-vans in the United States (Holusha, 1988).
6. Specifically, Sawyer and Guetzkow (1965, p. 489) wrote that negotiated agreement is possible when parties' "minimum dispositions" overlap (cf. Raiffa's, 1982 "zone of agreement").
7. An alternative conceptualization is that bargaining power enables a negotiator to obtain more of what he wants than the counterpart is able to obtain of what she wants (see also Yan & Gray, 1994, pp. 1480-1481).

8. Power-based explanations have generally been faulted for tautological reasoning. Parties' initial goals and preferences are often not directly known, so they are either assumed or inferred from the negotiation outcome (e.g., a joint venture negotiator seeks majority ownership). And yet, negotiators and observers persist with their interest in bargaining power. Americans have often voiced concern about Japanese winning U.S.-Japan negotiations (e.g., Prestowitz, 1988). Several American observers asserted that Toyota had won in its negotiations with GM (e.g., Korten, 1983e).

9. In research on international political negotiations, relevant studies include Inoguchi and Miyatake's (1979) use of a budgeting process to successfully predict Japanese-Soviet quotas on salmon catches and Jensen's (1976) convergence studies of arms control negotiations. For "failure," the culprits cited include uncertainty, inaccurate information, process-generated stakes, and political inadequacy (Underdal, 1983).

10. On the challenges of characterizing real-world outcomes empirically, see, for example, Odell (1985, pp. 265-272) and Kobrin (1987, pp. 622-624).

11. One clear reason for this preference, particularly in statistically based research, is the greater variation exhibited in agreement outcomes than possible in the agreement-no agreement dichotomy.

12. This is not unusual for a business enterprise. Negotiators whom I interviewed for this and other studies have commonly asserted that such accounts demand too much of their time (for they quickly move on to their next negotiations) and present too great a security risk or exposure to outside groups such as regulatory agencies.

13. The exception was a meeting I had with four individuals.

14. In retrospect, as a participant noted at the 1996 Conference for Research on Negotiation in Organizations, the format of these outcome questions might have inhibited interviewees. To obtain the full scope of their views about outcome determinants, I could have asked, "What factors in this negotiation promoted agreement, and what factors impeded it?" Nevertheless, as we shall see in Table 1, many sources did expand on their answers in such a way as to touch on both promotive and detrimental influences.

15. For instance, one might comment on whether there was more time pressure on Toyota in the GM-Toyota negotiations than in the Toyota-Ford negotiations. This, of course, speaks to the question that stimulated this study rather than the respecified question actually pursued.

16. I tape-recorded the beginning of my first interview but then abandoned the effort. Research colleagues with whom I spoke about conducting interviews with executives or on sensitive topics or information conveyed similar experiences. They found that interviewees who were tape-recorded volunteered less information than those who were not.

17. For example, *tatemae* could explain the public assertions by Toyota Motor Company's vice-chairman that the joint venture initiative with GM stemmed from Toyota's interest in "helping" GM (Holusha, 1983). In an interview for this study, one Japanese referred to his role in the negotiation as mere "translator," whereas another interviewee said point blank, that the first interviewee had certainly been more than that. Recall also the concern about government agencies (Endnote 12).

18. Specifically, I am indebted to Susan Douglas of New York University's Stern School of Business and U.S. Ambassador John McDonald.

19. The seven perspectives could also be characterized as structuralist (e.g., environments, goals, and substantives), behavioralist (negotiator behavior), historical (experience) and pragmatic (leadership) (see Weiss, 1988).

20. Of course, another possibility is that one of the parties learned "when to say no" from past negotiations.

21. My early thoughts about this perspective actually subdivided goals into substantive "aspirations" and relationship-based goals, and treated them as separate explanations for negotiation outcomes.

22. Cognitive domains such as perception, judgment, expectations, and learning, which influence behavior, were omitted from this category since they are not observable and would overextend this explanatory viewpoint.

23. A case in point is the opening gambit typically made by General Electric's vice-president of industrial relations, Lemuel Boulware, in the 1950s. He would put a "firm and final" offer on the negotiating table at the very outset of negotiations with all unions. Its terms were based on his extensive research and communications with workers beforehand and his estimate of where the negotiating parties would eventually settle if they engaged in protracted negotiations. Nevertheless, the unions filed an unfair labor practice complaint with the National Labor Relations Board, which ultimately ruled in their favor.

24. In experimental negotiations, negotiators under high constituency pressure have tended to have greater difficulty reaching agreements (Pruitt, 1981, pp. 41-45; Thompson, 1990, p. 521). Bear in mind, though, that Proposition 6 focuses not on the effect of one's own constituents, but on effects of the counterpart's constituents.

25. This was not considered necessary or in some cases, feasible at this stage of the study. Some perspectives, such as the environment and negotiator behavior, entailed many possible variables. More familiarity with the perspectives, as was anticipated from exploring them in the real, Toyota negotiations, seemed necessary before reasonably culling out variables or assigning proxies.

26. For the most part, news articles were only added to the set if they added information to that available from already selected articles. Otherwise, the number could have been very large.

27. The substantive terms reported were accurate in principle. See the section below "Contrary Influences in the Two Cases."

28. Also the diffusion of information contrasted with Ford's internal operating procedures. Two weeks after Toyoda's letter reached Ford, only 13 people in the North American Auto Operations division were aware of the proposal.

29. It was not until April 10, 1991, that Toyota reportedly expected to announce plans to begin exporting cars to Israel (Levin, 1991). The Arab economic boycott was still in place.

30. One Ford interviewee said that Ford, not Toyota, initiated the joint venture talks through Nippondenso. Ford had a preexisting relationship with Nippondenso; the two had been in contact since August, 1979. Internal Ford memos from that period confirm relationships with Nippondenso and Daihatsu, but record instead, that the initiator was Nippondenso. Ford suspected that Toyota was worried about Ford's technological advances and wanted to gain access to them.

These differences underscore the difficulty in many negotiations of identifying exact starting points. Some of the problem may be traced to different definitions of "initiating" negotiation; some of it to different standards of proof. For example, one might ask whether intimations and inquiries rather than proposals constitute the first steps of negotiation with a counterpart. Whoever initiated it, some sort of communication between Toyota and Ford probably did precede Eiji Toyoda's June, 1980 letter. At the same time, it marks a very visible starting point.

31. In mid-July, 1980, a Ford source was quoted as saying, "Another problem is we already have a Japanese partner with a darned fine car" (FMR, 1980). The historical context is important here. It was a period before the proliferation of strategic collaborations in the auto industry and before collaboration with many different partners gained acceptance.

32. Ford and Toyo Kogyo (Mazda) would subsequently team up to establish an assembly plant in Hermosillo, Mexico as a response to the GM-Toyota joint venture. In the mid-1990s, Mazda's financial condition nose-dived, and Ford essentially took over management of the company.

33. This dual existence was mandated by a bank consortium as a condition for rescuing Toyota from near bankruptcy in 1950 (Toyota Motor Corp., 1988, p. 106).

34. Curiously, internal communications at Ford indicated an awareness of these problems as early as October, 1980.

35. Some observers have also suggested that Ford entered talks in order to co-opt Toyota from joining up in an alliance with another major competitor.

36. These observations on the two parties raise interesting questions related to Ikle's (1976, pp. 41-58) concept of negotiating for side-effects, as opposed to negotiating to reach an agreement. For some observers, Toyota entered negotiations primarily to stay government pressure; others suggested

that it sought access to Ford's technological advances. Other observers felt Ford might simply be trying to co-opt a competitor or buy time for the development of its own cars.

37. In December, 1987, GM again joined forces with Toyota, this time in Australia. Smith's public remarks in 1983 were probably intended to allay internal management and stockholder concern about GM's competitiveness and to position the deal vis-à-vis the U.S. Federal Trade Commission, whose approval was necessary to establish a legal joint venture with Toyota.

38. A GM interviewee observed that GM added to its list of goals during the negotiations. One such addition was "learning opportunities" in Table 2.

39. Recall the impact of business groups on the Toyota-Ford negotiations. A Japanese management expert described C. Itoh as "sort of neutral" in comparison to other, competing Japanese general trading companies. He added, however, that C. Itoh had relationships with Toyo Kogyo (Ford, Sumitomo *keiretsu*) and with Isuzu (GM), so Chai had to work carefully as a go-between.

40. According to an already published account (Keller, 1989, p. 85) and my interviews with him, Chai was personally acquainted with several Toyota executives and consequently learned early on that Toyota-Ford talks were underway. By early 1981, he sensed that collaboration would not develop because: (1) they were changing products every three months; (2) Ford and Toyota personnel were complaining about each other; and (3) there was no local incentive like an idle Ford plant. In September, 1981, a senior Toyota executive told him "the deal [with Ford] is dead," so Chai floated the idea of connecting with GM. Three days later, a Toyota executive called Chai and said, "Let's get started." I was not able to pin down exact dates for these meetings.

One interviewee involved in the Toyota-Ford case did wonder aloud whether overtures were made before the mid-July end of the Toyota-Ford talks and if so, whether they influenced the final outcome of those talks. The events of May and June, 1981 (market study, Arab boycott threat) appear to have been very influential, which would make the possibility of interference seem less significant. Still, it is an interesting question.

41. A Toyota interviewee observed that this represented considerably less risk than the Ford proposal, in which he thought Toyota and Ford would each purchase 50 percent of joint venture output.

42. In retrospect, one GM negotiator said that the "flaw" in GM's economic calculations turned out to be its assumptions about macroeconomic conditions. Early in the negotiations, GM assumed that oil prices would remain high and U.S. consumers would switch to small cars. Neither did for some time to come.

43. These doubts arose in discussions about who "won" the negotiations. For instance, one U.S. news article (Koten, 1983e) quoted a GM source as saying "All they [Toyota] can do is win on this" (see also Johnston, 1983; Schnapp, 1983). GM could lose money if the joint venture cum Chevrolet car could not be sold profitably. Paradoxically, the Japanese media, according to a Japanese academic interviewee, generally thought GM had won. In their view, Toyota was losing its competitive edge by granting GM access to its production system. See also ahead note 56.

44. In an interesting twist on this point, a Toyota source noted that the company felt used by Ford, which might have led its negotiators to be wary of GM. This might also explain some of the difficulties GM encountered in dealing with Toyota (see in Table 2, factors with negative attributions under negotiator behavior, intraorganizational activity, and substantives of last proposals).

45. According to interviewees, these sentiments eventually dissipated, but they evince the tenor of the relationship at the time.

46. Part of that position may have been the high value that GM set on its contribution. A document based on the company heads meeting on March 1, 1982 shows that GM's initial positions included production at two GM plants for a total of 400,000 cars per year with the value of those plants set at \$1.2 billion (GM was to contribute the plants and Toyota, the cash and tooling), and a joint venture to produce a modified Toyota van (considered in the Toyota-Ford talks) in the United Kingdom and Europe.

47. These observations about "toughness" relate to various individuals' interest in who "won" the negotiations. See notes 43 and 56.

48. The foreign exchange risk associated with Toyota's supply of key components from Japan could dramatically affect the profitability of the joint venture. Moreover, the changes in the exchange rate were substantial during this period. The rate of Japanese yen per US\$1 had decreased from 296.5 in 1976 to 220.54 in 1981 (*International Financial Statistics 1988 Yearbook*, p. 443), which represented a 26 percent depreciation of the dollar's buying power. For those who could see it coming another huge jump in the yen's value would come in 1986, when it hit 168.52.

Another issue, the transfer price of the car, which GM would pay to the joint venture, was contentious for two reasons. First, GM, as the buyer, emphasized marketing and distribution aspects; Toyota underscored manufacturing risk. Second, prices could only be discussed vaguely because of the anti-trust ramifications of the deal. At the same time, a price had to be fixed, whereas Toyota sought the same price flexibility it enjoyed in Japan. (Ultimately, the price was set according to a formula based on a market basket of 10 comparable cars.)

In a commentary on the financial issues generally, Keller (1991, p. 54) has written that Toyota negotiators were "financially unsophisticated" and "repeatedly expressed frustration" with GM's use of financial techniques to evaluate the attractiveness of the joint venture. Toyota's attitude was that the financials would take care of themselves if the companies worked out the manufacturing and the right product.

49. At the outset of their negotiations, both companies anticipated the antitrust dimensions of their relationship and the interest of the U.S. Federal Trade Commission. Both employed in-house and outside counsel in order to stay within boundaries likely to be acceptable to the FTC. These concerns are efforts were not cited by sources as impediments to the companies' efforts to reach agreement.

50. The document available from the Federal Trade Commission, which is single-spaced, is even shorter in length: 4 1/2 pages plus one exhibit.

51. A Toyota source stated that GM's draft of the final contract was some 5 feet thick, while Toyota's measured 2-3 inches. The final contract was about 6 inches thick.

52. Bear in mind that this factor relates to Proposition 6.0 *only* insofar as Toyota was directly influenced by it. They would have to have known about it (even if they did not admit it).

53. Although independently derived, these possibilities intersect with Kelley's (1979, pp. 26-28) three basic variants of interdependence in personal relationships: "reflexive control" (how and to what extent each person affects his or her own outcome); "behavior control" (how each person's outcome are determined by combinations of their actions [joint actions]); and "fate control" (the manner in which each person's outcomes are controlled by his or her partner).

54. Citing two causes for the Toyota-Ford impasse, a Ford source estimated that 90 percent of it was due to the Arab boycott threat and 10 percent, to the products proposed. In the GM case, a GM source directly compared the impact of Chai's active mediation to that of the companies' interests.

55. As one would also expect, insiders viewed their own company more favorably than the counterpart's (e.g., in the Ford case, Toyota and Ford sources' conflicting attributions for "Toyota's sincerity" and "Ford's top management").

56. "Mutual agreement" notwithstanding, a number of insiders and other observers offered opinions on who "won" the talks. In addition to the outsider sources mentioned in note 43, one Toyota source interviewed said Toyota "negotiated well" and "got more of the things they wanted than GM got of its wish list."

57. By this point, according to a Ford source, Ford was concerned about its public relations in Japan. This proposal may thus have been primarily a move to boost or recoup its reputation, especially with potential suppliers and creditors.

58. Of the Big Three U.S. auto makers, Eiji Toyoda "felt closest" to Ford since he had visited its plants in the 1950s as Toyota Co. was considering branching out into car production (Toyoda, 1985, p. 165). Indeed, research has shown that firms are more likely to select joint venture partners from firms with whom they have had a relationship in the past (Gulati, 1995). But one side's affinity was clearly not enough to achieve an agreement.

59. Two interviewees, both Japanese, volunteered explanations based on direct comparisons of the two cases. One saw the key differences in the environment and business groups (the Toyo Kogyo connection with Ford; GM's connection with Chai and C. Itoh). The other interviewee emphasized increased external pressure in the GM case—specifically, from negative public opinion and Toyota competitors' forays into the U.S. market.

60. One interviewee in the GM case acknowledged that culture plays a role in international business negotiation but elaborated that there are corporate as well as national cultures and that the main determinant of outcomes in such negotiations is quite simply what shows up on the bottom line (a substantives perspective).

61. As it happens, more powerful negotiators do not always take advantage of their position to gain more favorable outcomes. Greenhalgh and Neslin (1983, p. 129) found no effect in experimental negotiations, and Odell (1985, p. 275), in a study of U.S.-Korea trade negotiations, actually found that the United States offered Korea better outcomes when Korea was in weaker positions (see also Patchen, 1988, p. 314).

62. I am indebted to John Campbell of the University of Michigan for this idea as well as the general impetus to think about the working operation of the model.

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*For newspaper articles not listed here, see Appendix D.