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The Strategy of Cooperational Negotiation: A Case Study on Intel's Acquisition

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Abstract. This paper examines Intel's merger and acquisition of Altera as a case study to analyze the bargaining technique that led to a mutually advantageous solution, consolidating Intel's market position. This study comprehensively analyzed the three theoretical ideas of strategic positioning alignment, resource integration and synergy, and negotiating tactic flexibility. Initially, firms may only establish collaboration after accurately assessing their own growth trajectory and clarifying their own requirements. Furthermore, it's essential for both parties involved to make necessary adaptations in their people resources, capital resources, information resources, and other relevant areas in order to attain a mutually advantageous objective after the merger or acquisition, thereby fostering collaboration. Moreover, in the event that both parties exhibit a strong commitment to optimizing their advantages and demonstrate an unwillingness to make concessions, it is quite probable that the negotiation will not succeed. This paper offered suggestions based on these three characteristics. Firstly, by clearly defining the strategic posture of both sides in areas such as culture, economics, and market and ensuring some level of alignment or agreement, the chances of a successful negotiation are enhanced. Furthermore, by making a precise delineation of the resources possessed by each party involved, firms may efficiently combine these resources and provide mutual assistance in creating advantages. Finally, it is imperative that firms engage in discussions to secure appropriate compromises or provide relevant advantages to the opposing side in order to achieve the desired outcome of the negotiation.

Keywords: Coorperational Negotiation Strategy, Altera, Intel, Acquisition.

1. Introduction

While the global semiconductor market expanded slowly in 2015, with personal computer (PC) goods hardening and end-market demand declining, resulting in a drop in sales, industry rivalry got more fierce. Global semiconductor sector sales in 2015 were $335.2 billion, a small decline from 2014 [1]. Global sales in December 2015 were $27.6 billion, down 4.4 percent sequentially and 5.2 percent from December 2014 [1]. Fourth-quarter sales were $82.9 billion, a 5.2 percent decrease from $87.4 billion in the fourth quarter of 2014 [1]. The World Semiconductor Trade Statistics (WSTS) aggregates all monthly sales numbers, which are a three-month moving average. China outperformed all other regional markets, with a yearly sales increase of 7.7%. All other regional markets—the Americas (-0.8 percent), Europe (-8.5 percent), Japan (-10.7 percent), and Asia/Pacific/All Other (-0.2 percent)—saw sales reductions in 2014 [1].

A major consolidation of the semiconductor industry has also ensued, ultimately leading to a boom in mergers and acquisitions in the semiconductor industry. Intel is a global leader in both semiconductor technology and computer innovation. Together with its partners, Intel is spearheading innovation and application breakthroughs in transformative technologies like artificial intelligence, 5G, and smart edge, aiming to drive a smart, connected world. Its primary mission is to serve the computing needs of web giants such as Facebook, Google, and Microsoft, whose services require Intel's Xeon processors. Given the market's rigidity and economic downturn, Intel has resorted to mergers and acquisitions, along with other methods, to transform the current market, adversely affected by both financial and technological factors. This merger and acquisition spanned from February 2015, when news about it broke, to June 2015, when Intel announced the merger and

acquisition's success. The success of this merger allowed Intel to retain its corporate position in the semiconductor industry and realize positive economic growth in a negative economic climate.

Previous studies have already focused on this field and made plenty of studies. For instance, Perepelitsyn and Artem explored methods and tools for prototyping hardware gas pedals using field-programmable gate arrays (FPGAs) following Intel's acquisition of Altera [2]. Satoshi Matusoka studied FPGA technology development and product launch with Intel's acquisition of Altera [3]. Researchers also studied the global market utility aspects of FPGA chips. With a single-chip FPGA, Arisandi controls the position of multiple servo motors [4].

Despite extensive research into the type, role, application, and other aspects of products launched after Intel's acquisition of Altera, the negotiation methodology and strategy between Intel and Altera remain largely unexplored. This paper fills a gap by analyzing these methods and strategies, with the aim of developing negotiation strategies that enhance enterprise cooperation and create a win-win situation. The economic development of the times has brought enterprises closer together, making business negotiation an indispensable method to realize their interests and rights. A reasonable and efficient use of an appropriate negotiation strategy can bring tremendous benefits to the enterprise space. A successful business negotiation can not only maximize the benefits but also establish a favorable image for the enterprise to a certain extent, so that the enterprise has stronger competitiveness in the industry. Therefore, these unexplored methods and strategies are crucial and valuable in enterprise negotiation.

In order to fill the gap, this paper takes Intel's merger and acquisition of Altera as an example. Analyzing the negotiation strategies employed in the M&A process is crucial for ensuring its success and satisfaction for both parties. The focus of this paper will be on enterprise-to-enterprise negotiations, with the aim of identifying key elements for strategy development, balancing the interests of both parties, promoting a win-win discussion, and presenting practical recommendations.

2. Case Description

The primary purpose of Intel's acquisition is to obtain Altera's FPGA technology and product line. Intel's acquisition of Altera began in February 2015. According to media reports, Intel first proposed the merger and acquisition price of $58 per share, and after reviewing Altera's undisclosed information, it changed the offer to $54 per share. TIG Advisors concluded that Altera's board of directors rejected Intel's merger, thereby depriving shareholders of a vital opportunity. TIG Advisors brokered a $16.7 billion deal [3]. Ultimately, Altera functioned as a new business unit of Intel, christened Programmable Solutions Group (PSG).

Intel aimed to ensure a smooth transition for Altera's customers, as well as provide continued support and future product development for many of Altera's products, including FPGAs, ARM-based SoCs, and power products. In addition to strengthening the existing FPGA business, the Programmable Solutions Business Unit worked closely with Intel's Data Center and Internet of Things Business Units to introduce the next generation of highly customizable and integrated products and solutions.

Through mergers and acquisitions, Intel quickly carved into the FPGA space and organically combined it with its own connectivity and computing capabilities. This also has a series of implications for Intel. First, Intel's acquisition of Altera helps diversify Intel's product line, further reducing its dependence on the mature computer chip market while partially absorbing excess capacity in the chip industry. Second, this transaction brings Altera's intellectual property portfolio to the table, enabling Intel to consolidate its strengths in the server and data center business. When Intel's Xeon family of products for enterprise servers and workstations are combined with Altera's FPGAs, some tasks running in data centers are sped up 10 times faster, and CSIs are sped up 2 times faster. This effectively increases Intel's market share in the server sector. Third, in a declining economy, the merger and acquisition of Altera have significantly impacted Intel's financial results. In 2014, Altera achieved a revenue growth rate of approximately 12 percent

3. Analysis of Problems

3.1. Reasons on Matching of Strategic Positioning

Intel can successfully merge and acquire Altera because he has implemented an accurate match of strategic positioning. Despite the global PC market's rigidity in 2015, the enterprise mobile market is developing at a faster pace, and both the number of commercial smart terminals and mobile user populations are increasing. AMD, a company heavily dependent on the PC market for its revenue, has been encroaching on Intel for a significant portion of the market share. Additionally, Intel is actively pursuing internal changes within the company, with the aim of achieving a comprehensive combination of CPU and FPGA hardware specifications to effectively navigate the IoT market. Intel's goal is to improve its standing in the digital center and IoT sectors while also reducing its reliance on the PC industry. Intel can acquire FPGA technology. FPGA downstream application scenarios are wide-ranging, and demand is steadily increasing, mainly covering network communication, data centers, artificial intelligence, and so on. Among them, network communications, consumer electronics, and automotive electronics accounted for more than 80% of the total demand [5]. Following the merger and acquisition of Altera to align with Intel's main strategy, the company weakened its products in the fields of communications, networking, automotive development, network processing, and industrial applications, all of which demonstrated excellent performance.

This move is excellent for solidifying Intel's industry position and market share. Duan and Wu explored issues related to strategic positioning based on strategic clusters and theoretical perspectives [6]. Liu Zehao also has confirmed that enterprises can compensate for each other's shortcomings by matching their strategic positioning [7]. This approach not only increases the likelihood of successful negotiations, but it also promotes mutual development for mutual benefit [7].

3.2. Reasons for Resource Integration and Synergies

In the successful negotiation case between Intel and Altera, resource integration and synergy play a huge role. According to the resource-based theory, enterprises can gain control of the target company's resources and capabilities through acquisition, resulting in resource integration and synergistic effects.

To be more specific, Intel acquired Altera's FPGA technology and production line through a merger and acquisition, enhancing their competitiveness and mitigating AMD's significant threat. Furthermore, following the successful merger and acquisition, Intel expanded its initial business focus from CPU and processing power development to the creation of intelligent products for the Internet of Things, including smart furniture. Through mergers and acquisitions, Intel successfully achieved resource integration, allowing it to quickly penetrate the FPGA market, leverage its relatively mature technology and production line, and acquire Altera's original staff customers. This approach eliminates the need for Intel to establish a new production line and recruit new staff, thereby saving time and preventing a significant loss in market share.

In terms of current exploration and analysis, Zhang and Ye conclude that the establishment of public databases to share information and data for resource integration can help the industry explore its development and operation modes [8]. Li Qian concludes that resource integration and synergies, in general, enable enterprises to validate the impact of "1 +1 > 2", and that synergies, primarily comprising management synergy, operational synergy, and financial synergy, are crucial considerations for enterprises undergoing mergers and acquisitions [9]. Theoretically, in the case of mergers and acquisitions, there will be a variety of synergies that will help enterprises better allocate human resources, capital resources, information resources, technological resources, natural resources, and other resources so that businesses can enhance competitiveness, market share, and expand the scope of their business [9, 10]

3.3. Reasons on Flexibility in Negotiation Strategy

Intel's use of a flexible negotiation strategy was one of the reasons for the M&A's success. In the beginning, Intel offered Altera $58 per share, but after reviewing Altera's undisclosed information, Intel lowered the offer to $54 per share [3]. Given Intel's current crisis and the pressing need for FPGA technology to maintain its position in the semiconductor industry and market share, the company must complete its merger and acquisition of Altera. Given that Altera is the world's second-largest FPGA company, Intel is prepared to offer Altera a higher price to facilitate this cooperation. Altera's board of directors rejected the offer of $54 per share [3]. Such behavior prevented Altera's shareholders from benefiting from the offer, thereby providing the investor agency TIG Advisor with an opportunity to promote the merger and acquisition. Intel was not only flexible in the negotiation process, but it also utilized the power of third parties to achieve cooperation.

The analysis of negotiation strategies aimed at achieving a win-win scenario among enterprises confirms that no single party can solely reap the benefits of win-win cooperation. The extent of each party's benefit hinges on the enterprise's current economic capacity and needs. To achieve this, both parties must make concessions or offer additional benefits to the other party, within certain constraints. To achieve cooperation, both parties must make concessions or provide additional benefits to each other [11]. The win-win type of negotiation is profitable for both parties and extremely flexible with the goal of solving problems. Research also demonstrates that negotiation fundamentally involves the exchange of scarce resources between two parties located in different parts of the world [12]. Often, the seller aims to sell the goods at a high price, while the buyer seeks a lower price or offers other feasible benefits in return.

4. Suggestions

4.1. Suggestions for Matching Strategic Positioning

Upon analyzing the strategic positioning of the match, we can infer that during the initial negotiations, both sides of the enterprise should clarify their strategic positioning. To some degree, this alignment or consistency can support both sides of the negotiation, thereby simplifying the realization of the goal.

Mario Morales predicts that a recovery in the memory market and industry-wide inventory alignment solutions will propel the semiconductor market's 20% growth to $630 billion in 2024. The total semiconductor market will reach $804.5 billion in 2027, up from the previous forecast of 6.7%. The semiconductor market will approach $1 trillion in sales in 2029 as the industry transitions to artificial intelligence, computing infrastructure, automotive, high-bandwidth memory, and small chips (chiplets). And Intel has accepted a direct capital injection of up to $8.5 billion from the U.S. government in 2024, as well as a loan of $11 billion for him. Over the next five years, Intel will persist in enhancing its capacity and strength through various methods. As they expand their own strength and capacity, which is inevitable for other companies, they may engage in mergers, acquisitions, or negotiations.

Therefore, this paper proposes the following solutions to address the issue: First, to clarify the strategic positioning of the two sides in economic cooperation, it is more appropriate to strengthen investment or promote the integration of enterprises with an increase in the market. Secondly, to understand the strategic positioning of both parties in terms of culture, it is crucial to select a company that aligns with the enterprise's own culture and philosophy for cooperation. Thirdly, it is important to understand the strategic positioning of both parties in the professional field and select a company that aligns with the enterprise's development or expansion goals for cooperation. Liu confirms that identifying a suitable strategic positioning through the aforementioned suggestions can enhance the success of cooperation between the two sides [7].

4.2. Suggestion for Resource Integration and Synergies

Based on the resource integration and synergistic effects, it can be deduced that in the enterprise negotiation, there can be a good integration of the resources of the two companies and that they can assist each other to maximize benefits, which will promote the probability of success of the negotiations.

Based on the current FPGA and semiconductor markets, artificial intelligence technology is in a new round of explosive development. Therefore, the market demand for high-performance, high-computing-power chips drives Intel to continuously innovate and develop new products. Enterprises should integrate resources and innovative business models to maximize the synergies of "1 +1 > 2" [13]. Negotiations, mergers and acquisitions, or other strategies to combine resources and synergies can help the enterprise achieve its objectives and reap more benefits.

Therefore, this paper proposes the following recommendations in this context: First, allow multiple individuals to coexist in collaboration to maximize the effectiveness of long-term cooperation and mutual assistance relationships. Secondly, both parties should aim for sustainable development through the rational allocation of resources [14].

Wang et al. used an exploratory two-case analysis approach to review the integration of resources of two Chinese PV firms, Changzhou Trina Solar Ltd. and JinkoSolar Holding Ltd., at different times from a dynamic perspective [14]. The cases of these two companies highlight the significance of resource integration for the long-term development of enterprises. Therefore, scientific resource integration is crucial for both enterprises, and it can foster cooperation between them [14]. Wang Baxiang's investigation into the long-term synergy effect of Geely's merger and acquisition of Volvo demonstrates that this synergy effect aids in the transformation of the enterprise, enhances its operational efficiency, and increases its visibility [15]. The aforementioned results of these studies highlight the crucial role of resource integration and synergies in the development of enterprises. These factors also pose a significant concern for enterprises during negotiations, as they provide insight into the potential benefits of cooperation between the two parties.

4.3. Suggestion for Flexibility in Negotiation Strategy

The adoption of different negotiation methods at different times and in different situations, or the application of third parties, can contribute to the success of the negotiation, according to the analysis of the assessment strategy's flexibility.

Depending on the current situation, several companies may target a company for acquisition at the same time. This phenomenon can encourage the buying firm to negotiate at a constant discount. This may result in the buyer losing a lot of money, even if the merger succeeds. Intel's current market is not only expanding within the United States, but also developing overseas.

Therefore, this paper proposes the following solutions to address this issue: First, to break through, the negotiation involves various aspects, such as time schedules, cultural traditions, the company's shareholders, and so on. These can increase the likelihood of a successful negotiation. Secondly, appropriate concessions to the opposing firms should be made in the negotiation on the premise of not harming the overall interests.

Lu and Yang once analyzed the concession strategy of international business negotiation based on consistency of interests, using Geely's acquisition of Volvo as an example [16]. This analysis demonstrated that, provided the overall interests remain unharmed, appropriate concessions could lead to an agreement between the two sides of the cooperation [16]. Si Yanan's strategy selection, influence, and countermeasures, when viewed through the lens of cultural differences, confirm that cultural tradition plays a crucial role in ensuring the success of negotiations [17]. Different cultures lead to different negotiation behavioral habits between companies [17]

5. Conclusion

This paper focuses on the slow growth of the global semiconductor market, but as industry competition intensifies, the semiconductor industry is consolidating its position in relation to Intel's mergers and acquisitions of Altera Corporation. In the merger and acquisition strategy used, what kinds of methods led to the success of merger and acquisition negotiations were studied. Explored what kind of negotiation strategy can help both sides of the enterprise reach a win-win situation.

This paper employs three theories—matching strategic positioning, resource integration and synergy, and negotiation strategy flexibility—to examine the negotiation strategy from the buyer's point of view. This is achieved by analyzing the negotiation strategy, clearly defining each side's strategic position, effectively integrating their resources, offering alternative options to stakeholders, or enlisting the assistance of a third party, all of which can aid both parties in reaching a mutually beneficial agreement.

This paper primarily addresses negotiations between enterprises, focusing on strategic positioning, resource integration and synergies, and negotiation strategy. The flexibility of these three aspects provides a reference method for achieving a win-win situation. These methods, grounded in existing theories, extend beyond the mere application of negotiation; a thorough investigation and analysis prior to the negotiation can significantly enhance the likelihood of success. Simultaneously, this paper lacks comprehensiveness in discussing the specific application of the aforementioned three negotiation methods, necessitating further analysis by future researchers to distinguish more precisely between the various negotiation methods appropriate for different scenarios.

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