Creating Strategic Alliances which Endure

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Despite the documented growth of alliances on a global basis, managers focus too much attention on questions of aliance formation and spend too little effort attempting to understand the process of alliance management. This research reports the results of an in-depth analysis of a number of international alliances. We demonstrate that successful alliances depend on both business and interpersonal relationships, and that the demands of each varies over the alliance's life cycle. We also show the central role played by the alliance manager. Copyright © 1996 Elsevier Science Ltd

> If you have a choice, don't do them · · · Strategic alliances take an inordinate amount of management time, energy, and attention. It would be best to look for other ways to do business. I really mean it.

This statement was made during an interview with a recently retired senior executive from a firm whose success is based partly on its ability to form and sustain joint ventures and other forms of strategic alliances. Given these reservations about strategic alliances, why persist with them? Simply, despite the difficulties, the firm has no choice. Its skill lies in basic research and technology—it produces components and materials found up-stream in the value chain and depends on alliances to leverage its ability to gain market access in a timely manner. The tension evidenced by the quote is not unique to this firm and was consistently mentioned in each of our interviews with senior managers. Managers prefer to manage what they own; alliances require that one firm takes into consideration the needs and requirements of another firm in plotting its own (and its partner's) business future. The complexity of and frustration in managing these relationships was discussed by one manager who remarked:

> I think this could be a terrific alliance if we did what we said we would do · · · Everybody has to recognize that we've got to change our organization; its the way of dealing with the other partner; its a way of thinking.

A recent study by Booz Allen and Hamilton[1] suggests that the number of alliances in the US is surging—more than 20,000 new alliances were formed between 1987 and 1992. Nearly 6% of the revenue generated by the 100 top US firms now comes from alliances, a four-fold increase since 1987. Although Europe and Asia have far more experience with alliances, this almost meteoric growth is mirrored internationally as well.[2] The reasons for this growth are many and stem from the need to reduce market complexity/ uncertainty, to gain market access, to speed up access to market, to engage in pre-emptive strategies and to gain access to emerging technology.[3] There is not a sector of the economy that has been shielded from the explosive growth of strategic alliances.

Yet, let the potential alliance partner beware—all is not as it seems. It is true that one can leverage resources, jump-start technology and facilitate market development. It is also true that one can learn a great deal from one's partner in a shorter time than it would have taken to develop that particular skill set or tacit technology internally. The espoused gains are many and well documented. The data, however, paint a different and more somber picture; results suggest that upwards of 60% of all alliances fail.[4] In this paper we will report the results of a recent study in which we examined, in great depth, a number of alliances. Our goal was to understand at both a strategic and interpersonal level those factors which contribute to alliance success. Our research was guided by the following questions:

Pergamon

S0024-6301(96)00021-0

Long Range Planning, Vol. 29, No. 3, pp. 346 to 357, 1996

0024-6301/96 $15.00+0.00

- Are there distinguishable stages to the evolution and development of a strategic alliance? What are the characteristics of an alliance at each stage of its life cycle?
- Are there unique managerial skills which appear to contribute to alliance success at each stage in the life cycle? In addition, are there enduring managerial skills which are critical to the alliance over its life?

The Study

This first phase of our study entailed in-depth interviews with managers on both sides of five strategic alliances. These alliances characterized a spectrum of strategic activities ranging from offensive alliances to defensive alliances and to alliances intended to reduce costs. Interviews lasted from 90 minutes to 2 hours in length and included senior managers from each firm. In total we interviewed 31 managers in 12 companies. In instances where the alliance resulted in a joint venture, we interviewed managers from both 'parent firms' as well as managers from the joint venture. Interview participants were chosen because of their direct (either present or past) involvement in the alliance. Throughout the interview process, our goal was to elicit the chronology of events deemed critical by the individuals in the alliance. As managers traced their alliances over time we asked them to focus on key events which they felt were pivotal in the development of the alliance.

Alliances were chosen at different stages in their development. Our youngest alliance was 3 years old and our oldest alliance was in its 24th year. One alliance consisted of two US partners; in another alliance both partners were European; and the remaining alliances comprised a European and a US partner. Two alliances had formed separate joint ventures, one was an outsourcing partnership and the other two were formal cooperative relationships in which partners shared both technology and marketing acumen and capability. The alliances represented the telecommunications, aerospace, airline, petrochemical and manufacturing industries.

The View from 30,000 Feet

Table 1 summarizes the overall findings which emerged from the interviews. The headings in the matrix are the recurring themes which managers evoked to describe their particular alliance and the factors which influence its ability to grow and thrive. The seven life-cycle stages emerged from a synthesis of each alliance's chronology. The alliance factors/activities were major themes mentioned by alliance managers as key issues affecting the development of

Table 1. Summary of research findings

	Anticipation	Engagement	Valuation	Coordination	Investment	Stabilization	Decision
Characteristics	Pre-alliance competitive needs and motivation emerge	High-energy complementary, congruence, strategic potential	Financial focus, business cases, analysis, internal selling	Operational focus, task orientation, diviision of labour, parallel activity	Hard choices, committing, resource reallocation, broadening scope	High interdependence, maintenance, assessment of relative worth and contribution	Where now?
Key business activity	Search	Identification	Valuation negotiation	Coordination, integration	Expansion growth	Adjustment	Re-evaluation
Key relationship acitivity	'Dating'	Imaging	Initiating	Interfacing	Committing	Fine-tuning	'Dialoguing'
Role of alliance manager	Visionary	Strategic sponsor	Advocate	Networker	Facilitator	Manager	Mediator
Alliance structure	Parallel	Dyad	Coordination teams	Work teams	Allied entity	Entwined entity	?

their alliances. Taken as a whole, the results of our study capture the complex interaction between the various phases of the alliances' life cycle and a series of both structural and process related factors and activities. In addition, our findings demonstrate the inextricable linkage between the business of the alliance and the interpersonal relationship between the key alliance players. For example, commenting on the importance of interpersonal relationships and their role in cementing the business relationship, one manager observed:

> . . . the personalities involved got on extremely well and felt that they had a common view as to the way the world is going and what each company could do to help the other. This has been the thread that runs through the whole relationship thus far and is one that we are very keen to protect because it seems to us to be absolutely fundamental to our success.

Clearly, the study demonstrates that there are a number of distinguishable and discrete alliance stages. Each stage is characterized by a set of activities which capture the central and unique events of a particular life-cycle stage. In addition, the activities found in one stage affect the events which follow. While certain uncontrollable factors might cause a stage, or series of stages, to repeat, there appears to be a progression/evolution through which each alliance must pass.

The Formative Stages of the Alliance: Vision, Values and Voice

There are three formative stages through which the alliance begins to take form. As the alliance progresses from anticipation to engagement to valuation, the dream begins to take shape. The *vision* imagined by the leaders of the two firms begins to take hold in the minds of others and the wish for 'what can be' becomes shared within both firms. In each of our alliances, senior management in both companies shared a vision of competitive advantage which could be achieved only in partnership. Vision was absolutely linked to strategic intent, and the future success of both partners was linked to these alliances. The importance of vision is supported by Stafford who commented that without a shared vision partners' behaviour becomes far less predictable and certain.[5] In one alliance both CEOs recognized the burgeoning technology in the telecommunications market and the value each brought to shaping its future direction; in another alliance they saw the world as being linked by a handful of global mega-airline carriers, and each provided routes and complementary strengths to complete a world-wide network. In a third alliance the CEOs saw their two firms more closely linked in the future, and the aerospace business was a logical starting point on which to build stronger bonds. In addition, this initial alliance helped partners protect/expand world-wide market share as well as provided an opportunity for partners to share costs, thereby contributing to their competitive capabilities.

These senior managers not only agreed on vision and were able to articulate it as part of their individual and joint strategies, they looked for other areas of common ground. Past working experiences with each other, similarities in corporate cultures, mutual respect and a basic understanding of the other's capabilities helped shape the very early stages of the alliance building process. In this manner, a set of common *values* (shaped by mutually defined roles) began to emerge across the alliances.[6] Values appear to be linked to the common framework which emerges through the alliance formulation stages. One manager commented:

> Two things are critical: understanding your partner's corporate culture and corporate strategy. What's important to them—be sensitive to that. Share your corporate culture and strategy with them so that they know where you're coming from.

Nonetheless, there were tensions in the early stages of several alliances just as the common foundation for the alliance was being formed. In one instance, one partner sold assets which were initially viewed by both as key to the alliance. The sale itself was less problematic than was the fact that the partner's intentions were not shared in advance. Managers on one side worried about a change in vision. They began to question the values and vision of the other. They questioned also the communication processes between senior managers and the two companies. What emerges from the data is the importance of *voice*—the ability to articulate one's vision and to communicate it compellingly so managers in both firms understand and come to share the vision. One manager cautioned:

> It [the alliance] will only work if the line managers share the vision, buy into it. [Senior managers] must say that we're going to make this work and that this message is shared between and within both companies.

Voice becomes important as the dream begins to take form so that the senior manager can begin to shape expectations regarding what can realistically be accomplished. It is important that senior and line managers in both firms share a common vocabulary about and have a similar frame of reference regarding the alliance.

These early stages are often 'alive' with high energy, great hope and enthusiasm, and excitement about the strategic dream and all it potentially can deliver. To over-promise leads to problems in later stages as the alliance managers move to solidify the true costs and benefits of the alliance. Alliances are believed to face problems when partners come to expect too much too soon. This point becomes important as the partners engage in the analyses depicted in the valuation stage. Here, the hard analyses (e.g. competitive, market, financial, risk/reward) are done and the partners begin to determine the worth of the alliance and each of the partner's contribution to, and gain from, the partnerships. It is critical at this point that the senior managers speak with one voice. One needs to be sensitive to the fact that at this juncture organizational 'buy-in' to the alliance might be uneven. One manager commented:

> I think there is more that can be done and needs to be done in terms of communicating the benefits of the alliance. I think there are lots of people in the trenches who just don't see why we are doing this thing [the alliance]. They say there's a lot of hot air out there. What's really happening, are we making money? What are we actually doing beneath the hot air?

Metamorphosis: From Vision to Viability

One manager commented:

> Both have indicated that they are prepared to, where necessary, give up · · · control is the wrong word · · · but to allow one company to give something for the other and vice versa. These joint actions are something that by example demonstrate that they [the partners] will not let things get in the way of what we should do · · · they are really serious about this. The degree of seriousness communicated right through our respective companies · · · in terms of results, commitment, and structure that has been built around this process.

This quote illustrates the problems which can exist during metamorphosis in which the course of the alliance is plotted and the depth and breadth of alliance activities are set. Metamorphosis connotes a significant change in the development of the alliance such that it begins to take form and evolves its early structure and processes. The two metamorphosis stages in the life cycle affect the scope, domain and the operational purpose of the alliance. *Coordination* describes the emergence of the alliance governance structure in which the integration points, processes and the division of labour between the partners is established. These stages begin the design process in which changes in organizational architecture accommodate the confluence of two (or more) independent firms. The alliance now takes on an operational focus and the manner in which the partners will interact is set in motion. Each of the alliances established coordination committees to both oversee the evolution of joint working arrangements and to model the range of acceptable behaviours between partners. In some instances, the formation of these committees was facilitated through the use of outside consultants who guided the process. These committees varied in size and in degree of formality. At one extreme, due to the elaborate working relationships between partners, this committee appeared as a 'mirror organization' intended to link critical operational functions between the two firms. At the other extreme, the committee was really an informal steering committee charged with modest oversight responsibility and with little formal authority. Coordinating teams tend to act more on a strategic level and give way to work teams which are charged with operational issues and tasks as they relate to the alliance and the evolving division of labour between the two partners.

Formal working committees add stability to the relationship and signal commitment, on both sides, to the alliance. In addition, the findings demonstrate clearly that frequent face-to-face communications between the committee member results in less confusion, serves to build trust as well as to solidify important interpersonal relationships. The more successful alliances in our sample were not managed by telephone or fax; they were managed by managers meeting on a regular basis. It is the role of these work teams to bring the two organizations closer and to effectively manage the alliance's passage from dream to operational reality. Effective management of these teams builds trust between the two firms which extends to each member of the working committee. Effort expended here by the partners to bring the two firms closer pays dividends in later stages of the alliance. Littler and Leverick confirm, in another context, that alliances in which coordinating committees exist have a higher probability of succeeding.[7]

The second stage in metamorphosis is *investment* in which the business case translates to 'bodies and budgets'. Here, many alliances reach a watershed in that the strategic vision that drove the early stages of the alliance is formally committed and delivered. Investment signifies the dedication of financial, human, physical and intellectual capital to the alliance. In one alliance partners purchased a manufacturing business which committed them to a course of action with a new technology. Commitment to one course of action often precludes other alternatives. A key concern is whether there is convergence between the dream and the emerging reality. If a gap appears it is important to understand why and to examine the causes. Does the perceived difference between the dream and the emergent reality diminish the importance of the alliance? Our sample of alliances shows that this point is reached 3 years, or more, into the alliance. While our sample might reflect more 'stable' alliances in that they are all relatively long-lived, the point regarding hard choices still stands and is very relevant even for alliances which move faster through their life cycles. Being able to manage the gap between expectations and reality is an important aspect of these stages. In some instances the bubble might burst; in other instances it might only be deflated. However, hard choices must be made in the face of changing market conditions, changing technology and/or one partner's changing financial picture or strategic direction. To be able to re-shape, re-configure or even re-calibrate the scope and direction of the alliance is often difficult. In fast paced alliances this task is even more challenging. One manager commented:

> I can assure you that as long as you are making money and the business looks good and the future looks reasonably good to people, then everybody gets along well. You find out how good the partnership is when things get tough.

Staying the Course—Managing Over Time

During *stabilization* managers focus on staying the course and adapting the direction of the alliance to reflect both internal and external pressures. In our sample, this point was reached in about 5 years from the start of the alliance. Our findings show that problems occur when the partners are unable, or unwilling, to confront each other and deal with issues as they occur. In part, our data demonstrate that reluctance is due, in part, to not wanting to hurt the other's feeling. In other instances, reluctance stems from a willingness to let things go because the business appears to be going well—why upset the momentum? Problems often converged on issues of equity[8] in that partners attempt to equate effort with reward. If one party attempts to have the equation balance at the end of the day or the reporting period, there is likely to be conflict since the ebbs and flow of business prohibit such precise book-keeping. Managers must trust that balance will occur over time.

Alliances which stayed the course established a *blameless review process* in which both parties agreed to periodic reviews to examine the state-of-the-alliance. Here, both parties can feel comfortable about raising issues since it is a part of the management process. There is no fear that one is accusing the other of wrong doing or the like. The question, however, arises as to how frequently such a review is conducted. One manager cautioned that "one should not regularly unearth a rose to check on its growth". Too frequent a review process can be dysfunctional; nonetheless, one cannot let important matters slip for too long a period. Blameless review processes formalize the alliance audit process in which managers ask questions regarding strategic alignment. Have there been changes in the environment, strategic intent, management processes etc. which affect the stated goals and purpose of the alliance? One manager noted:

> This is about welding together two massive businesses. Any differences in opinion · · · Its easy to think, we disagree but let's be cosy, let's be friends about it. If you're disagreeing about something and it is a significant business issue · · · To sweep that under the carpet, you're not being a good business manager in doing that. You're being a fool to yourself · · · You're just being a fool.

The *decision* stage of the life cycle is placed after stabilization almost to reflect a traditional product life-cycle notion and to capture the concept of severe instability, and in its extreme, decline. However, it should be noted that this point can be reached at any stage and signals that events might have occurred that cut to the core of the alliance and seriously jeopardize its existence or require a new strategic direction. This stage represents a point at which partners decide (either jointly or individually) to re-define the relationship in its current form. The decision stage can be a natural outcome of the blameless review if factors affecting the objectives of the alliance are significant, or it can evolve as a natural occurrence in the growth/decline of an alliance as it progresses over time. This stage embodies issues ranging from critical questions of whether to continue or exit the alliance, to less severe questions of broadening or narrowing the alliance's scope. Unlike metamorphosis which represent natural disruptions that occur as an outcome of growth, this stage signals that a potentially critical juncture has been reached. One manager observed:

> Circumstances change, competition changes. If you have a divorce and walk away, what are you left with? It is not a defeat. It may be that circumstances that brought you together have now changed. Our alliance with X didn't fail. It delivered what it was meant to deliver when we went in, but circumstances changed and we've shook (sic) hands and walked away. There's no shame associated with that.

An Alliance as an Intertwined Set of Relationships

From the above, one paints a mental image of an 'S' shaped product life-cycle curve[9] to represent the initiation, growth and decline of a strategic alliance (see Figure 1). For descriptive purposes an alliance might proceed in that manner; however, it would be a mistake to view an alliance as only a business relationship which moves through its life cycle. Without exception, our findings show clearly that an alliance is a complex interaction of business and interpersonal activities whose purpose is to achieve mutually beneficial goals. Both the business and the interpersonal activities are essential ingredients and both must be attended to. Focus on one activity to the exclusion of the other is likely to cause the alliance to unravel. Shaughnessy describes several alliances that failed due to management's singular focus on the 'commercial logic' of the partnership to the exclusion of less easily managed elements of the alliance.[10] Figure 2 depicts the alliance as a helix; at the core of which lies the spirit of the alliance. The spirit of the alliance grows from the vision carried forward by senior managers. It connotes the essential principles upon which the alliance is based. The spirit of the

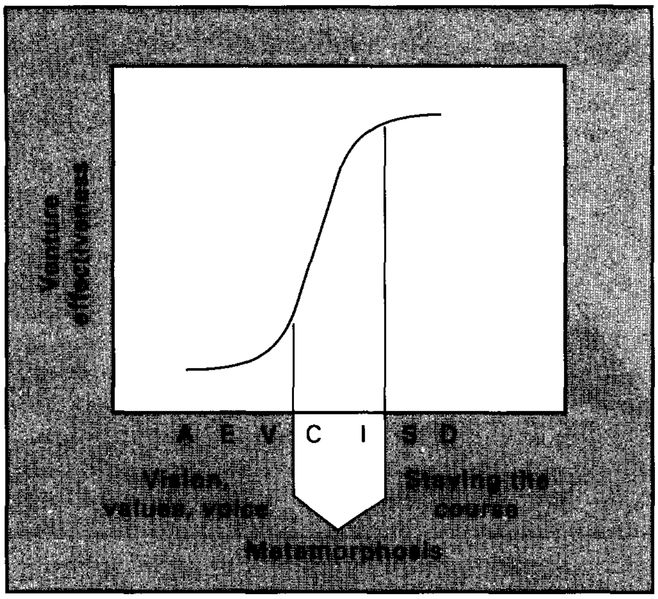

FIGURE 1. The alliance life cycle.

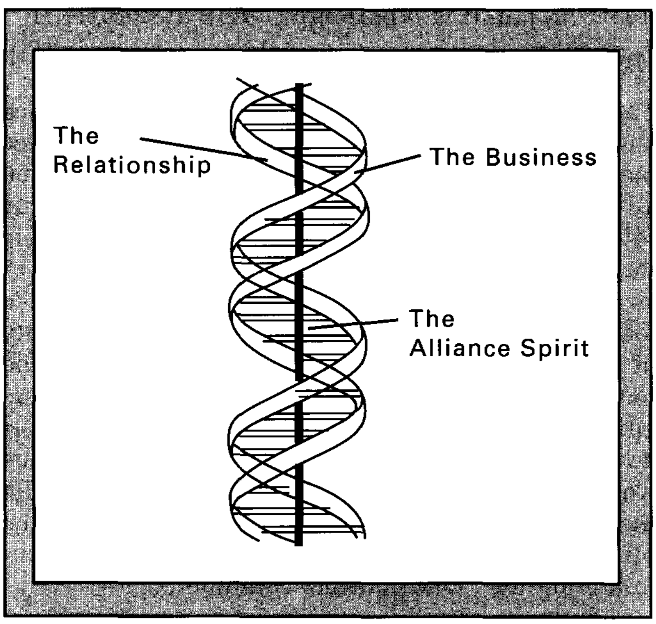

FIGURE 2. The alliance interrelationships.

alliance embodies the emergent norms of the partnership—i.e. the implicit ground rules which govern each partner's view of the interactions and working relationships. It is the partners' mutually agreed upon interpretation of the alliance.[11] The spirit captures those rules of engagement and values which transcend the boundaries of each firm and become part of the bedrock upon which the alliance builds. It is surrounded by the intertwined business and interpersonal activities.

The business activities follow closely the stages of the alliance itself and are a natural extension and manifestation of the alliance vision—the mutual competitive advantage sought by the partners. These activities relate to the work tasks associated with implementing the alliance. The interpersonal activities depict the steps through which the relationship between alliance managers and, then, the alliance participants/players is courted, nurtured and developed. Our findings reveal that there is considerable energy needed to build and nurture these interpersonal ties. This process is often made more difficult by the fact that many firms rotate their managers on a regular cycle. One manager commented that:

> it takes a lot of time—in some instances 3, 4, 5 years to understand the other side. If people move too quickly, somebody is coming up and they move them out, this happens a lot · · · that causes problems because a good partnership means continuity in the people who are involved—not changing too often.

Trust, communication, perspective taking, rapport building and commitment emerge as key characteristics of successful interpersonal relationships.[12] In our most successful alliances partners have developed personal relationships which transcend the requirements of the business. Although our study focuses on those managers running the alliance, one can infer from the findings that ties can run deep into each partner's organizational structure. Figure 3 illustrates the complexity and depth of interpersonal interaction that might be required in very extensive relationships. In the airlines alliance, for example, the depth of interaction extends from the office of the chairmen, to the flight decks, to the baggage handlers. The linking points between the two firms are quite elaborate and the need for trust and commitment at all levels within the two firms is essential. Stafford suggests that these more 'complex' alliances present significant challenges since they are by definition harder to untangle and, therefore, pose greater risks to the partners.[13]

Strong alliances demonstrate that partners respect and like each other. It is far more than having close ties at the CEO level. One manager remarked:

> Without a dedicated, loyal and motivated staff, we wouldn't be as effective. Making the bridge and getting the right people with the right mental set, attitude and perspective I think was extremely critical and significant in terms of delivering on day to day commitments, as well as being able to move forward and win additional business.

In the early stages of an alliance one can easily envision a courtship period in which partners get to know each other, enjoy each other's company and form personal bonds. Managers not only appreciate better the goals and objectives of each firm, they better understand the motivations and aspirations of their counterpart.

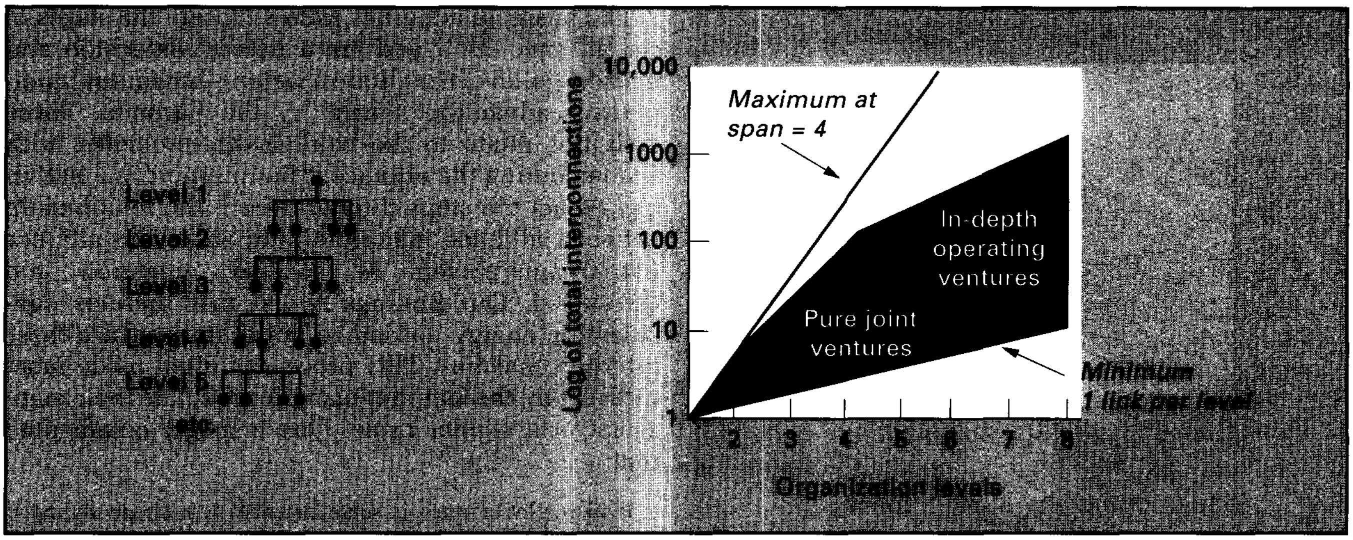

FIGURE 3. How complex is the relationship.

The personal relationship provides the cushion which supports the alliance when the business is under stress. In the good times 'rising tides raise all ships' and the personal relationships can be taken for granted. Yet, the interpersonal ties appear to act as the safety net which protects the alliance from self-destructing when the business is under performing, or when expectations are not being realized. One manager recalled:

> [the problem] got to be a divorce item · · · If you don't do this, then · · · It was a real trauma. But we had enough of a relationship that when it started to blow up we talked to each other and we started to get things back together. I don't think you can estimate the amount of time it takes to build personal relationships · · · You've got to build a relationship so when an issue comes up, they are your friends and you can argue without people taking it personally.

As suggested by the above, when trust between the partners prevails each side is willing to act prudently and with restraint. Without these ties there is a tendency to act opportunistically because one expects the worse.[14] If one focuses on the economics of the issues only, there is likely to be a short-term reaction that affects longer-term gain. In the good times a different mechanism leads potentially to the same sub-optimal result. When the business is strong, partners are willing to ignore interpersonal problems. Yet, if effort is diverted from the interpersonal relationship, one develops a false sense of security in the good times and lacks the strength of conviction in the face of adversity in the bad times. Our findings suggest that the personal relations helps define the strategic dream, facilitates the requisite dialogue between partners, and contributes to the strength of the ties between the alliance managers and the alliance partners.

The Alliance Manager: the Essential Ingredient

The findings unequivocally support the importance and centrality of the alliance manager. The alliance manager is the person charged with carrying the alliance forward at each stage in its life cycle. In this role the alliance manager is the person responsible for the care and feeding of the alliance and serves as his/her firm's key representative on the alliance management team. Although the role responsibility of the alliance manager may change in response to the requirements and demands faced at each stage in the alliance's life cycle, the importance of the manager does not diminish. Thus, the alliance manager must wear a number of different hats and must be facile playing a number of different roles. To compound the problems, the alliance manager is truly the 'person-in-the-middle'. One manager commented:

> I tell my folks who work in the relationship manager position · · · They often get frustrated with dealing with issues on both sides. They're doing their job if they are perceived by company A as being very pro company B and perceived by company B as being very pro company A. If you can keep a balance between these two, it probably means that you're doing a great job.

In the early stages, the alliance manager is a *strategic sponsor*—a combination of visionary and emissary. This role is typically played by senior managers who are able to shape the future direction and mission of the firm. We have shown earlier that this sponsor must also be able to translate and communicate the vision so others in the firm become converted to the dream. In very complex alliances in which organizations will transform their basic business processes, the vision cannot be mandated from the top. Understanding and commitment must flow down to middle-level managers as well. One manager cautioned:

> Just because the number one guys get along, there has to be a solid business reason to make it work. However, the opposite is not true. If there are good, solid business reasons to make it work and the number one guy isn't aboard, then you've had it.

Managers at all levels must be converted and join the ranks of the believers. Thus, the alliance manager is also an *advocate* who carries the dream and rallies the requisite people in his/her own firm. As the alliance grows and coordinating activities become more important, the alliance manager is a *networker* and a *facilitator* who links functions, areas, people and partners in such a manner as to enhance, manage and direct the flow of important and timely alliance related information. This task can be quite cumbersome in very complex alliances in which different functions and levels must be coordinated.

Our data also show that alliance managers tend to rely heavily on informal networks and ties. In two of our alliances, managers were purposely given assignments in different parts of the business as part of their normal career development. Although not explicitly done to improve their alliance management skills, these two firms have developed strong alliance managers partly due to the informal networks that their managers developed over time.

When problems or disagreements arise the alliance manager serves as a *mediator*—an honest broker who attempts to resolve conflicts for the betterment of the alliance. One of the key concepts upon which alliances are built is the existence of mutual interdependence. This suggests that it would be foolhardy to act in one's own self-interest since any move which adversely affects one partner, adversely affects the alliance. The alliance manager is acutely aware of this tension and must strive to balance the needs and concerns of both partners. Above all, the alliance manager is a *manager* who shoulders the responsibility of the business of the alliance and must assure that the alliance maintains its course to achieve its goals and objectives. Again, Littler and Leverick's work supports the importance of the alliance manager. Their results show that these 'champions' help distinguish between successful and unsuccessful alliances.[15]

In one alliance in our study the alliance manager was placed in his present position primarily because of his line management skills, to the exclusion of several of the other alliance manager role requirements. Although the business side of the relationship has warranted attention, this manager has neglected some of the other roles which focus on building stronger interpersonal relationships. This neglect has caused confusion in the minds of his partner, who feels out of touch and perceives a change in direction

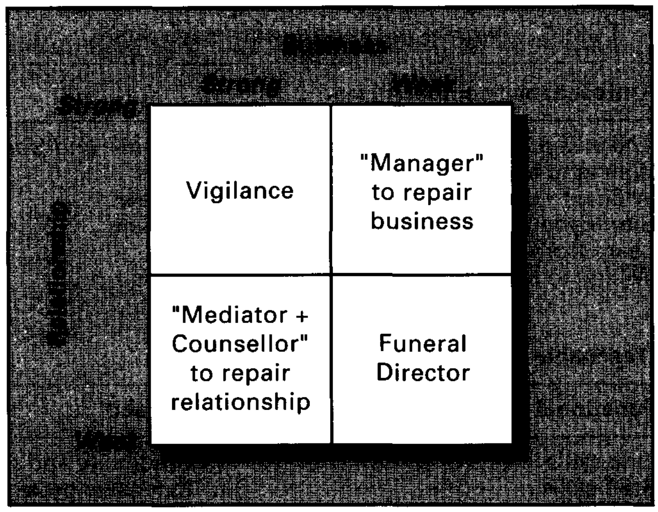

Figure 4. Managers the alliance may need.

of the alliance. In the interest of controlling costs, this manager has failed to shore-up his interpersonal ties with his partner. Our point is that too often successful line managers are promoted to alliance managers. Due to the diverse, and seemingly conflicting, set of role requirements, the transition for some is not easily made. Figure 4 depicts the different role requirements needed of alliance managers depending on the state of the business and the state of the relationship. Both components are essential to the viability of the alliance and require skill and attention. We believe that many alliances have managers who are good at running the numbers but lack strong alliance management skills. Our findings demonstrate that weak alliances require strong alliance managers.

Are Good Alliance Managers Born? Can they be Developed?

Herein lies a critical question and the answer to both questions is 'yes'. Given the exponential growth of strategic alliances and the high rates of failure, can greater success be achieved by placing the right person in the job? We believe that the role of the alliance manager is central to alliance success and that many companies fail to provide the proper set of work and educational experiences to ensure a cadre of skilled alliance managers. Our data show that the business of the alliance cannot be separated from the skills needed to manage the alliance. One can infer that there ought to exist a greater dialogue between senior managers and the human resource managers who are responsible for strategic manpower planning and personnel development. One senior manager commented that his company's ability to grow through alliances was limited by the number of potentially qualified

Table 2. Alliance manager characteristics

'Unteachable' competencies

The alliance perspective—good managers 'think' and 'see the world differently'

Willing to change self to accommodate others	Virtual thinking
Willing to consider other person's point of view	Optimistic
Simultaneously consider multiple points of view	Clever and creative
Learn from past but are not constrained by it	Eager to embrace other cultures
Willing to take losses in return for future gains	Pragmatic
	Vigilant
	Questioning

'Teachable' competencies

Functional	**'Earned'**	**Interpersonal**
Line skills	Credibility and respect	Social skills
Staff skills	Extensive networks:	Process skills
Educational background	—organizational	Tact/sensitivity
General business knowledge	—alliance	Cross-cultural awareness
	—industry	

alliance managers. Another manager cautioned about building the skill through outside hires and observed that these people lacked the requisite internal networks and informal relationships.

Our data reveal that there are skills which can be taught while other competencies can be developed. In addition, there are a third set of skills which appear to be 'hard wired' and seem to distinguish strong alliance managers from other good line managers. These skills/competencies are summarized in Tables 2 and 3. For example, one can be taught functional skills and managerial decision processes. Yet, these skills require a cross-functional perspective and a sensitivity to both strategic and operational concerns. In instances where an alliance is forged with one's competitor, the alliance manager must never lose sight of the goals of the alliance and how this seemingly unnatural union fits within the larger strategic mission of his/her firm. To act in the best interest of the alliance might appear, at first glance, to run counter to the firm's best interest. Our findings show that alliance managers must be facile with operational, strategic and policy level concerns and be able to move easily between these levels since each affects the alliance at one, or more, stages of its life cycle.

Interpersonal competencies as they relate to social, process and cross-cultural sensitivities can also be taught. The key here is to tease out the valid set of competencies and to create a meaningful set of educational and developmental experiences. Careers can be managed to ensure cross-cultural experiences as was the procedure in two of our more successful alliance companies. Yet, there are other competencies which must be earned and these relate to credibility, trust and the ability to form networks within the firm, in the alliance and in the partner company. Here, the question of how much time is needed for the alliance manager to develop these skills before he/she is moved to the next assignment is important. Can one fast-track through these different developmental experiences? Similar to the development of a chess master, it takes time for an effective alliance manager to build a repertoire of alliance skills and experiences.

The data caution that a 'two years and you move' tradition of assignment rotation might be inherently dangerous to the health of an alliance. Building trust, credibility, rapport and a personal relationship all takes time and should not be rushed. In one of our sample, there seems to exist a tradition of bringing new members of the alliance team into the 'family' early to have them establish their relationships and to grow into the role of alliance manager over a period of time. Not only does one get to know the alliance well before one inherits the reins of alliance manager, the firm ensures that certain behaviours are patterned by having the younger members of the alliance team 'sit at the table' and learn from the older, more seasoned members. We infer from our findings that when windows of opportunity preclude a more measured process to the development of alliance managers, it would be best to define the alliance with a more limited scope and domain or to involve higher-level managers or alliance managers.

We believe quite strongly that weak alliance managers will damage important alliances. One must constantly recall that alliances are 'unnatural' organizational forms which require special care and feeding. It is unwise to place key alliances in the hands of the inexperienced. Smaller alliances, however, have sharper focus and can, by definition, be better circumscribed into more precisely defined boundaries. Thus, there is less room for misinterpretation as individual discretion is more closely monitored.

The data imply that good alliance managers are different. They have an innate alliance mentality that gives them a perspective in which they see the world as a series of connections. They can 'parallel process' and can easily see the big picture, drawing on bits of relevant information from different sources. One manager observed:

> You have to learn to operate on gut feel at times. This is very uncomfortable initially for people with technical training. In the lab, you can always go back and run more experiments to make sure the data say this is the right way to do it · · · In this business, you can't.

Perspective taking is the hallmark of successful alliance managers. They not only can simultaneously consider multiple points of view, they easily understand the position of their partner and are willing to listen. They are also flexible and represent the best of a learning organization—alliance managers easily learn from the past but are not constrained by it. They understand that past alliance success does not always ensure future success and that one must also learn from failures.[16] The successful alliance manager embraces change and adapts easily to new cultures and new situations and new cultures. Clearly, these skills and characteristics extent the range of competencies expected from and often found in successful line managers.

Lessons Learned

Successful alliances have their origin at the top of the organization. Even those alliances of lesser stature and managed at lower levels within the organization must have the blessing and support of top management. Given that managerial time and attention is valuable, alliances must be chosen carefully and with discrimination. The drain on management resources precludes a large number of strategic alliances. Firms that tout their large number of alliances should question whether they have a number of relationships only some of which are strategic.

Senior management bears responsibility for several key aspects of the alliance formulation process. First, they must ensure that the alliance is tied to the strategic intent of the firm. Second, they must drive the alliance vision down through the organization—all alliance participants must understand why the alliance makes sense and how it fits into the larger set of goals and objectives held by the firm. This implies that all alliances, regardless of their size or financial commitment, must be congruent with the values and beliefs of the firm and that these core values are shared by the partner. A shared vision cannot exist if partners do not share values and a have common interpretation of why the alliance must succeed. Speaking with a singular voice is essential—both partners must share a common vocabulary about the alliance, its goals and the mutual benefits gained. Cultural differences can be managed and accommodated for, differences in core values cannot.

During *metamorphosis* the vision becomes a reality and the dream begins to take on life. Organizational structures and processes should nurture and develop the growing alliance. Formal coordinating working committees add stability to the process and provide the necessary support to the alliance at this developmental phase. Key concerns center on bridging the gap between 'what can be' and 'what is'. Serious concerns surface regarding the cost/benefit of the alliance as it is here that corporate resources are committed and dedicated. Hard choices must be made since options chosen also represent opportunities foregone. The alliance manager is the mortar which holds this emerging structure together. At the same time, management must be convinced that the goals and objectives of the alliance are still on target.

Although one sets a course for the alliance, vigilance throughout the journey is key. Care must be given to both the nature of the business and the nature of the interpersonal ties upon which the strength of the alliance is ultimately built. One cannot attend to the business of the alliance without giving equal attention to the interpersonal aspects of the alliance. Successful alliances implement blameless review processes at scheduled intervals to ensure that the alliance is on course despite those internal/external pressures which might affect its direction. Changes do occur and these must be monitored—unexpected changes in the marketplace, in technology and/or in one partner's internal operations can affect not only the scope and purpose of the alliance, it might also call into question its continued existence. Partners must jointly, and with some degree of regularity, review the progress of the alliance and mutually agree on the proper course of action.

Strong alliance managers are essential to the success of an alliance and their centrality becomes even more apparent in weak or troubled alliances. They occupy a number of different roles throughout the alliance life cycle and each is essential to help maintain the alliance at each stage. They not only carry the message forward and strive to convert the alliances participants to uphold and maintain the spirit of the alliance, they are instrumental in weaving the net of informal relationships (both within and between the partner firms) which adds strength and support to the formal alliance structure.

Among the problems which can affect the relationship perhaps the most serious is a rupture of the relationship between the alliance managers of the two companies. This can occur when one of the alliance managers is replaced by someone who has not previously played a role in the alliance, who disagrees with the strategic vision of the alliance or who lacks the background and skills to be a successful alliance manager. Perceptive alliance managers act quickly to repair such a breach through direct and intense discussion with his/her opposite, recognizing that to let such a problem linger is to court disaster. In some circumstances the rift is so potentially severe that third-party counseling might be required.

Firms which are successful in alliances have a culture that encourages and supports processes that develop alliance managers. Recognizing that alliance managers are different from successful line managers and possess skills that go beyond those competencies which are desired in high performing general managers, these firms seem to structure assignments, select and hire people, and provide opportunities in which potential alliance managers will grow and prosper. It is important that human resource managers and senior management are in agreement that a formal plan is needed for the selection, development and training of alliance managers.

Our study demonstrated that alliances are composed of both business and interpersonal relationships and that the demands and requirements of each vary over the alliance's life cycle. We have shown also the critical role played by the alliance manager. We acknowledge that alliances are a business necessity—brimming with opportunity and fraught with problems. We believe that successful alliances are managed differently and demonstrate better alignment between 'what can be' and 'what is'. We have provided insight to help manage the gap between the vision and the reality. We believe also that the lessons learned here will contribute to alliance success and will strengthen ties which help alliances to endure.

The authors gratefully acknowledge the financial support of the International Consortium for Executive Development Research (Lexington, MA). Support was received also from the Darden Graduate School of Business Administration.

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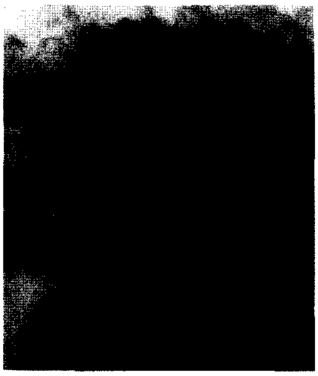

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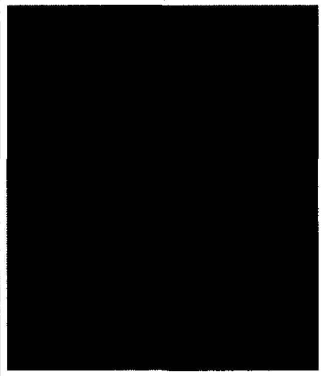

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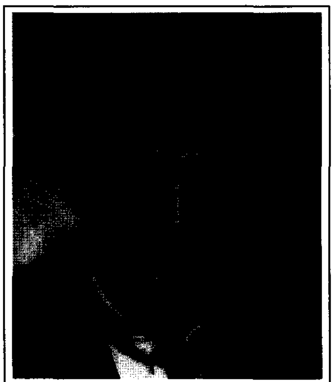

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