

ALLIANCE COMPETENCE: KEY CAPABILITIES FOR SUCCESS

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ABSTRACT

The formulation of alliances and partnerships is a global trend that is growing at an exponential rate. In the United States, alliances now account for 18% of the revenue of Fortune 1,000 Companies—and this figure is expected to exceed 30% by 2004. In Europe, alliances are growing at an even faster rate, and already represent over 30% of revenue. According to recent surveys, 82% of United States executives believe alliances will be a prime vehicle for future growth, and managing alliances is consistently mentioned as one of their three biggest challenges.

Developing a competence in alliances and other collaborative arrangements, therefore, is now high on virtually all corporate agendas. Yet the ability to successfully manage alliances remains elusive. If current trends continue, about 70% of all alliances will fail to deliver the expected results.

In most cases, failure is attributed to mismatches in corporate culture, poor communications, or some similarly high-level cause. This conventional analysis camouflages some specific and fundamental capabilities that are critical for alliance success. These capabilities address facilitating and maintaining alliance-like thinking and behaviours that are a match for alliance strategies. The ability to develop the appropriate thinking and behaviour to be a valued partner is a distinct corporate competitive advantage.

Using recent examples in the oil and gas industry in Canada and Australia, this paper details three key capabilities that are critical to alliance success. Some new approaches to effective partnering in any environment or industry are offered, to help in reframing the challenges that inevitably arise.

KEYWORDS

Alliances, critical capabilities, alliance success factors, collaboration, alliance thinking and behaviour.

INTRODUCTION

Alliances are growing at an exponential rate throughout the global corporate landscape. All forms of collaborative arrangements are transforming the business models of most companies, and becoming essential to their viability. The impact of the new economy and the internet has given rise to the networked economy. In fact, some companies are better described as a constellation of strategic relationships.

In the United States, alliances account for 18% of the revenue of Fortune 1,000 companies, and this figure is

expected to exceed 30% by 2004. In Europe, alliances are growing at an even faster rate, and already represent over 30% of revenue (Booz Allen and Hamilton survey, 1999). So it is not surprising that high on the agenda of virtually all corporations is the need to build alliance competence and increase their success rate with managing alliances.

Yet survey after survey shows that somewhere in the order of 70% of alliance efforts fail—they do not deliver the results they were intended to achieve. With remarkable consistency, the reasons given for failure include high-level causes such as mismatches in corporate culture or poor communication or trust broke down. Conversely, successes are often attributed to having chosen the right partners or good communications.

In searching for repeatable success, companies are focussing increasingly on how to diagnose the fit of a potential partner, how to construct the best deal and how to develop systematic decision-making processes. These approaches are important and should be pursued. However, conventional analysis does not identify what is or is not actually going on in the day-to-day workings of an alliance—how people are behaving and operating—that has them succeed or fail. It camouflages some key capabilities required for success.

Underlying alliance successes are capabilities which instill the thinking and behaviour consistent with, and supportive of, alliance strategies. Some of these capabilities are not unique to alliances, and are equally applicable to the success of a range of corporate endeavours. In an alliance, however, the complexity of managing different if not competing cultures—combined with the challenge of forging a shared identity across organisational, functional and geographic lines—raises the bar in the development of those capabilities that are most critical to alliance success.

At the same time, the opportunities available from alliance success are profoundly attractive to companies in virtually every industry today. Those companies that can significantly add value through successful strategic relationships gain a significant advantage in a highly competitive global market. Moreover, in developing the capabilities required to succeed in alliances, companies have the opportunity to strengthen the leadership, technical competencies and collaborative skills throughout the participating organisations.

Managing critical conversations

Despite the clear opportunity that they represent, the high percentage of failure in alliance efforts causes many companies to embark on such partnerships with a healthy degree of scepticism. In fact, even companies that have undertaken detailed diagnosis of partner fit, extensive due diligence, made considerable preparations, and entrusted their futures to the strongest of

leaders have succumbed to the inherent risks that alliances present. We propose that those who succeed in realising the promise of their alliance do so by building a level of competence in facilitating and maintaining the thinking and behaviour that are a match for conducting collaborative business ventures.

This view has been established through 10 years of working closely with alliance leaders in a range of industries including the energy and construction industries, and through interviews with a number of corporate leaders of best practice companies, who are recognised for their success in alliance endeavours. These companies vary considerably not only in their focus, but in their culture, structure, operating models, and leadership styles. In other words, we have found there is no prerequisite for what kind of company will make an effective partner—other than the willingness and commitment to develop behaviours that are consistent with, and appropriate to, alliance success.

How are these behaviours identified and established? We suggest that alliance supportive behaviours begin with a competence at recognising and engaging in certain key conversations that arise at critical times in the history of the alliance. (By conversation, we mean people engaging in a dialogue about a particular topic in a particular way. It includes what is not said, which remains in the background, as well as what is said). These key conversations are initiated at the formulation stage, when the foundation is being laid for the business relationship. They continue to arise as the alliance encounters the first bumps in the road, and continue at critical junctures—the first significant setback, the first failure to deliver a key target result, the departure or arrival of one or more alliance partners, the transition period from one leader or team to the next. We take the view that at such critical points, certain fundamental conversations arise which, for better or worse, set the stage for future decisions, actions and behaviours of those involved in the alliance effort.

A corollary of this premise is a view that the primary medium in which work is done today is, quite simply, conversation. The importance of good communication in alliance success is well understood. However, the nature and quality of different types of conversations—those spoken, and those that remain unsaid—as well as the impact they have on thinking, behaviour and action, are not distinct for many people. This is not to suggest that a facility in generating, leading, managing and intervening in basic conversations is all that is required for alliance success. However, a lack of insight and ability in this area makes the risks much higher, and substantially increases the likelihood that the alliance will fail—whether succumbing to confusion or mistrust, failing to seize opportunities, or responding ineffectively to external threats.

The good news is that if conversation is key to alliance success, then it is possible to develop the thinking and behaviours required for an effective alliance, by building a competence in managing critical conversations. In fact, a

facility with such conversations allows for the resolution of potential difficulties before they turn to crises, but also leads to a shift in attitudes, perspectives, assumptions and moods that govern day-to-day interactions, and produces the actions and operating modes that are consistent with effective partnering in any endeavour. Moreover, cultivating these conversational or linguistic skills allows for a deepening of the relationships on which the alliance is built, providing a foundation for increasingly accelerated, even breakthrough results.

In our work with alliances over the past 15 years, a number of critical conversational capabilities have been identified that appear to be central to alliance success. This paper addresses three of these capabilities. While the others not mentioned here are equally important, and in fact closely linked to these three, we have chosen to present capabilities that are common to virtually all successful partnerships, and may be readily applied by those currently engaged in alliance initiatives. It is our intention to introduce these capabilities in a way that clarifies their importance to alliances, and to illustrate their application through case examples.

Capability #1: Recognising there is never a blank slate

In embarking on an alliance, each partnering company brings to the table not only a defined set of competencies, assets and liabilities, but also very real ways of doing business, thinking and relating to other parties that have become established and habitual through the years, and are part of the basis of their success. In addition to this history, each company brings its collective experience and knowledge to date—not only insights and capabilities, but also attitudes, beliefs, dispositions and strongly held points of view. This collective experience all but precludes beginning any alliance with a blank slate.

To some degree, this background is commonly recognised. Particularly in situations where the characteristics are markedly and obviously different, such as in international alliances, participants are aware that they will need to contend with different views and approaches. In less obvious cases, many people are still aware of the importance of what each party brings to the relationship. The increasing concern about finding the right partner is evidence of this, and often includes a focus on key cultural issues to ensure compatibility. Yet, we suggest that the extent, depth and impact of this existing background is often unrecognised—and that even where core issues are recognised and addressed, the discussion often stops short of a full exploration and resolution of differences that may arise.

Issues that arrive at the alliance table

Each partner brings views, concerns and opinions about a myriad of issues. A sample includes:

- Partnering and alliancing in general, with regard to both positive and negative dimensions.

- Knowledge and information sharing, including who has access to what information, on what terms, and with what attitudes toward its further applications.
- What it means to collaborate with competitors, and how far the partnership may be allowed to extend.
- How decisions are made, both internally and with regard to the market as a whole.
- Governing structures, and their potential impact on the future of the alliance.
- Consequences of failure (and terms by which it is measured).
- Risk/reward agreements, and related stipulations.
- Opportunity for future partnering possibilities beyond the immediate contract.

While many of these issues are discussed, particularly in the early formulation phase of an alliance, they are rarely discussed to a full and complete resolution. More often discussion stops short of addressing concerns and opinions that may be held as private and personal.

Beyond these, there are even more complex questions and concerns which may go unacknowledged or even unrecognised by the parties themselves—but which are very much part of the background conversation that is brought to the table. The critical ability to discuss the undiscussable starts with setting known issues on the table from the start, and moving to raise more challenging issues, such as:

- Are our specific objectives and time frames aligned?
- Which types of information and capabilities will be shared—and which will not?
- What are our top priorities and our performance expectations for each other, and how will we measure our joint success?
- How will the alliance affect specific accountabilities and role definitions of key individuals or teams? What skills or capabilities may be duplicated, and how will the alliance deal with that duplication?
- If key people are redundant to the joint effort, how will they be dealt with, and how will the real human needs be addressed?
- What specific priorities will we set, as a partnership, beyond our respective corporate agendas?
- How will we handle the aspirations and expectations of our people, so that they can align with our shared goals and commit to them as their own?

Such questions address concerns that often lie just below the surface, as people on both sides of a partnership come to terms with the ways the alliance will affect their jobs, their lives, their organisational and financial future. Even with those matters resolved, more complex cultural issues still remain to be addressed. For example:

- What is our respective tolerance for risk in each organisation, and what behaviours or actions do we take when we believe we have reached that limit?
- What capabilities and strengths are most valued by each alliance partner, and how are those values communicated, reinforced and expressed?
- What level of discretion are we used to in carrying out

our work? How will we/they react if something new is tried?

- What have we heard about the leadership style of the other companies and how does that affect our own disposition toward them?
- How will we get beyond what we know is the right way to be, to forge a new reality that unites and transcends our respective organisations?
- What are we saying when we insist that mutual trust is essential for the alliance to work?
- What do we understand by a compatible culture and what measures are we using to determine whether and when such a culture exists?

Not only are we unskilled at raising such questions with our prospective partners; we often lack a facility to surface such cultural issues within our own organisations. Yet, experience shows that it is frequently such unspoken values, needs and expectations that cause an alliance to falter when obstacles arise. As one senior procurement manager observed:

'On a fast track project ... you have a front-end window of about six months to build an alliance—from the top down. It's critical that the alliance culture be functioning in an integrated, aligned manner and operating efficiently before construction begins.'

Why critical issues are kept in the background

With so much at stake, the question is why bright, aggressive and highly capable leaders of an organisation would avoid fully airing their views, expectations and concerns? Part of the answer lies in an entire raft of business reasons. They may be afraid the deal will dissolve if real difficulties are raised at the start. They may wish to present themselves in a positive light as a good alliance partner who expects the best. They may be battling the clock, with a concern that any delay with this action will allow a competitor to get there first. They may have overlooked language or cultural differences—even between partners who share similar cultures and traditions—that lead to a basic misunderstanding of each other's views from the start. They may simply be hoping that their concerns are merely private and inconsequential fears, shared neither by colleagues in their own company, nor by their proposed partners. Or they may be deeply resigned about whether raising the issues will make any difference at all, believing that their views will not even be heard, let alone acted upon.

Whatever the reasons, highly rational people regularly fail to raise difficult issues which can make or break the alliance. People are not fully aware of the impact these conversations have on alliance performance and behaviour every day, when they remain as unspoken background conversations.

Characteristics of background conversation

Background conversations include a full array of pre-existing, automatic responses that immediately come to

mind with virtually any subject that may arise. In effect, it is a constant internal dialogue regarding the subject at hand, based on unquestioned and closely held assumptions. This dialogue is made up of opinions, points of view, historical musings, stories and judgments which are constantly forming and reforming with new evidence.

Of course, such unspoken conversations are invariably drawn from past experience, whether direct or hearsay. Nonetheless, their presence limits the discussion of any new possibility with respect to that subject. These background conversations are almost never regarded as mere opinions, but rather as truth. For example, 'Good engineering is bound to cause project delays.' 'Construction never comes in below budget.' In effect, this keeps the past out in front of people, by predisposing them to already established patterns of ideas and opportunities that appear consistent with their background conversation. In so doing, people find themselves gathering evidence for previously formed assumptions which, by definition, limits new thinking. It is only when one can recognise what is unsaid not as 'the truth' but merely as one possible, legitimate view, that one begins to have some freedom to invent new perspectives that may lead to a new future for the alliance.

The inability to hear and reframe what is unsaid is often a significant impediment to building real momentum within an alliance. At the outset, alliance partners jeopardise the stability of their mutual foundation by leaving core issues un-addressed, and as time goes on the unspoken doubts, complaints, fears or objections can prove the downfall of the relationship as conditions become more complex and the mutual stakes grow higher. Similarly, partners who address potential conflicts before they arise are able to avoid difficulties that might otherwise derail the alliance. As one manager observed:

'We created a new paradigm to work together—specifically, a "No Blame" culture. Once people saw that they could let us know about problems that jeopardise the targets and not be blamed, we were able to work as a team.'

This is not to imply that an alliance is invariably doomed to repeat the past. Rather, we suggest that it is possible to build a new foundation for a shared future, provided that the partners are prepared to recognise and acknowledge those views and beliefs derived from the past, which might limit the creation of a new future. This recognition often begins with a willingness to examine what remains unsaid—the pre-existing background conversations in which those strongly held opinions, attitudes and points of view reside. Such conversations are rarely voiced openly, yet they are all the more powerful for remaining largely unspoken or un-addressed.

Effectiveness in any alliance, then, involves not just addressing what people are saying, but being able to hear and impact that which is not being said. The leaders in an alliance must gain insight not only to what is disclosed, but to what is present that they do not know about, the

things on their partners' minds that are important to them, or may be sources of interest or concern, which are not being openly expressed.

Successful alliance partners have reported that such effectiveness starts with a commitment to listen, powerfully and generously; actually to hear, and be receptive to, what others have to say. This means listening for what is possible in the future, not merely what is not possible based on the past. This capability can be, for some, the most difficult and yet most rewarding element to be learned. Yet in hearing and acknowledging the unspoken conversations, the past begins to lose its grip on current thinking and behaviours. People are less confined by the predictable behaviours, attitudes, feelings, practices that they have come to expect from each other, and from themselves; and all parties to the alliance can begin to gain a degree of freedom in turning a new page.

Practices for managing background conversations

The first fundamental alliance capability is to recognise and manage your own and others' background conversations over time. There are a number of techniques to access and address background conversations. These include:

- Regularly question your own assumptions.
- Ask others what is on their minds.
- Be willing to discuss the undiscussable.
- Recognise when you are merely gathering evidence for your existing point of view.
- Be aware of and address how you think people might be listening.
- Ask yourself 'Am I committed to being right (winning the argument) or to being effective?'
- Acknowledge all views as valid, even if you do not agree.
- Check what people heard (versus what you said).
- Always take the case that there is never a blank slate.

Capability #2: Creating defining moments

In every alliance, critical incidents or events surface that may serve, for better or worse, as turning points in the growth of the alliance. These circumstances can be positive, such as meeting a critical deadline ahead of schedule, an innovation that dramatically elevates the outcomes for the alliance or breakthrough performance against set targets. It may be the moment all parties together commit to a results or way of operating that sets the stage for a different future. More often however, the incident arises by virtue of a problem or setback. If poorly managed or ignored, these problem events may trigger a tacit rejection of the partnership by one or both sides. Communication is shut down, collaboration turns to mistrust and defensiveness—ultimately leading to the alliance's demise. Yet these same events, appropriately recognised and managed, can act as powerful leverage points. When one or both partners chooses to set aside biases and grievances, and act instead consistent with

their aspirations, these moments serve to strengthen, deepen and clarify the partnership even in the face of internal or external threats.

In retrospect, such events are often viewed as defining moments in the history of the alliance. Given that problems are the most challenging occasion to create a defining moment, the remainder of the discussion will focus onto transforming problems for the good of the alliance. For successful partnerships, these problems become critical occasions when both sides are able to step back from their immediate reaction, ground themselves in a shared vision of the future, recommit to shared objectives, and forge a path forward that might take them in surprising new directions. One team leader noted: 'The ability to distinguish success inside of failure is important. For example, we learned to ask "How did you succeed at moving the ball forward today?"—not just "Did you meet the target, or not?".'

Looking back, those who succeed in such moments frequently view them as times of unprecedented creativity, insight and innovation. In the context of an alliance, the failure or insufficiency of previous assumptions, organisational behaviours or operating modes may lead both sides to re-examine their standard thinking and practices, and invent new ways of working consistent with alliance values and goals. When this occurs, the new practices, attitudes and culture that emerge provide a strong and solid foundation for the alliance to move forward with renewed energy and focus. Problems that seemed insurmountable from past perspectives, are now readily addressed and resolved—often leading to business opportunities that had previously been unseen.

Unfortunately, in too many cases one or both partners are unable to transcend the limits of their own historical point of view. When a significant problem arises—one which could prove the undoing of the alliance—each side begins a slide into explanations, justifications, and finger-pointing at the other organisation(s). Problems cause even smart, well-educated and capable people to revert to past behaviours, turning their focus to saving face, assigning blame, preserving a past strength or reputation, and attempting to avoid the risks required in any significantly new endeavor. This process, once begun, rapidly spirals into a vicious cycle of mistrust and re-primations. Partnership becomes increasingly more difficult, knowledge and resources are hoarded instead of shared, and eventually the promise of the alliance gives way to an endless tangle of financial, legal and structural battles. Looking back, business leaders can often point to the critical event—or defining moment—that things took a turn for the worse; but often the unravelling appears as a mysterious process that they were powerless to halt.

With the high stakes involved in most alliances today, there is much to be gained in building a facility with identifying potential defining moments, and leveraging them for maximum advantage. While these moments often occur at critical stages in the evolution of the alliance, they can actually occur at any time a circum-

stance arises that threatens the plans and intentions of the parties. In essence, any significant event that is likely to trigger some disruption, controversy or defensiveness within any organisation will trigger those same reactions to an exponential degree in the complex relations of an alliance.

Defusing the reaction to problems

The first step in effectively managing such events is to identify them as, potentially, defining moments for this alliance—moments that can be seized as an enormous opportunity to renew the focus of the alliance, re-energise its people, recommit to a shared vision, and re-examine the fundamental assumptions and actions that have led to this key point in time. Having identified the problem and the opportunity, it is important to defuse the immediate reaction, and clarify the actual facts: What is the situation at hand? What happened to get us here? What choices do we now face? What constraints and opportunities are present, as we attempt to move ahead?

Of course, clarifying 'what is,' requires an ability to separate out facts from points of view or interpretations about them—a task much easier said than done in the midst of a perceived threat. It is at these moments when the background conversation, discussed above, becomes most dangerous, as the grip of what remains unspoken is reinforced in the attitudes, practices and culture of one or both parties. At such points, it is particularly critical to take time to examine the implicit assumptions that are guiding each party's understanding of the facts (and what should be done about them), to discuss and clarify mutual expectations, and to identify each partner's view of what is required for the alliance to thrive and succeed.

The partners in a large scale oil alliance found that coming powerfully to terms with their failure to meet key targets actually provided a new opening for extraordinary performance during the next phase. As one manager expressed it:

'At the end of the day, we had failed. We had to deal with this. With our consultants, we held a work session to help us get complete about failing—and also acknowledge the good things that came out of that effort. For example, we had saved a couple of months. We had taken on a huge chunk of work and moved it forward. We had a new confidence and facility in creating a stretch target game.

'If we had pushed this initial breakdown under the rug and said, "Well, it's only a stretch target," we would not have created the breakthrough with "Superb". This initiative aligned the many separate activities with the procurement, transport, logistics and other short-term stretch targets that needed to happen between Christmas and early January... "Superb" had real meaning for people; those modules were coming, and would be either a disaster or a "Superb" success ... Ultimately five of our six stretch targets were met on this initiative.'

With a clear articulation of the facts at hand, alliance

partners have more freedom to state their respective points of view about what those facts mean to them, to the alliance, and to its possibilities for success. At this stage, it is critical that the partners focus not on what is wrong with the alliance or with their partners, but rather on what, if anything, is missing that could provide a key impetus toward the next level of success. By grounding themselves in their commitment to the alliance, and standing for the partners they have chosen (rather than stepping back to question their original choice), each side is able to look for what is possible from here, rather than remaining mired in what has not worked, what can not be done, or why their partners are ultimately to blame. As a result, failures pave the way for success at a level that exceeds what would have been expected before.

Someone's problem is my problem

The ability to stand for one another and re-generate alignment in the face of problems is a continuing process—not a one-time event. After all, like a marriage, the alliance is seldom tested during the honeymoon; it is only later, in the face of repeated difficulties and occasional crises, that the depth of commitment is brought to the fore. In such instances, it is the ability to return to a vision of the shared future – and to a possibility large enough to transcend the turbulent ups and downs of doing business today—that allows for a profound and solid relationship even in the face of controversy or setbacks. The strength of the partnership comes not from a single pledge of cooperation, but from a daily renewal of that stand, and a willingness to set aside habitual practices and perspectives that may get in the way of the trust or collaboration required for the alliance to succeed.

An ability to stand for the alliance even in the face of breakdowns, starts with a willingness to be fully responsible for its creation, and its success. Fully responsible implies complete accountability for everything that occurs in the context of the partnership—its difficulties and failures, as well as its success. From this perspective, there is no right/wrong, no finger pointing or recriminations. Your partner's problem is fundamentally your problem, no matter how convinced you may be that your partner is simply wrong. In fact, irrespective of who is to blame, who was involved when the problem occurred, or how flawed others' interpretations of it may seem to be ... without some ownership claimed in the present for any perceived difficulty or failure in the past, there is no opportunity for future trust and collaboration.

From this kind of ownership, however, an extraordinary relationship among alliance partners can emerge. Such relationship is not merely a quality of assuming a 50/50 share of responsibility, or even 100%/100%, but something extraordinary, like 100%/0. As radical as that may sound, when either partner takes the view that they can be 100% responsible for the relationship and its out-

comes, something extraordinary is possible—regardless of whether the other parties have adopted this stance.

From this vantage point, you are able to see conflicts, resistance, and adversarial behaviour as specific instances, where either you have previously failed to take full responsibility, or you have an opportunity to demonstrate your ownership now, by providing new alternatives and resolutions. Even a single party functioning in this manner introduces a striking example of workability, in those very circumstances that have posed the biggest obstacle to success. When more than one party operates in this way, alliance participants report instances of unprecedented creativity and innovation. Ideas and solutions which had not previously been considered, begin to occur with surprising consistency. It is such full and complete ownership of the circumstances, that allows even major crises to become the 'defining moments' that are later seen to have cemented the partnership and propelled it toward future success.

Operating from this view and avoiding retreating to blame and finger pointing, provides an extraordinary context for deepening trust. When one's problems or even failures bring alliance partners together, then alignment, loyalty and commitment—the backbone of trusted relationships—are strengthened.

Practices for creating defining moments

- Recognise problems as the opportunity to strengthen the alliance.
- Defuse reactions to problems—separate the facts from the interpretations.
- Operate from 'Someone's problem is my problem'.
- Stay grounded in the shared vision for the alliance.
- Stand for your partner/s.

Capability #3: Developing a bias for action and results

In the glow of signing on for a new venture, some business partners are blinded to the harsh realities of their market environment. Turning inward to build alliance relationships and structures, they fail to focus on setting and delivering new business goals. In fact, many alliances have been established without any clear metrics for success. Often both companies are taken by surprise when they learn that their own assumed targets and priorities are not shared by their partners, or that each company is focussed on quite different results.

In fact, many companies embarking on alliance efforts focus so powerfully on what they consider to be cultural issues—merging styles, structures, and operating practices—that results take a back seat to the formation of the partnership itself. Maintaining this internal focus places the cart before the horse, and virtually ensures that critical opportunities will be missed while the partners are working not on their business, but on their relationship.

Developing new thinking and behaviours is, of course, a critical aspect of success in alliance efforts. However, we suggest that one of the ways these behaviours are best developed is not by approaching them as the goal, but rather by setting clear and aggressive goals that call for the behaviours desired. The purpose of the alliance is, after all, not to build a new partnership but to achieve some business advantage that is unavailable, or impractical, for each company to realise on its own. A clear articulation of this advantage—what it consists of, what future it promises, what is possible if achieved, and what opportunity it holds for each side—provides a basic framework in which the alliance partners can move forward powerfully together.

Grounding the alliance in a set of well-defined targets not only establishes a strong foundation for success; it provides a clarity of focus that guides leaders in key decisions, and allows new structures, processes and systems to emerge in support of the goals at hand. In many companies, considerable time and energy are lost in endless struggles to get the processes right—leaving the field open to nimbler competitors who have kept their eye on the ball and their focus on the necessary results. Defining clear and measurable targets and interim milestones, and holding people to account for them, provides clear parameters for the game and encourages behaviours and operating systems that support the targets—not those that are simply preferred by one side or the other.

Inventing shared metrics that require new behaviours

Far from being a burdensome constraint, clearly defined measures of success are, in our view, critical to keeping the alliance on track. By establishing the shared metrics at the outset, all parties to the alliance can align on key priorities, and intervene to correct problems before they become crises that threaten the alliance itself. Moreover, setting targets that include everyone provides a shared context for the work of the alliance—a strong sense of purpose that helps individuals and teams to make the necessary (and sometimes painful) changes that may be required of them as time goes on.

The value of such metrics became apparent in the Queensland Clean Fuels Initiative (discussed below), when two significant injuries in a single month called into question key safety procedures in place on the project. Alliance partners had already established well-defined measures of success, including zero 'lost time incidents' on the project. Reflecting on those events, the General Manager remarked:

'We knew we had to take action. We learned from peer reviews and peer assists that things were not going well. We needed to intervene in a way that demonstrated our uncompromising stand for a safe work environment. I called the QCFP to get their agreement and (within the week) we called a complete halt to all construction activities. The intervention changed the direction of where we were headed on

safety and was the most important action taken on the entire project.'

In such events, it is the clarity of the targets and metrics, and the commitment and focus of all partners to those objectives, that makes the difference between swift and decisive action, and weeks or months of lost time attempting to analyse problems and determine what, if anything, must be done. Of course, a well-defined alliance strategy is critical to determining the metrics. In order to own and commit to a set of measurable targets, certain bases should be covered:

- The goals and targets must be a business win for all involved. This means that each party is aware of the interests and priorities of its partners, recognises what it will take to satisfy their own business objectives, and is fully committed to their partners' success.
- The vision must include objectives that neither side can achieve alone. In order to have a real stake in the outcome, each side must be clear that their own future hinges on the success of the alliance. If the targets could be readily accomplished by one company or the other, there is an insufficient foundation to sustain the partnership when the inevitable problems arise.
- Alliance partners must share a bias for action and results. Alliances work when the outcomes are well defined, the focus is maintained on the future, and each side knows what actions it must take, in what time frame, to achieve the goals.
- Each partner must have designed goals that call for new behaviours to be fulfilled. It is not sufficient for either side to have a clear view of how their partners' behaviours should change; all must share an interest in developing the behaviour and attitudes that are conducive to effective collaboration and shared success.

Practices for developing a bias for action and results

- Involve all parties in developing targets that are a win for everyone.
- Establish and track shared metrics that show progress toward a breakthrough outcome (versus merely reporting results after the event).
- Set clear and aggressive targets that demand new behaviours to be achieved.
- Ensure targets are an expression of a compelling aspiration (vision) for the alliance.

Most important of all, perhaps, is the creation of a game worth playing—an aspiration for the alliance that is sufficiently large and uplifting that all partners are energised and inspired to act—a possibility beyond the business case. Alliancing offers significant advantages; however, it can bring abundant problems and uncertainties. If the partners are to transcend these obstacles, they must be drawn forward by some meaningful possibility that provides motivation for the difficult changes ahead, that paints a picture of success more powerful than present moments of failure, that elicits from all players a bias for action and a focus on results—and that offers a context large enough for all partners to find themselves in the promise that it holds. When this context, along with the practice of key conversational capabilities are

present, it is our observation that the necessary thinking and behaviours can be developed, and the extraordinary benefits of alliances can be realised.

CASE EXAMPLE: OIL SANDS ALLIANCE IN ALBERTA, CANADA

Situation

In 1996, Syncrude Canada Ltd initiated work on the Aurora Alliance—a new business format for project execution in northern Alberta. The Alliance was created to execute a specific project: to design, build and start up two oil sands projects: Aurora Train 1 and DB 2.

With the Alberta economy heating up, and facing \$10 billion of potential projects, Syncrude faced both an enormous business opportunity and an urgent need for new mining and extraction capabilities in order to capitalise on it. At the same time, through the 1980s, Syncrude had very successfully realigned and right-sized, but the reduced numbers of technical and management staff made it impossible for the company to carry out a large and significant project on their own.

Strategy

Syncrude's strategic plan was to further develop Alberta's northern sands as a cost-effective source of oil for North America over the next twenty years. Accomplishing this would require the design and construction of a prototype technology for the largest mining and extraction facilities in the world—at a cost that would give the owner a return on investment. While the technology for the mining and extraction processes had been available since the 1960s, the cost of developing and implementing such projects had previously been prohibitive.

In the face of increasing competition for technical and construction resources, and the high potential for cost escalation, the formation of an alliance offered new possibilities for building a partnership that would integrate the respective talents and expertise of the best in class engineering and construction firms, with those of the project owners and operators. An alliance also offered advantages for all the partners in terms of a financial risk/reward formula.

However, an alliance also posed significant risks. The Aurora Alliance—which effectively combined two five-company partnerships assembled in mining and facility operations—was the first major alliance in the oil and gas industry in the province of Alberta in Canada. Moreover, the participants in the alliance had never worked outside the traditional owner-contractor relationship; contractors had never had their commercial success at stake, and were dependent upon the performance of other contractors who were beyond their control. Identifying the right partners—those who could perform, and who could func-

tion effectively within the alliance structure—was a critical element in the design of the Aurora project.

Moreover, this alliance would require an unusual degree of innovation in many areas, including breakthroughs in the design and construction of new technology, thinking and acting from 'alliance' ways of doing business, as well as developing new leadership and management skills to deliver the promised results.

Implementation

Starting in April 1997, the alliance leaders worked in partnership to invent and articulate a future that would make working together worthwhile, and to identify stretch targets that would represent the fulfillment of that future. The possibility of making history was the future that alliance leaders defined as the context for their work. Targets were then established for each project in each of five categories—cost, schedule, safety, environment and quality—consistent with that possibility.

At the same time, specific alliance behaviours were identified as critical to fostering a work environment that would call for extraordinary performance and deliver unprecedented results; these included:

- A high level of collaboration amongst all parties.
- The capacity to withstand setbacks.
- A willingness to question the tried and true.
- A sense throughout, that the effort could really set a new precedent.
- A commitment to everyone winning.
- Aligned commitment to delivering superior results.
- Everyone owning the problems.
- Acting in ways that are in the interest of the whole.

Beginning in July 1997, senior and mid-level management participated in a series of management education programs to provide leadership training in alliance behaviours and breakthrough technology. Additionally, to support teams on achieving the overall stretch targets, consultants facilitated meetings; they also coached managers and their teams to create short-term stretch targets for their respective areas, and to apply the principles of alliance behaviours and breakthrough technology to their specific accountabilities on the project.

Background conversation

One of the biggest hurdles for the alliance was the scepticism about this new alliance way of doing business. Each of the partners acknowledged that they initially took a wait and see posture and were predisposed to be wary of each others' motives. 'I didn't believe that we could really challenge each other openly in an alliance'; 'I had heard about their style They would never give their guys decision making authority'; 'All these meetings with our partners We will never get the job done', were typical views which either remained in the background, or were only expressed to a chosen few. Participants reported that it led to a reticence to try new things or to fully share information and ideas.

Once these background conversations were fully acknowledged and an environment was created where people were compelled by the possibility of working together, it was possible for a true partnership to form. One senior manager said 'It's important to have an understanding of the people—their backgrounds and work culture. Bridging the language gaps of different disciplines provided access to a lot more possibility than would otherwise be available.' Another said, 'People who work on an alliance live in two cultures: the corporate culture of their company, and the culture of the alliance. Sometimes the behaviours or goals of these cultures compete with one another. To operate effectively in both cultures, people need to be able to distinguish their background conversations about each culture, so that these are on the table.'

Defining moments

Early in the evolution of the alliance, there was a moment when project leaders realised that the construction company that was already signed on for the partnership was not sufficiently engaged in the alliance spirit and operating modes. At that point, the contractor was asked to leave and replaced by one who was a better fit with the type of working relationship that the alliance would call for.

In the past, alliance-like behaviours would never have been a criterion for dismissing (or selecting) a contractor. However, by this point the partners had worked hard to build the kind of open and fully collaborative behaviours that are consistent with alliance success. They were able to trust their experience of what was required, and ultimately to take action that would ensure all partners were fully engaged in the operating style and spirit that supported the alliance relationship. The stand the leadership took in accepting nothing less than full partnership, reverberated loudly throughout the project team as an expression of commitment and authenticity to a new way of working. Following this turning point there was a surge of participation and innovation to have the alliance be successful.

Another key moment occurred when an initial cost estimate ran far too high and threatened the sanction of the project. Rather than devolving into accusations about whose share of the total budget was the problem, the team galvanised together to find a way to bring the costs into line without jeopardising the quality and integrity of the project. Integrated breakthrough teams worked long hours to finally bring the numbers in to the required levels. 'We came up with a lot of breakthrough ideas for saving money. Involving vendors, consulting firms and the owner in the design phase resulted in more thorough thinking from a range of perspectives. This resulted in a better product. These and other defining moments produced a culture of openness which contributed to the results of the project. 'My day-to-day team got to a place where breakthroughs became the norm and part of our culture and way of life. We saw this in the way that people sought to look at obstacles in a way that had never been

looked at before. The team created new ways of accomplishing things that were considered impossible and had never been done before.'

Results

Project Management took on and succeeded in finding ways to enrol and engage the wider team in the spirit of making history.

They did an important job both in reducing the project costs for sanction, from an initial \$1.2 billion estimate to \$923 million—and in mitigating over \$200 million in upward trends. By committing to stretch targets, the alliance partners had to find new ways of working together and new ways to implement the project to meet them.

'While project costs exceeded stretch targets, the two projects still finished within 7% of the P50 of the Class 2 estimate, and within the + 10% accuracy on the original AFE estimate of \$923 million. Both projects finished on schedule.'

While the Aurora Alliance failed to meet its initial stretch targets for cost, they enjoyed a flawless start-up, meeting and exceeding targets for schedule, quality and safety. Moreover, when compared to five other large energy projects conducted in Alberta during the same time-frame, these projects were the clear winners in terms of cost-effectiveness and productivity.

In fact, alliance participants recognised that although costs escalated toward the latter phase of the project, overall costs were reduced substantially by continuing to challenge the status quo throughout the project. As one manager noted, 'The stretch target gap did a lot—it created the opportunity ... In the end, we are saving 45–60 days on the schedule due to the stretch targets. Each of these days is a win.' Cooperation between contractors and labor unions at the site is outstanding. People from very different trades are working closely together—welders, electricians, sheet metalworkers, refrigerator technicians—in service of completion on the project schedule. Early on, we established an environment of cooperative behaviours where people from very different backgrounds and perspectives were able to think and look from the whole, and act as one alliance.'

Another key leader commented: 'Our safety record has been brilliant. It's broadcast constantly.' And a third observed: 'We didn't give ourselves enough credit for what we accomplished ... We just got used to working in the mindset of "continual stretch"—and this made a difference.'

CASE EXAMPLE: THE QUEENSLAND CLEAN FUELS PROJECT (QCFP) ALLIANCE

Situation

In the mid 1990s, British Petroleum's Bulwer Island Refinery in Brisbane was 25 years old. In addition, the refinery faced several formidable challenges as a busi-

ness unit, including exposure to an extremely aggressive business environment due to an unregulated oil market throughout the Asia Pacific region, narrow margins, and competition from new mega-refineries. To remain viable, the refinery would need a major injection of capital by BP. But why would a global oil corporation want to invest in such a small and remote operation?

In 1995, the general manager of the refinery saw a unique opportunity to develop Australia's smallest refinery as a world class leader in the development of clean fuels, as a means to ensure that the refinery would remain competitive as a profitable business unit. To meet the high standards of new air quality legislation, as well as CEO John Browne's stand on Climate Change, the refinery would require a major injection of capital—and would need to operate leaner and meaner than its competition in the production of oil and other refinery products.

Strategy

To explore this opportunity, BP proposed creating a global alliance effort to develop and construct the facilities required. It was in this spirit that the Queensland Clean Fuels Project (QCFP) was established, combining new applications of technology and new applications of alliancing as a project execution strategy.

The Alliance consisted of three owner companies: BP Group, BOC gases, and B.I.E.P., as well as three engineering and construction contractors (Kvaerner Process Australia, Fluor Daniel Canada, Stork ICM). QCFP was also BP's first onshore alliance, and drew on its extensive experience of many years of alliance activities in the North Sea and other offshore exploration sites. While QCFP was a unique and complex alliance, other partners also had previous alliance experience, particularly Kvaerner.

By the end of 1997, the project had been defined as having three distinct, yet highly integrated components. These included: major capital works at the refinery to meet diesel and jet fuel demand; an industrial gas plant to meet the hydrogen, oxygen and nitrogen needs of the refinery (and to supply the wider gas market in the region); and a cogeneration plant to meet the steam and power needs of these two facilities.

Implementation

To realise the full value of the alliance in project execution, BP invested in support with the formulation and sanctioning of the alliance, and the training and development of senior and mid-level management to establish an alliance culture and behaviours at all levels of the project to deliver extraordinary performance and results. This was a clear reflection of the partners' commitment to investing in people as an integral element in alliance success.

In formulating the alliance, two individuals who had participated in numerous project alliances in the UK

joined QCFP as advisors to work out agreements and relationships among all partners. One represented the Owners' perspective, and the other that of the Contractors. In assembling the players, one of these remarked:

'One of the main advantages of the alliance strategy is the shift from a traditional adversarial, win-lose approach to a cooperative, win-win approach. This allows participants to move away from protecting and managing their own boundaries, to a softening of interfaces among all parties.

'Rather than saying, "This is the way," you shift to "What would you like?". With alliancing, everyone is willing to take the whole into account instead of protecting the local optimum. When boundaries are the primary focus, the value to be gained from synergy and teamwork is lost.'

Selection of contractors was a critical means of creating value by securing companies and individuals who would work readily within an alliance culture. The selection criteria included alliance compatibility measures, as well as experience and expertise in specific technical areas.

With the players in position, work sessions were conducted to assist the Owners and Contractors in establishing a risk-reward allocation, and in generating stretch targets for the projects in which all partners would share a commitment. At the same time, the alliance partners generated a future that served as the context for their work: 'Creating an outstanding environment, delivering extraordinary results, long term relationships, growth and public benefit.'

Defining moments

In 1998, during the pre-sanctioning process, the Owners independently came up with estimates for their respective pieces of the budget—however, at the end of this process the costs remained far too high. One participant recounts what came next:

'Over an intense three week period, these estimates got worked over by the Owners—honestly and cooperatively, in anticipation of being sanctioned as an alliance. We reduced the budget by \$80 million during that phase.'

For many, this result represented the first victory of the alliance, and demonstrated the ability of the three owners to align their efforts in order to generate maximum value. As a result of this early win, the alliance accelerated its momentum, and built a large reserve of ability and mental focus that could be tapped by all participants as the project moved ahead.

The next challenge was to energise the array of international talent in service of common goals. At this stage it was found that, paradoxically, committing to the impossible allowed the participants to own a set of aggressive targets that caused them to think and behave in new ways:

'Achieving performance breakthroughs requires that things be done differently, incremental improve-

ment will yield incremental benefits. Breakthroughs require a whole new level of thinking. One way to access new thinking is for the team to commit to delivering ... targets that are perceived to be impossible. QCFP set stretch targets for both overall goals and short-term goals along the way. This required the team to engage in some radical idea generation to come up with new solutions.

'On QCFP, an environment was established where ideas could live for a while as possibilities before being rejected. Some of the most exceptional outcomes on QCFP stemmed from ideas that would have been rejected in a different environment.'

As the project moved into the engineering and pre-construction phases, critical alliance challenges faced senior management, as well as line managers and supervisors. These included:

- The need to gain and continually reinforce buy-in, involvement and commitment down through the ranks of each partner organisation.
- The need to deal with emergent breakdowns from an all-for-one, one-for-all perspective, continually standing for the success of the project.
- The need to maintain the possibility of success in stretch targets alive, in the face of inevitable setbacks and constraints.
- The challenge to revitalise teams at any moment that breakthrough goals begin to appear predictable, and the team begins to lose its edge.
- The demand for champions who can support and enrol people at all levels to play at 100%, no matter what situation presents itself.

One project in particular, The Pipe rack Modularisation Strategy—an initiative to build pipe rack modules which came out of the opportunities for improvement process—demonstrates the impact of aligning teams powerfully behind stretch targets, energising them to take bold action, and committing wholeheartedly to a common win. As one project manager tells it:

'Going in this direction required turning QCFP on its ear. It required people to go about their work differently—to freeze design earlier. Because of the complexity in terms of putting the process, piping and stress engineers' input into an integrated scheme, procurement had to think differently. At 250 tons each, these were monstrous racks—the schematic for the foundation got redesigned over and over again.

'Not only did we have to build and transport them—we had to design for sea load capacity. When we committed to do this, the project took a u-turn and impacted how everyone worked. There was a multiplier effect for mistakes. We worked hard to enrol people in its benefits—we were, in fact, changing the industry. It was exciting for people to be involved in it.

'Once we crossed our bridges, we burned them; there was no turning back. The whole project's success rested on this strategy. Budgets were recast. Every discipline participated. There was endless planning and coordination between Brisbane, Melbourne and Calgary. The

leaders were committed to making it happen. It became the main conversation throughout the project, and it galvanised action in a whole new way.'

Results

Accomplishments of the QCFP fall into several key categories:

STRETCH TARGET RESULTS

While forecasting had called for final costs significantly below budget, these estimates were ultimately deemed unrealistic—with the final result close to the original estimates. Nonetheless, cost containment was a real source of pride, delivering within 1% of budget (as compared to other energy projects in Australia over the past decade, which average 5–15% over budget).

'The most significant accomplishment was the quality of plant—a world class facility—that was delivered for the price.'

'The schedule result was remarkable, and succeeded beyond anyone's original expectations.'

PEOPLE: HUMAN RESOURCES / INDUSTRIAL RELATIONS

'QCFP set a world class benchmark for Industrial Relations. Both BP and Stork worked hard to make this as success.

'How people worked together was a great accomplishment. Teamwork was exemplary ... due to the attitude and commitment of the people involved.

'Changing people's behaviours is one of the hardest things to do. It's the people in the play—get the support to move them.

'The workforce achieved a high standard under major duress.'

TECHNOLOGICAL DESIGN AND INNOVATION

'Everyone pulled together. We focussed on making everything work, rather than argue over turf.'

'This project forced us to challenge traditional ways of doing things. Our business is how to do things well to get incremental improvements. In this project, we challenged the whole, not just parts of it. Our people have learned a lot ...'

PARALLEL SUB-ALLIANCE INITIATIVES

'Project interface relied on relationships, more than on straight contracts. This called for a paradigm shift—looking for opportunities for each other (rather than finding fault)... The potential for error was enormous—but did not materialise.

'The Pipe Rack Modularisation Project in particular, was a whole project strategy. It impacted everyone in terms of their belief in the alliancing effort, and

in the project. Building the modules caused a real breakthrough in paradigm.”

ENVIRONMENTAL LEADERSHIP

‘In the last two years, Australia has had a lot of environmental legislation. The world will soon catch up. Clean Fuels has huge implications for this area.’

IMPACT ON CONSTRUCTION INDUSTRY IN QUEENSLAND AND AUSTRALIA

‘The project is a demonstrable success for Australia’s business and finance community.

‘QCFP success helps show the world that Australia can build world class plants to budget and schedule. It shows what Australian engineers and project managers can do in the oil and resources industry. We delivered the results!’



THE AUTHOR



Deborah Kiers is a senior consultant with JMW Consultants Inc. Since joining JMW in 1993, Deborah has supported major corporations in the United States and Canada to dramatically improve their performance. Her areas of expertise include strategic relationships and alliance management, organisational transformation and strategy implementation. Her clients include companies in the oil and gas, construction, pharmaceutical, retail and telecommunications industries. In all cases, Deborah has focussed on supporting companies to develop the organisational and leadership capabilities required to be successful in a rapidly changing economy. Prior to joining JMW, Deborah held management and advisory positions in both the private and public sectors. In 1992, she was awarded a Harkness Fellowship by the Commonwealth Fund in New York. Deborah earned a Masters of Public Administration at Harvard University, where she won the Littauer Award for academic excellence and leadership. In January 2001, Deborah joined the Asia Pacific division of JMW.