STRATEGIC ALLIANCES

FIT OR FAILURE

PROEFSCHRIFT

ter verkrijging van
de graad van doctor aan de Universiteit Twente,
op gezag van de rector magnificus,
prof. dr. F.A. van Vught
volgens besluit van het College voor Promoties
in het openbaar te verdedigen
op vrijdag 6 juni 1997 te 16.45 uur

door

Marc Ulco Douma
geboren op 22 april 1969

te Heerhugowaard

Dit proefschrift is goedgekeurd door:

Promotoren: Prof. dr. P.J. Idenburg
                Prof. dr. J. Bilderbeek
                Prof. dr. J.C. Looise

Contents

Contents

Contents

Contents

Introduction

Dubbed a passing fad up until a few years ago, strategic alliances now form a vital element in the day-to-day practice of many companies. Co-operation is occurring in virtually every sector and virtually every activity, as a random dip into the Dutch daily newspaper Financeel Dagblad in 1995 testifies.

> *"Brussels Green Light for Phillips and IBM Alliance"*
> *"Gist Brocades and SmithKline Start Collaboration"*
> *"Bouw (KLM) Still Searching for Partner in Thin Market"*
> *"Hyundai on DAF Luggage Rack in European Market"*
> *"Making Eyes for Partner Costs Multihouse Orders"*
> *"Lufthansa and SAS in Strategic Alliance"*
> *"Enertel Partners Not Crippled by Broken Heart"*

Collaboration between companies is not new, however. Co-operations, for example, have been well-established phenomenon in our economy for several decades. The compelling question is what has caused the increase in scientific interest in the alliance phenomenon since the eighties from (Macro)Economics, Business Administration, Psychology and Organisation theory? Two factors play a role here: the nature and dynamic of current alliances and the scale of collaboration. This will be illustrated briefly.

To an increasing extent, companies decide to co-operate in activities nearby or even within their core activities. This is not by definition restricted to a single partner. As a result of the sharp increase in alliance activities, complex networks of otherwise independent companies have developed in sectors such as aviation, aircraft construction and telecommunications. Thus, the nature of contemporary alliances is essentially different from that of the alliances of a few decades ago. This is also true of the dynamics. Increasingly often, alliances have a temporary character and are formed for a very specific objective, e.g. the development or launch onto the market of a new product. This development is stimulated by the increased turbulence in many sectors. Companies are forced to take advantage of changed circumstances swiftly. Temporary alliances can offer the flexibility vital to this. A direct consequence of the temporary character of alliances is that boundaries between companies are always up for discussion. This, combined with the sharp rise in the number of alliances, has increased the influence that these alliances have upon industrial and economic structures.

Core competences are increasingly seen as the basis of a company's long term competitive advantage. Protecting the own proprietary knowledge and skills is therefore considered crucial to guaranteed continuity. By forming a strategic alliance, the competitor involved is, however, granted a look behind the scenes. Alliances often do not produce the expected result. The question increasingly often arising, in connection with the growing number of alliances, is whether collaboration has indeed so many long term advantages, and whether

the competitive advantage sometimes does not erode rather more than it improves. In the
1980s, American car manufacturers had a rude awakening in this respect, when they entered into large-scale co-operative relations with Japanese competitors[1]. These alliances may well have contributed to the malaise, in which the American car industry found itself until a few years ago. General Motors joined forces with Toyota, Ford with Mazda and Chrysler with Mitsubishi. The nature of these alliances was similar. Production took place in the U.S., while the Japanese partners accounted for all engineering activities. In order to do this well, they obtained valuable information about the American market from their partners. Only when it became clear to the Americans that they had fallen behind in essential areas, such as R&D and engineering, and were dependent on their Japanese partner, did they become aware of the dangers inherent in the alliances they had formed.

The core of the alliance issue lies in this potential conflict between co-operation and competition. It are the founders of core competences thinking, Prahalad and Hamel[2], who propagate the opportunistic co-operation tactics of the Japanese car manufacturers in their article: "Collaborate with your competitors - and win!" In their opinion, a company should always try to outlearn the partner. The question now is, whether alliances per definition have to be regarded as the modern Trojan horse. Not so, on the basis of the results of our research into strategic alliances. If the managers involved beforehand at least make a reliable estimation of the real strategic considerations underlying the alliance, and the potential problems linked to it, the chance of success may be significantly increased.
Alas, all too often this does not occur. Experience proves that in the fever of negotiations, co-operation often becomes a goal in itself. If the alliance is formed, it is in fact only the beginning of an often lengthy process. A process, that may have considerable influence upon the functioning of the own company. As a result of the environmental changes and the dynamics of the alliance process, the original assumptions will quickly be up for discussion. This makes great demands on the management of both partners, as well as the management of the alliance. Do they spot new developments (internal and external) in time, will the influence this has on the alliance be recognised, and are they collectively able to react adequately?

In this study, we present a framework that supports managers in this process, which is often associated with ups and downs. This framework is developed on the basis of theoretical research, case studies and experience gained during consulting assignments. Due to the close interaction between science and practice, the framework developed is not only based on theoretical concepts, but at the same time tailored to the practice within companies. The research results are therefore interesting to anyone, wanting to know more about the strategic alliance phenomenon: what are alliances, why are these entered

---

[1]The literature references are listed at the end of each chapter.

into, which factors are of importance and what is their relationship? The study is further relevant to managers, considering entering into a strategic alliance, or who have been co-operating for some time. The framework presented enables them to:
assess the basis for co-operation and potential problem areas in advance;
evaluate during the alliance, whether the preconditions for successful co-operation are still being met.

Notes

[1]   Reich, R.B. and E.D. Mankin, 'Joint ventures with Japan give away our future', in: Harvard Business Review, March-April 1986, p. 78-86.
[2]   Hamel, G, Y.L. Doz en C.K. Prahalad, 'Collaborate with your competitor - and win', in: Harvard Business Review, January - February 1989, p. 133 - 139.

Background, problem definition, method and summary
1.1   Introduction

The observation that, although the number of strategic alliances has risen sharply, the results of many alliances turn out to be disappointing, constitutes the immediate background to this research. The objective of this research is to develop a framework that will support decision-making on strategic alliances, and will increase the eventual chance of success. In developing this framework, the best possible reciprocity between theory and practice has been pursued. Initially, in this chapter the development of strategic alliances and some of their characteristics, which were definitive for the research design selected, will be investigated in more detail. Subsequently, the research questions will be presented and the research method selected briefly explained.

1.2   Research background

At the end of the eigthies, academic interest in the alliance phenomenon greatly increased. Within a short time, a large number of articles had appeared, dealing specifically with the reasons for entering into alliances, and the general success factors for alliances. Illustrative in this connection are publications with titles such as "Strategic alliances; guidelines for success"[1] and "Co-operative strategies; the pay-offs and the pitfalls[2]." At the time, entering into a strategic alliance was not seldom seen as the answer to the strategic challenges confronting companies. A number of studies, however, made it clear that the results of alliances were in many cases disappointing. A need therefore existed in science as well as in practice for a more thorough and cohesive insight into the characteristics and dynamics of strategic alliances and their key success factors.

1.2.1   Development of strategic alliances

Viewed from an international perspective, the number of alliances between companies has risen sharply in the eighties. Although in the early eighties the question was regularly posed as to whether this was a temporary phenomenon, in the meantime it is increasingly often concluded that the alliance boom possesses a more structural character than initially presumed.

Walker remarks on this: "For many of the world's major companies, alliance strategies are becoming fundamental to their way of competing. Already, it is hard to think of a global competitor in any industry without a portfolio of alliances[3]." Traditionally, the multi-national Unilever focused on acquisitions in its expansion strategy. In the last few years however, there appears to have been a change of attitude with regard to alliances; now Unilever also enters into alliances. The importance of alliances as a means of competition, is thus underlined. Or, as the then chairman of the board, Floris Maljers phrased it: "as a matter of principle, alliances will play a more important role in the future"[4].

Strategic alliances are fueled by a number of global developments. Huyzer cites as the most important: the internationalisation of markets, the increasing complexity of technologies and the increasing speed with which innovations take place[5]. As a consequence of these three trends, companies are subjected to increasingly competitive demands. In the Personal Computer industry, for example, new models succeed each other in periods of a few months. Due to increased competition, however, strong pressure on retail prices has arisen. New models not only have to be technologically innovative, they also have to be developed and produced at lower costs. Rapid access to the largest possible market is essential, in order to recoup the often high development costs. In this respect, the traditional home market is often too confined, certainly for many European companies. A few quantitative studies, carried out in the late eighties (by Harrigan[6], Hergert and Morris[7] and Kogut[8] among others), show a concentration of alliances in a limited number of sectors, such as telecommunications and the computer industry. To illustrate this, the results of Hergert's study are reproduced in the figure below.

Figure 1.1: Alliance activity according to sector

Flanagan[9] and Hagedoorn[10] detected a sharp rise in the number of alliances in respectively the aviation and the biotechnological industries. These industries are characterised by high entry costs, globalisation, economics of scale, quickly evolving technologies and considerable operating risks. On the one hand, such a competitive environment offers new opportunities, on the other it asks for higher performance and the undertaking of greater risks than heretofore. This increasingly raises the question for many

companies, as to whether they can meet these demands and, likewise, whether
they are prepared to bear the associated risks alone.

1.2.2 Alliances vs autonomous development and mergers/takeovers

Generally stated, this concerns the question of how the company wants to
implement its strategic course. There are, in principle, three options at
its disposal: autonomous development, co-operation, or merger/acquisition.
Of course, it may also be decided to stop the activity concerned. This can
happen in the form of liquidation or sale, but also via a strategic alliance,
that is gradually ran down or sold.

Figure 1.2: Alliances versus autonomous development and
mergers

Autonomous development entails full competition; mutual adjustment between
competitors is regulated through the market place. The individual companies
are hereby completely autonomous in their decision-making. Conversely, direct
competition is removed when an acquisition is chosen; mutual adjustment is
effected through the corporate hierarchy, whereby the original autonomy of
decision making is reduced. On entering into an alliance, the partners retain
their independence and remain competitors to a certain extent. The decision
to pool part of their activities and to co-ordinate management, however,
reduces their autonomy in decision-making. The most important contrast with
a merger or acquisition is, that an alliance involves a limited number of
activities. From a strategic and organisational point of view, alliances
can be seen as a hybrid of autonomous development and merger/acquisition.

In practice, the distinction made between autonomous development, merger
or acquisition and alliances rapidly blurs, however, and great diversity
arises in the nature and intensity of alliances. Partly due to this, forming
a strategic alliance is a complex affair for which no fixed solutions exist.
The entrepreneur, having to decide on the most desirable way to implement
his strategy, must carefully weigh up the pros and cons linked to different
options, and their practical implications. A number of the frequently
mentioned pros and cons of autonomous development, strategic alliances and
merger/acquisition are summarised in the table below.

Figure 1.3: Advantages and disadvantages of strategic alliances

Most alliances are formed in the area of product development. In addition,
it is clear from the analysis Hergert and Morris made of the Insead database
that only a small part of the alliances, researched by him, are concerned
with marketing[7]. Harrigan[6] and Kogut[8] too conclude that the alliance activity
declines, the more business functions (value chain activities) are close
to the market. Competitive issues start playing a more direct role here than
in product development.

1.2.3 Success of strategic alliances

Noting the sharp increase in the number of strategic alliances, these apparently offer important advantages compared to autonomous development and merger or acquisition. The great synergetic potential, existing between partners, is invariably referred to when entering into strategic alliances. A critical note is appropriate here, however. Harrigan's research shows that only 45 percent of the total of 895 alliances she studied, are considered successful by the managers
involved in these alliances (see figure below)[6].

Figure 1.4: Success and operational status alliances

Well-known Dutch examples are the alliances, meanwhile discontinued, between NKF and Nokia and Bols and Heineken. Even successful alliances can end, such as the alliance of more than 40 years between Philips and Matsushita shows. Various other studies, those of Bleeke and Ernst[11] and Kogut[8] for instance, arrive at similar percentages to Harrigan. With respect to these studies, it should be noted that they were conducted in the eighties, and the picture may have changed in the meantime.

These conclusions are recognised by Hetzenauer, president of Tulip Computers. According to him, there is a veritable boom in alliances within the computer industry[12]. His thesis, however, is that "80% of them have in fact no substance; the real potential has not been well researched and the partners' commitment often must be doubted". Hetzenauer also made the remarkable observation that "technological innovation in the computer industry is proceeding so rapidly that co-operation costs too much time due to the mutual alignment issues. Time, that is not available in an industry with product life cycles of six months, and sometimes even shorter."

At first glance, this is curious. Every company seems to work together, but more than half the alliances are not successful. Evidently, starting and successfully continuing an alliance is more troublesome than many managers had expected. In addition, a third of the unsuccessful alliances in Harrigan's study is still operational. There would seem to be a certain hesitation to discontinue an alliance, even if it is not successful. This picture is affirmed by a few interviews held in the context of the research. An explanation for the disappointing results may be that designing and managing an alliance is exceptionally difficult. As Bouw, president of the Royal Dutch Airlines, once remarked: "working is enjoyable, but working together is hard[13]."

Niederkofler, who has researched six alliances in depth, remarks: "... the point is that although managers may be well trained in competitive behaviour, co-operative situations require different skills, skills that a lot of managers do not yet possess. As a result, alliances often appear to be managed reactively, rather than being based on a deliberate, proactive strategy[14]." A joint study conducted by Twente University and Coopers & Lybrand shows that the quality of the decision making process regarding the alliance, and the way the alliance is managed, might well be questioned on occasion[15].

1.3 Objective, scope, research questions, expected results

On the basis of the preceding, it must be concluded that the success of alliances is not self-evident. The question is now, whether an alliance's chance of success may be enhanced by better preparation. Several authors (Huyzer and Niederkofler, among others) answer this question affirmatively. A cohesive framework to facilitate this is still missing, however. The starting point of this research is therefore the hypothesis that a more thorough and objective preparation for an alliance increases the chance of its success.

1.3.1 Research objective

The main objective of this research is to develop a practical framework, that will support management, considering entering into a strategic alliance, in the collective decision-making process. This first of all concerns the question, whether there is a sufficient strategic basis for the alliance. Secondly, the question is whether or not the alliance design the partners are considering is effective, given the partners' background and the objectives they wish to realise via co-operation. Thus, the research focussed both on the quality of the strategy (= external adjustment), as well as on the quality of the alliance organisation (= internal adjustment). Already in the initial phase of this study, it was clear that strategic alliances are a difficult to define phenomenon. In the available literature, there was no simple answer to be found to the question as to what was, and what was not to be regarded a strategic alliance. A supplementary research objective is therefore the formulation of a definition of strategic alliances (see 2.2).

1.3.2 Research scope

For a proper understanding of the research questions formulated, it is important to examine the scope of the research. With an eye to feasibility (in time), the research area has in fact been clearly demarcated with reference to a number of issues. The research is restricted to decision-making around alliances, and does not consider the question whether co-operation should be preferred to autonomous development and merger/acquisition. Moreover, it has been chosen to focus more on the content aspects of decision-making, and less on the process aspects. These content aspects have been researched from a multi-disciplinary point of view. The above choices will be briefly explained.

Decision-making around strategic alliances

A number of phases can be determined in the alliance process. In general
this is, initially, about the strategic choice process of the individual
partners; they must decide whether co-operation is a good option for realising
their own objectives (vis à vis autonomous development or acquisition).
Secondly, there is the search for suitable partners and the approach to the
potential alliance partner. The third phase concerns the collective
decision-making process, in which it must be determined whether co-operation
between the partners involved is desirable and feasible. The last phase
concerns the implementation of the alliance.

This study is focussed on the third phase, i.e. collective decision-making.
This restriction has not only been chosen for pragmatic reasons. It is apparent
from a number of studies, that the most complex problems occur during this
phase in particular. Quite often, such processes are strongly influenced
by emotional considerations, opportunistic plans, conflicting interests and
the struggle for power ("who will be in charge"). Particularly in this sort
of process, there is a need to objectify the real basis and potential of
the alliance. In principle, the individual strategy of the partners is
considered to be a given factor in this study. Although it should be noted,
that this does not alter the fact that the quality of individual decision
making will partly determine the course of the alliance process. Indeed,
if two partners have entered into alliance negotiations, without having
considered the rationale behind their co-operation, then the chances of
success are extremely slim. Although the framework is aimed at the collective
decision-making, the influence of the individual strategies upon the alliance
process is taken into account during its development (see chapter 3 and further).
The research area is reproduced in the figure below.

Figure 1.5: Demarkation of the research area
Process vs content

As the figure above illustrates, the implementation of an alliance has not
been included in the research area. This deserves some elucidation. In general,
two dimensions may be distinguished in alliance processes: the decision-making
issues, and the process of decision-making and implementation. These two
dimensions lead to four alternatives for the research focus; the process
may be researched globally or in depth, the content focussed or comprehensive.
This is summarised in the figure below.

Figure 1.6: Process versus content aspects

Ideally, both dimensions will be researched in depth. Nevertheless, given
the literature available at the beginning of our study, this was not judged
feasible. Arising from the need cited for objectifying decision-making, it
has initially been decided to focus on the "content" aspects of decision-making.
Naturally, this has had consequences for the research questions, the method
and the final
framework. This decision raises the question as to whether or not the process
matters. It certainly does and in the empirical research it has therefore
been attempted to incorporate the "process" aspects as much as possible,

without making them specific objects of research. As a supplement to the Phd research, two students did research into alliance implementation in the context of a master's thesis. The results of this project will be considered in chapter 6.

1.3.3 Research questions

With the above discussion as a starting point, the following research questions were formulated:

Main question
Supposing a limited number of companies plan to form a strategic alliance in order to realise their strategic objectives, what then are the most important factors to be considered throughout the collective decision-making process, to maximize the alliance's chance of success?

Sub questions
What are strategic alliances?
In what way may the success of alliances be defined and measured?
What influence have the strategic principles of the alliance on the final organisational design?
How should strategic and organisational factors in the decision-making process prior to the alliance be dealt with, in order to increase the chance of alliance success?

Figure 1.7: Research questions

1.3.4 Expected results

The expected results of our study lay in two areas. Firstly, improved insight into the characteristics of strategic alliances and the factors that determine success. The scientific result of this research incorporates a set of hypotheses, of which is assumed, based on our case study results, that they are valid. The actual testing of these hypotheses, within a larger research population, is outside the range of this study. Secondly, a practically useful framework that helps companies contemplating entering into a strategic alliance, to undergo an effective and objective decision-making process.

1.4 Practical and scientific relevance

Considering the objectives and expected results, the study has practical, as well as scientific relevance.

1.4.1 Practical relevance

It was indicated in the introduction that risks may be attached to alliances. Frequently mentioned risks are the involuntary knowledge transfer, or the loss of precious time if the alliance proves unsuccessful. The influence of this on the (long-term) competitive position of the company may be significant. As was apparent from the foregoing, good preparation is essential. In practice, it is this point in particular which causes problems on occasion. The practical relevance of this research is therefore evident. This may best be illustrated with the help of an example.

Figure 1.8: Practical relevance of the framework developed

Example

Six companies had started alliance talks. The talks proceeded with exceptional difficulty, however. In first instance a full merger was considered, but when that did not prove (emotionally) feasible for a number of them, the discussion shifted to a loose form of co-operation. It was finally decided to hire an external consultant; at that moment closer forms of co-operation were again being considered. After individual talks with the companies concerned, it was obvious that of all the reasons cited for merging, they really had only one in common. A full merger was certainly not required to realise this objective. Strangely enough, they had never openly communicated this to each other before. The analysis, aided by the framework developed in our research, made differences and basic assumptions debatable, and ultimately enabled decision making to break out of the impasse. In the end, only a few of them formed an alliance. The rest decided that co-operation, in this context, offered no strategic advantages.

1.4.2   Scientific relevance

Business Administration research is distinguished by the integral approach chosen. It holds the premise that a mono-disciplinary approach to management issues leads per definition to a partial solution, which in many cases does not do justice to the complex and dynamic reality of companies. Hamel, who was also confronted with this choice in his research into "interpartner learning" in strategic alliances, remarks: "By narrowing the scope of research, much of the potential value of the research is lost. The problem is not that the resulting theories are undertested, i.e. they fail a test of rigor, but they are under-developed, i.e. they are so partial in coverage that they address only a fragment of the path between choice, action and outcome[20]." Business Administration utilises knowledge and concepts from different basic sciences. Lammers differentiates in this connection between three levels (see figure)[21].

Figure 1.9: Three scientific levels

The pursuit of an integrated judgement does mean that the formal object (scientific disciplinary perspective) of Business Administration is not to be unequivocally defined, as Bilderbeek among others noted[22]. This is in contrast to the formal object of mono-disciplinary sciences, such as economics and psychology. It is the task of the researcher to determine from which perspective the issue is to be approached, given the specific nature of the empirical (material) object researched, the research objective and the background of the researcher. The essence of Business Administration research is that this is not, in principle, restricted to one perspective. The empirical object is investigated with the aid of insights and concepts from different primary sciences, who do have their own, definable formal object. This is reproduced in the figure below.

Figure 1.10: Different scientific perspectives on alliances

Inherent to an integrated approach is that certain areas may not be researched in great detail, compared to a mono-disciplinary approach. In spite of the interdisciplinary perspective, even the Business Administration researcher cannot escape the necessity of defining his empirical object and the perspectives chosen. It is, of course, impractible to consider and to integrate all relevant perspectives in the context of one study.

From an academic perspective, this study is relevant for several reasons. Many authors (such as Killing[16], Lyles[17] and Schuler[18]) focus on a specific aspect of strategic alliances. In this research an integral approach was chosen, in which strategic, as well as organisational aspects are considered in their mutual relationship. Furthermore, it should be noted that many authors (e.g. Hamel[19]) use the perspective of a single company, instead of the perspective of the joint interests in the alliance. Both should be taken into account. We therefore focus on joint decision making and not primarily on the decision making of the individual partners. Thus, the study contributes to the theoretical insights in the functioning of strategic alliances.

Furthermore, this study is scientifically interesting due to the interaction

between theoretical knowledge and practical application. This is essential for Business Administration research in particular. Throughout the research and the consultancy work carried out alongside it, it has been apparent that in fact science and practice cannot exist without each other. Existing theories and new concepts must be translated into empirical methods and, vice versa, new management issues must be translated into scientific research. In section 2.3 (page 40) a more detailed justification of these choices will be given.

1.5   Research design

The research design is characterised by a focus on theory development instead of the testing of hypotheses. A case study approach has been chosen to further develop the theoretical framework. First of all, a pilot case study was conducted. Subsequently, three cases were researched concurrently. Finally, the integrated results of the literature study and the case study have been applied in a last case study, in order to obtain a first indication of the external validity of the framework developed. The research design is discussed in more detail below.

1.5.1   Theory development

In Business Administration research, the empirical sciences' paradigm is often chosen. The objective is to describe, explain and, if possible, predict empirically observable phenomena. Statements about real life events are tested as to validity. For a number of reasons, this approach is less attractive, given our research questions and the nature of the research object. In the first place, testing statements demands good hypotheses; this means that sufficient scientific knowledge must be available, on the basis of which the hypotheses may be formulated. From different disciplines, attempts have already been made to develop an explanatory framework for strategic alliances. Different contributions (those of Kogut[23], Ring[24] and Lorange[25] for instance) offer interesting insights, but do not go far enough in that other relevant factors not always sufficiently elaborated. Consequently, the aim of this study is to develop theory, instead of testing already existing theories.

A second reason for not selecting a testing approach, is the complexity of the strategic alliance phenomenon. The functioning of a strategic alliance is influenced by a large number of variables, in part mutually dependent. Consequently, the influence of individual variables upon ultimate success or failure is difficult to determine. Organisational aspects in particular seem difficult to operationalise into quantatively measurable variables.

1.5.2   Case study approach

For the empirical research a case study approach was chosen, given the multi-disciplinary character mentioned and the emphasis on theory development . Yin defines case studies as follows: "a case study is an empirical inquiry, that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used[26]."

Yin indicates the following advantages of case studies:
A better insight may be obtained into the specific situation of the object. Case studies are particularly suitable for theory development. Niederkofler notes in this context: "The case study investigator's goal is not to demonstrate the validity of an argument for statistical populations or universes. Rather, he aims to create and expand rich theoretical frameworks that should be useful in analysing similar cases[27]."
Case studies offers a greater degree of freedom than statistical research. Case study research usually supplies a rich set of (anecdotal) experiences, which illustrate the importance of the elements of the framework developed and increase its practical value.

In general, a distinction can be made between exploratory, developmental and test cases. A developmental case study approach was finally chosen for the design of our empirical research. It has deliberately been chosen to investigate a restricted number of cases in depth, instead of a larger number superficially. This was in order to incorporate as many relevant aspects as possible in the final framework. The case studies yielded important new insights with regard to the literature consulted. The final framework, therefore, differs considerably from the initial theoretical framework. With hindsight, this justified the choice of a developmental approach.

1.5.3   Phasing research

The empirical research is structured in four phases. In succession, this involved expert interviews, a pilot case, three developmental cases and a concluding "test" case.

Development draft framework (literature study)

In the development of the draft framework, three sources of information have been used. In the first place, the literature available in the area of strategic alliances was consulted. Emphasis was placed here on the integration of existing concepts. As is also apparent in chapter 3, the framework is based on ideas and concepts underlying different theoretical schools of thought. During the development of the theoretical framework, experience in consulting assignments has implicitly played a role; particularly in the evaluation of the relevance and usefulness of existing concepts.

Expert interviews and pilot case

After the literature study had been concluded, interviews were held with a number of experts (both academics and consultants). This, in order to check whether the framework elements were recognised, and whether the underlying assumptions were correct. This was done by means of open interviews and a questionnaire with closed answer categories. The most important conclusion was that the framework elements were recognised, but that further explication was necessary, and perhaps more attention should be paid to implementation aspects. The results of the expert interviews (see 4.2, page 84), however, gave no reason to adjust the theoretical framework substantially, before starting the case studies.

One case study was subsequently conducted in depth, on the basis of the theoretical framework (see 4.3, page 85). The case chosen was an alliance on which negotiations were held between two companies at the end of 1992. The talks were supported by the author as consultant. This may be regarded as a pilot case. According to Yin, pilot cases are partly selected on the basis of accessibility and information density. By means of a pilot case both the content as well as methodological elements are researched[28]. The advantage of the case, selected for this purpose, was the information available, and the insights gained during the consultancy assignment. The framework was not available during the negotiations, in view of the fact that this research was in its initial phase at the time. The analysis in the light of the framework took place afterwards. An interesting aspect was that the alliance, after a lengthy process, ultimately was not formed. With hindsight, the question may be posed whether the process would have progressed differently, if the final framework had already been available at the time. This will be gone into in 4.3.6 (page 101). For confidential reasons, the case description will remain anonymous. On the basis of the pilot case, the framework around organisational fit has been significantly adjusted, see 4.3.4 (page 96). It was apparent that the alliance process could not be sufficiently explained in the light of the initial theoretical framework.
Three developmental cases

The adjusted framework formed the basis for the three case studies carried out in the second phase of the empirical research (see Chapter 5). This concerned the alliances between DSM and Gist Brocades (Chemferm), Wijsmuller and Smit Internationale (SmitWijs) and Stork Werkspoor and the Finnish Wärtsilä Diesel (Stork-Wärtsilä Diesel). The way in which these cases were selected and the selection criteria employed, are described in paragraph 5.1.2 (page 106). These case studies were carried out concurrently, with an eye to the duration of the research.
After the case studies were concluded, the results were compared with each other and integrated with the theoretical framework. This led to an extension of the framework and refinements on several points. The adjustments, however, were less fundamental than the changes carried out in response to the pilot case.
Concluding "test" case

Strictly speaking, the empirical research could have been wound up after these three case studies. As has been noted earlier, case study research, if conducted correctly, usually has a high internal validity, but questions are sometimes asked about the external validity of the results. To enhance

the quality of our results, it was therefore decided to conduct one last case study, based on the refined framework (in which the results of the previous cases were integrated). The main objective here, was to determine whether the framework developed was also applicable in a new situation. In other words, this concerned a first indication of the external validity. To this end the Unilever / ToniLait alliance was investigated, which is discussed in Chapter 7.

The phasing discussed is summarised in the figure below.

Figure 1.11: Phasing of the research

1.5.4 Quality research design

In designing case study research, it is important to take into account a number of potential pitfalls, generally associated with case studies. Choices with regard to the nature and role of the cases to be researched, and the way in which these are researched, must be made carefully and justified explicitly. According to Yin, four tests are relevant when judging the quality of a case study research design. These are concerned with the validity and reliability of the research[26]. With regard to validity, he differentiates between three categories.
First of all, construct validity. Here, the question is, whether the factors researched are measured in the correct fashion. Secondly, the internal validity. This concerns the degree to which the final conclusions formulated, are reducible to the empirical data yielded by the case studies. Thirdly, the external validity. This concerns the generalisation of the results towards a broader domain than the research population. The fourth test is related to the reliability of the research results. Here, the question is, whether or not the same procedure carried out by another researcher, would lead to comparable results. There are different ways of addressing these four tests when designing a case study research (see Yin[26]). The way, in which this is done within the context of this research, is summarised in the figure below.

Figure 1.12: Four tests for case study research

1.6   Summary

Strategic alliances have come to form a structural element within present day economic systems. In spite of a considerable increase in the number of alliances, in practice these are quite often less successful than initially anticipated by the partners involved. These two observations formed the immediate motivation for our research into strategic alliances.

1.6.1   Research objectives

The objective of this research was the development of a practical framework for companies, that structures and objectifies the decision making process pertaining to a strategic alliance, thus enhancing the quality of the decision. An essential assumption here, was that the strategic and organisational aspects of a strategic alliance are closely related. In the literature there was a lack of clarity on the question of what actually is a strategic alliance. A supplementary objective was therefore the clear definition of strategic alliances (see figure).

Figure 1.13: Definition of strategic alliances

1.6.2   Phasing of the research

> A strategic alliance is a contractual, temporary relationship between a limited number of companies remaining independent, aimed at reducing the uncertainty around the realisation of the partners' strategic objectives (for which the partners are mutually dependent), by means of co-ordinating or jointly executing one or several of the companies' activities. Each of the partners is able to exert considerable influence upon the management or policy of the alliance. The partners are financially involved, although not by definition through equity participation, and share the costs, profits and risks of the strategic alliance.

The empirical research started with a pilot case (see 4.3); this yielded new insights into the organisational aspects of strategic alliances in particular. Subsequently, the alliances of Smit Internationale and Wijsmuller, Stork Werkspoor and the Finnish Wärtsilä Diesel, and DSM and Gist Brocades were researched. The framework developed on the basis of the literature study and the pilot case, was further adjusted, refined and elaborated by means of these case studies. At the same time, the cases showed that the implementation aspects of alliances had been underexposed. It should be noted here, that this was a direct consequence of the conscious focus on the content aspects, which had been decided on initially.

Partly due to this, a supplementary research was conducted into the factors relevant to the implementation of strategic alliances, and the role of the actors which may be distinguished in this process. The empirical research closed with the alliance between Unilever and the Swiss co-operative ToniLait. On the basis of this last case study a first indication of the external validity of our results has been obtained.

1.6.3   The fit model

The basic assumption underlying the final framework is that a successful alliance demands a sufficient degree of fit in five areas (see figure). Here, fit expressly does not mean equality by definition. It is quite possible for companies with different objectives or organisation cultures, to co-operate successfully.

Figure 1.14: The fit model

In this research, the emphasis has lain on the elaboration of strategic and organisational fit, in which the relationship to the other fits was incorporated. Trust between partners, for example, which at first sight primarily involves personal fit, appeared to be partly determined by the degree of strategic fit and to influence the organisational design of the alliance.

1.6.4   Strategic fit

Strategic fit is primarily concerned with the question whether there is a sufficient strategic basis for successful co-operation. Our research shows that if no strategic fit exists between partners, and there is no concrete prospect of improvement in this situation, co-operation is not desirable. Strategic fit is determined by a number of factors.

Firstly, there is the importance of the alliance. If the alliance does not have strategic importance for both partners, they will probably be insufficiently committed to making the necessary efforts and concessions for the alliance. Secondly, there is the compatibility of strategies and objectives. Closely connected to this, is the question whether the partners have a common vision of the developments in their environment, and the consequences of this for their own company. In the fourth place, strategic fit is determined by the degree of mutual dependency of the partners. The complementary balance of knowledge, resources, markets and products is particularly concerned here. Finally, a good strategic fit means that the alliance has added value for the partners and/or their buyers, and is accepted by the market (buyers and governments). Prior to the final decision to co-operate, the partners must make a careful estimation of the degree of strategic fit, in the light of these factors. At the same time, potential (strategic) conflicts and the risks connected with the alliance must be considered[2].

1.6.5   Organisational fit

A limited strategic fit does not mean by definition that co-operation is undesirable. Our research shows that the alliance design implemented may overcome potential strategic conflicts, so that the degree of strategic fit is strengthened in the long term. This does, however, make demands of the commitment and flexibility of the partners involved. Organisational fit is primarily concerned with the question whether the alliance design the partners intend is effective, given the alliance objectives and possible organisational

---

[2]The practical recommendations based on this research that may be given to companies either considering entering into an alliance or already co-operating, will be discussed in Chapter 8. Among other things, the way in which the framework concerning strategic and organisational fit may be applied during alliance processes is expounded.

differences between the partners.

Realising (and sustaining) a good organisational fit appears to be more troublesome in practice than the realisation of strategic fit. It is particularly in the organisational design that individual positions may come under pressure (the power issue), and differences in structure, operating style and culture become manifest. On the basis of the case studies, it may be concluded that organisational fit is a precondition for successful co-operation. Strategic fit should be seen as an indication for the alliance potential, organisational fit as an indication for the practical feasibility. The results of the case studies are summarised in the figure below.

Figure 1.15: Summary case study results

In the first place, organisational fit is determined by the degree to which organisational similarities and differences either hinder op stimulate successful collaboration, or stimulate it. It is quite possible either for two dissimilar cultures to reinforce and complement each other within the context of an alliance, or for two comparable cultures to clash. In the second place, the organisational fit between alliance partners is determined by the degree to which they develop a shared vision on the alliance design. The structure of the alliance, the staffing of management positions, the way in which the alliance is managed and the division of profits and costs, are concerned here, among other things. The third factor determining organisational fit, is the degree to which the intended alliance design enables the partners to overcome potential strategic conflicts. It was apparent in one of the alliances researched, that the risk of knowledge transfer regarding each partners' core technologies was effectively neutralised by the project organisation implemented. Further, the partners should only co-operate on those activities where this clearly has added value. A more intensive alliance is quite often decided on than is strictly necessary. Focus, however, is essential. Finally, organisational fit is determined by the question whether or not the alliance design enables the partners to realise their alliance objectives.

1.6.6   Implementation of strategic alliances

The way in which a strategic alliance is implemented may be of decisive importance for the ultimate success. Quite often alliances meet resistance and entail cultural differences which are difficult to bridge. A supplementary research into the implementation of alliances showed that managers involved in the alliance should be properly aware of the role they fulfill in the implementation process. Three roles (or actors) were identified, on the basis of our research.

Firstly, there are the alliance sponsors. They determine the effort partners are prepared to make to the co-operation, and bear final responsibility for the alliance. The sponsor attention will be particularly directed at the strategic assumptions and consequences of the alliance. Trust between the sponsors is a prerequisite of a successful implementation process. The sponsors must remain involved in the alliance after the decision to co-operate, for example via the supervisory Board of Directors. Their long term commitment and involvement may turn out to be particularly decisive in the later phases of the alliance.The second role that may be differentiated is that of the

agent of change. The sponsor delegates the day to day management of the alliance to the agent of change who reports to the sponsor. The agent primarily focusses on realising the necessary organisational alignment, and managing possible cultural differences and resistance to the alliance. Given the complexity of alliance processes, it is important that the sponsors be prepared to assign their best people to the alliance.The third actor possibly having a direct influence on the course of the implementation process, is the coach or consultant. This may be either an external advisor or an (internal) mediator, who advises and assists the partners with his experience of alliance processes. Particularly in alliances where parts of two companies must co-operate, or integrate, an objective, independent outsider may turn out to be essential.

1.6.7   Dynamic of fit

An important conclusion of the empirical research concerned the dynamic of strategic alliances. Fit, strategic as well as organisational, is dynamic. Changes in the alliance environment, or within the partners' organisation may have direct repercussions for the original assumptions underlying the alliance. The partners involved should be duly aware of this, in that the actual basis for co-operation may erode imperceptibly. Here lies an added value of the framework developed. In addition to facilitating the decision making process, it likewise enables the partners to evaluate during the co-operation whether their alliance still fulfills the preconditions for successful collaboration. The framework presented in this book facilitates an active management of fit. As long as the partners have an open attitude and are prepared to critically review the original assumptions once again, if necessary, this may determine the difference between fit or failure.

Notes

[1]   Devlin, G. en M. Bleackley, 'Strategische alliances: Guidelines for succes', in: Long Range Planning, oktober 1988.

[2]   Jarillo, J.C. and H.H. Stevenson, 'Cooperative strategies, the payoffs and the pitfalls', in: Long Range Planning, vol 24, 1991, p 64-70.

[3]   Walker, R. and A. Tank, Making alliances work, Business International, London, 1990.

[4]   Quote from an interview with Maljers, then chairman of Unilever, with the magazine Marketing, January 1993.

[5]   Huyzer, S.E., Strategische samenwerking, Coopers & Lybrand Dijker Van Dien/Samsom BedrijfsInformatie, Alphen a/d Rijn, 1990.

[6]   Harrigan, K.R., 'Strategische alliances and partner asymmetries', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[7]   Hergert, M. and D. Morris, 'Trends in international collaborative agreements', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[8]   Kogut, B, 'A study of the life cycle of joint ventures', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[9]   Flanagan, A. and M. Marcus, 'Airline alliances, the secrets of a successful liaison', in: The Avmark Aviation Economist, vol. 10 no 1, p. 20-23.

[10]   Hagedoorn, J. and J. Schakenraad, Alliances and partnerships in biotechnology and information technologies, Ministerie Economische Zaken, Den Haag, 1990.

[11]   Bleeke, J. and D. Ernst, 'The way to win in cross-border alliances' in: The McKinsey Quarterly, vol. 1, 1992, p. 113-133.

[12]   Mr Hetzenauer, president of the Dutch Personal Computer manufacturer Tulip, has been interviewed in 1995 in the context of this research.

[13]   Quote from an interview with the Dutch newspaper Financieele Dagblad.

[14]   Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

[15]   Huyzer, S.E. en J. Moëd, Strategische samenwerking; de praktijk in Nederland, Coopers & Lybrand Dijker Van Dien/Samsom BedrijfsInformatie, Alphen a/d Rijn, 1991.

[16]   Killing, J.P., 'Understanding alliances: the role of task and organizational complexity', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[17] Lyles, M.A., 'Learning among joint venture sophisticated firms', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[18] Schuler, R.S. et al, 'Human Resource Management bij een internationale joint venture', in: Bedrijfskunde, jaargang 66, 1994, nr 3.

[19] Hamel, G, Y.L. Doz en C.K. Prahalad, 'Collaborate with your competitor - and win', in: Harvard Business Review, January - February 1989, p. 133 - 139.

[20] Hamel, G. 'Competition for competence and inter-partner learning within international strategische alliances', in: Strategic Management Journal, vol. 12, 1991, p. 83-103.

[21] Lammers, C.J., 'Organisaties vergelijkerwijs', Het Spectrum, Wijnegem, 1987.

[22] Bilderbeek, J., S. Brinkman en A.C.J. de Leeuw, 'Polybedrijfskundig zakboekje', Koninklijke PBNA, Arnhem, 1992.

[23] Kogut, B. 'Joint ventures: theoretical and empirical perspectives', in: Strategische management journal, 9(4), 1988, p. 319-322.

[24] Ring, P.S. and A.H. van de Ven, 'Structuring cooperative relationships between organizations', in: Strategische Management Journal, vol. 13, 1992, p. 483-498.

[25] Lorange, P., J. Roos and P.S. Bronn, 'Building successful strategische alliances', in: Long Range Planning, 1992.

[26] Yin, R.K., Case study research, design and methods, Sage, Newbury Park, 1988.

[27] Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

[28] See Yin.

Theoretical foundation of the research
2.1   Introduction

The way in which problems in Business Administration are interpreted, usually greatly determines the diagnosis made and solution chosen. Simon's research in the seventies is illustrative in this context[1]. It showed that managers are inclined to approach the solution of a problem from the point of view of their own specific functional background and the paradigm belonging to it. Simon terms this phenomenon selective perception. It will be clear that this problem of selective perception may not only occur in the resolution of practical issues, but in conducting Business Administration research as well. In itself, this need not be a problem, if one assumes the premise that no universal, objective truth exist in Business Administration. Obviously, a prerequisite for this is that the researcher clarifies and justifies the paradigm used. Only then it is clear how he or she has arrived at the choices made.

The complexity and diversity of the alliance phenomenon, mean that research in this area can be designed from quite disparate points of view. Researchers such as Jones[2], Mody[3] and Ring[4] have chosen the transaction costs approach for instance. Hamel[5] and Ciborra[6] focus on learning alliances and authors such as Jarillo[7] and Powell[8] have based their research into strategic alliances on organisational network theories. On the basis of the research objectives and questions formulated in 1.2.3, the theoretical foundation of the research will be more closely defined below. Here, a number of choices were made that influenced the framework developed. Firstly, a (unequivocal) definition is given of strategic alliances, which was also one of the research questions. Secondly, the organisation model used in this research is discussed. Finally, the way in which success of strategic alliance is defined in the context of this research is expounded.

2.2   Definition of strategic alliances

The label of strategic alliance is affixed with surprising ease to any form of collaboration between two or more firms, in practice as well as in the literature. As with many concepts in Business Administration (consider for example the learning organisation, core competences and Total Quality Management), an image quickly springs to everybody's mind of what is understood by a strategic alliance. Discussions with academic colleagues, however, resulted in the understanding that, the more profoundly strategic alliances are considered, the less uniform the image becomes and the more confusion increases. When is an alliance strategic in nature? Do co-operative forms of alliances and franchise agreements have to be considered strategic alliances too? Yes, apparently, if the definition of Harrigan is applied. She defines strategic alliances as: "Partnerships among firms that work together to attain some strategic objectives[9]."

The conclusion, however, that a co-operative with more than a thousand members has substantially different characteristics than an alliance between two multinationals, seems justified. Not only with regard to the objectives, but certainly also with regard to the functioning of the co-operation. Defining the concept strategic alliance is important for two reasons. In the first place, a clear definition is necessary to eliminate the lack of clarity mentioned, and to bring structure into the discussion of alliance characteristics. Secondly, a clear definition is important to enable a proper demarkation of the research population. This is essential for the mutual comparison of the cases to be researched, and thus for theory development.

2.2.1   The most relevant definitions of strategic alliances

The definition, developed for this research will be discussed below, on the basis of the most relevant definitions found in the literature. It should be noted that different names are employed in the literature such as (strategic) alliance, co-operation, coalition, collaborative agreement and joint venture. Given that the authors usually mean roughly the same, the question of nomenclature will not be gone into further, and the term strategic alliance will be used. The following definitions are relevant to this research.

> Buckley[10]:   "Co-operation is co-ordination effected through mutual forbearance. Mutual forbearance is a situation in which all parties refrain from cheating on a reciprocal basis."

Commandeur[11]:   "A coalition is an agreement between two or more
parties to work together on a temporary and partial
basis. It is a form of co-operation that is primarily
based on contractual arrangements, and not on equity
relations."

Hergert[12]:   "A collaborative agreement is a linkage between
companies to jointly pursue a goal. It is
characterized by four attributes:
- the responsibility for management is shared by
the participants;
- the agreement covers only part of the activities
(so the own
  identities are maintained);
- the partners provide a continuing input (funding,
skills,
  personnel);
- the project cannot be broken down into independent
  sub-projects."

Hoekman[13]:   "A joint venture is a form of partial co-operation
between corporations and/or governments, that
otherwise operate separately. The co-operation
takes place in a joint stock company where each
partner is potentially able to influence the policy
of its subsidiary. The participation of individuals
may not exceed 49 percent."

Huyzer[14]:   "A strategic alliance is an alliance between
companies, whereby the partners retain their
independence and identity, and where the impact on
the partners' competitive position has a noticeable
long term effect."

De Jong[15]:   "Co-operation is the pursuit of a joint objective,
by means of combining the resources or behaviors
of business organisations, which remain
independent."

Porter[16]:   "Coalitions are long-term alliances with other firms,
that go beyond normal market transactions and fall
short of outright merger. They involve co-ordinating
or sharing value chains with other coalition partners
in order to broaden the effective scope of the firm's
chain."

2.2.2 Comparison and evaluation of definitions

Although these definitions differ, a number of similarities may be identified. At the same time, it must be stated that certain aspects of strategic alliances are only named by one author: Buckley's concept of mutual forbearance, for instance. The following points arise on closer comparison of the definitions mentioned:
improved competitive position;
temporariness;
retention of independence and flexibility (partial character);
reduction of uncertainty;
management and alliance design;
financial involvement;
horizontal versus vertical.
Improved competitive position

The definitions above make it clear that most authors understand strategic alliances to be a form of co-operation, where companies try to realise certain objectives by executing or co-ordinating activities together. A large number of possible objectives of strategic alliances are cited within the literature. Without going into this in detail at this point, it may be concluded that strategic alliances generally have a structural improvement in the partners' competitive position as objective (see Huyzer's definition).

Each partner aspires to a certain (strategic) objective through the alliance (see the definitions of Hergert and De Jong). Broadly speaking, the alliance objective may be knowledge transfer, cost reduction and/or market development. The way in which the competitive position is improved, differs per alliance of course, but it may also differ between partners within one alliance. For example, the main objective for partner A may be to obtain certain technologies, while for partner B the main objective is access to partner A's market. Many alliances between Western companies and companies from Newly Industrialised Countries have a similar structure. This difference in objectives, however, need not stand in the way of the alliance.

All strategic alliances have one aspect in common: partner interdependence. Being able to realise the intended objective quicker, better or cheaper via co-operation than via autonomous development (or merger/takeover) is a necessary motive for co-operation. To put it simply: why would a company share knowledge, control, profits, etcetera, if this were not really necessary?

Temporariness

Commandeur explicitly cites the temporary character of strategic alliances. This means that when the objectives of an alliance are realised, it should be ended; this is a conclusion endorsed by Huyzer. A strategic alliance thus distinguishes itself in essence from mergers/takeovers, franchises or agricultural co-operatives, which are formed for an indefinite period of time in principle.

Critics occasionally comment that a strategic alliance is nothing else than a stepping stone to a full merger between the partners or a takeover of one of them. This is in itself not incomprehensible, given that a takeover (or rather full control) is quite often at the top of the hidden agenda. On the other hand, there are many examples where this was not at all the case. Retention of independence and flexibility (partial character)

Strategic alliances are often seen as a hybrid of autonomous development and merger/takeover. Porter's definition explicitly mentions this, Commandeur's definition implicitly, by drawing attention to the importance of contractual agreements. Alliances have a partial character (see for example the definitions of Commandeur, Hergert and Hoekman). By this is meant that an alliance only concerns a restricted number of a company's activities. This is in contrast to a merger or takeover which affects all the company's activities.

The partial and temporary character of strategic alliances means that the partners retain their independence (and identity), as Huyzer and De Jong note. A second consequence, connected to this, is the degree of flexibility that may be retained. This is not discussed explicitly in any of the definitions, but is frequently mentioned in the literature as being one of the important advantages of alliance over autonomous development and merger/takeover. Preservation of independence and flexibility means, that the autonomy of the alliance partners is retained to a great extent, as far as the activities not affected by the alliance are concerned. Naturally, the latter is also true for autonomous development, but not necessarily for a merger. Reduction of uncertainty

In many economic organisation theories, the alliance phenomenon is explained by distinguishing between different co-ordinating mechanisms. Every company has a choice between competition, co-operation and control. The transaction costs theory employs the concepts of market and hierarchy here.

The choice of a certain form is determined by the economic motive. Uncertainty is central here. A first motive concerns the creation of uncertainty. A concrete example is the development of innovative products or new market approaches. A second motive concerns the reduction of uncertainty around the future market position, profits, etcetera by means of co-operation. In this connection, the joint development of a new technological standard may be thought of. A third motive is the elimination of uncertainty, for example, by acquiring competitors in order to control the market (see figure below). Reduction of uncertainty is an essential aspect of strategic alliances, and must be incorporated into the final definition.

Figure 2.1: Economic motives to co-operation
Alliance management and design

A number of definitions note that strategic alliances entail co-ordination
or joint execution of certain activities (De Jong and Porter, among others).
This does not provide much direction, however. Only Hergert goes into more
detail. In his opinion, there should be continual input and the alliance
should only involve a limited part of the activities. Porter, on the other
hand, speaks of value chains in general. Neither Hergert, nor Porter, indicate
that the activities, where the partners co-operate, must influence the
competitive position of the company. Porter mentions in this connection,
that the alliance is "to broaden the effective scope of the firm's chain".

Hergert's definition also explores the management aspects of a strategic
alliance, by indicating that the responsibility for management is shared
by the partners. Here, Hoekman's definition goes even further. He posits
the following: "the partners must potentially be able to influence the policy
of the joint venture". This is an substantial deepening of understanding.
The fact is, if a partner can no longer exert real influence on the alliance
policy, it can not affect its course and part of its independence is lost.
In actual fact, there is then no strategic alliance either; because
preservation of independence is considered an essential characteristic in
many definitions.
With Hoekman's additions, it is also clear that links between large numbers
of companies (co-operatives or interest groups, for instance) can not be
regarded as a strategic alliance. They therefore do not belong to our research
population. The way, in which co-ordination is effected, is central to
Buckley's definition: "co-operation is co-ordination effected through mutual
forbearance". His definition implicitly indicates that the realisation of
the partners' individual objectives is so mutually dependent, that the
partners will refrain from opportunistic behaviour, and trust that the other
will do the same. According to Buckley's definition, trust in the partner's
good intentions is an essential characteristic of alliances. The concept
of mutual forbearance is interesting in the context of our research, and
will be discussed in more detail in 3.3.4 (page 75).
Financial involvement

When co-operation is more intense, and covers a broader range of activities,
the input of partners will increase. This may involve committed manpower,
production resources or financial resources. As a consequence, the risks
linked to co-operation also increase. Only Hergert's definition explores
the input of partners. He speaks of a continuous input of finance, knowledge
and personnel. As Hoekman rightly comments, in a strategic alliance there
should not only be a common input, but the profits and risks of the alliance
should also be subsequently shared.

The nature and intensity of the alliance usually determines whether there
are equity relationships. In joint ventures, the partners, by
definition, participate in a legal entity, specially set up for the objective
of the joint venture (see Hoekman's definition). In strategic alliances,
however, the partners, not by definition, are shareholders of a newly
established entity (see Commandeur). Joint ventures are viewed here as the
most intensive form of co-operation conceivable.
Horizontal versus vertical

None of the definitions differentiates between vertical and horizontal strategic alliances. A distinction is that a direct, or potential, competitor is co-operated with in horizontal relationships. In vertical relationships this is the case to a less significant extent, with the possible exception of very large suppliers, active in different links in the business chain. The issues in vertical alliances are generally concerned with operational alignment of business processes and product specifications in particular. This research is restricted to horizontal alliances.

2.2.3 Definition strategic alliance

The following definition has been formulated on the basis of the above discussion.

> A strategic alliance is a contractual, temporary (see note below) relationship between a limited number of companies remaining independent, aimed at reducing the uncertainty around the realisation of the partners' strategic objectives (for which the partners are mutually dependent), by means of co-ordinating or jointly executing one or several of the companies' activities. Each of the partners is able to exert considerable influence upon the management or policy of the alliance. The partners are financially involved, although not by definition through equity participation, and share the costs, profitsd risks of the strategic alliance.

Figure 2.2: Definition of strategic alliances

Note with respect to the temporary criterion:

A question that may well arise from this definition is whether a strategic alliance is indeed temporary. As far as R&D alliances, for example, are concerned this question may be easily answered. The alliance will normally end when the intended technology has been developed. If the alliance, however, involves greater strategic interests and commitments of both partners, a more intensive alliance design, such as a joint venture, will often be chosen. Discussions with scholars point out that the temporariness of a joint venture is less obvious than that of the R&D alliance mentioned before. Therefore we will give a short elucidation.

In a joint venture, the partners have an equity share in a separate organisational entity. Because of this, a joint venture can be seen as a specific form of strategic alliances. Quite often it is a small organisation set up, for example, to develop a new business opportunity. Joint ventures, however, may also develop into full-fledged companies which could operate quite easily independent from both partners. In this case the temporariness of the joint venture's organisation itself may be doubted. This, however, is not necessarily the case for the relationship between the partners.

Basically, four possibilities can be identified for the development of a joint venture. First of all, it may continue to exist for any length of time, which means that the relationship between both partners is maintained. Secondly, the joint venture may be terminated, which means the contract is ended and the joint venture organisation liquidated. Thirdly, the joint venture may continue independent of both partners, for example after a management buyout. Finally, the joint venture may be bought by one of the partners and be integrated in its business.

In the last two scenarios the joint venture organisation and activities continue to exist. The relationship between the partners, however, is ended. Thus, from this point of of view (the relationship) a joint venture must, in principle, be considered temporary. The definition that has been given above specifically focuses on the relationship between the partners (see also the figure below).

Figure 2.3: Joint venture relation

2.3   Organisation and effectiveness model

Strictly speaking, strategic alliances may be seen as a specific form of organisation. This is particularly so, when a new organisation is set up in the context of the co-operation, as is usually the case with joint ventures. Current theories on organisations are therefore in principle also applicable to alliances. One should not, however, lose sight of an essential aspect of alliances. By definition, two or more companies must collectively arrive at effective mutual alignment of their strategies, organisations, cultures and activities in the context of the alliance. This obvious statement has given direction to the choice for the organisation model deployed in this research, and the definition of effectiveness linked to it. In a general sense, the organisation model describes the way the alliance phenomenon has been observed in this research. For this may be done from different points of view, and on different levels. In fact, every choice is legitimate, as long as it fits the problem articulation of the research concerned and the researcher validates and explicates his choice. In this research, the focus has lain on the alignment issue between companies. The concept of fit has been employed to this end. Fit is the situation in which the alignment between partners is such, that successful co- operation is possible. In this section, the choices made around the organisation model are justified. At the same time, an initial explication is given of the fit model central to this research.

2.3.1   Management issues around strategic alliances

There are in principle four general issues to be discussed by managers, contemplating entering into a strategic alliance. The first issue concerns *alignment* with the environment. The question here is, what impact do developments in the environment have upon the competitive position, and how should one react to this. When an alliance strategy is chosen, the issue of *direction* is concerned in the first place. With which objective are the partners co-operating, and which alliance strategy do they pursue? In the second place, there is the issue of *design*. Which alliance design do the partners envisage? Furthermore, the issue of alignment also plays a role here, but now in the sense of the alignment between both partners instead of with the environment. Here, the partners' interests, objectives, organisations and cultures, as far as affected by the alliance are concerned. Finally, the issue of *commitment* is central to the actual implementation of the alliance. The change process, often connected to a strategic alliance, must be structured in such a way, that resistance is overcome and that lower levels in the organisation will commit themselves to the alliance too. Depending on the intensity of co-operation, culture integration will play an important role in this phase. In the figure below, the four issues differentiated are summarised.

Figure 2.4: Management issues around strategic alliances

Given that our research objective was the development of a framework, supporting the decision making process of potential partners, the emphasis has been laid on the middle level, the formation of a strategic alliance. A precondition that has been included in this choice was that relationships with the other two levels should be incorporated to a sufficient extent. This means that the four issues (alignment, direction, design and commitment), should be addressed in their mutual relationship by the organisational model employed as the starting point for

theory development.

2.3.2   Positioning of organisation model chosen

Quinn and Rohrbaugh have attempted to bring some structure into the many approaches that may be utilized in the thinking on organisations (and therefore around alliances)[17]. Here, they have employed the cognitive structures of organisational theorists as a basis. Although their "Competing Values" approach is often dubbed an effectiveness approach, it is in fact primarily a classification of organisation models. Weimer and Van Riemsdijk correctly comment, that the Quinn and Rohrbaugh approach is particularly applicable when explication of the underlying norms and values of the researcher is to be desired[18]. Therefore, their approach forms a good point of departure for the discussion in this section.

Quinn and Rohrbaugh classification

According to Quinn and Rohrbaugh, four basic models may be recognised in the thinking on organisations, through differentiating between structural characteristics (control versus flexibility) and the focus of the model (external versus internal). See figure below.

Figure 2.5: Competing values approach on organisation effectiveness

Development strategic management

If the development of strategic management is positioned in this framework, then it is clear that a shift has taken place in recent decades. In the budgeting and long term planning methods previous to the sixties, emphasis was put on controlling the internal organisation. With the rise of strategic planning methods in the sixties and seventies, attention slowly shifted in the direction of a more external focus and the emphasis increasingly lay on adaption to changing external circumstances (flexibility). The central question revolved around the way companies might gain a sustainable competitive advantage (see for example "Competitive advantage" by Porter[16]). In the eighties and nineties, the complexity of many companies' environment has increased, however, as a result of technological development and the internationalisation of markets. Companies increasingly find themselves forced to adapt their strategies and activities to changing circumstances. Rational planning methods fail to meet this, in that strategy implementation and the necessary change process is insufficiently addressed.
The importance of the human factor is gradually recognised and an expansion of the field, in the direction of the Human Relations approach, occurs. The recent discussions on core competencies and the learning organisation, for example, fit into this development.

Figure 2.6: Development strategic management

Relevance of the strategic management approach for this research

The development described above has led to an integral approach being employed within strategic management, far more than before. This fits well with the four management issues around strategic alliances that have been identified in 2.3.1 (page 40). The influence of the HR approach does justice to the major influence culture aspects quite often have on the establishment and functioning of a strategic alliance, and to the importance of change processes (the commitment issue). The ideas of the open systems approach are relevant, where the interchange between a company and its environment is concerned. The environment in which the partner is naturally implicated (the alignment issue). With regard to the issue of direction and design, it must, however, be concluded that open system approaches generally offer limited guidance. As Nadler also notes: "while the systems perspective is useful, systems theory itself may be too abstract a concept to be a useful tool for managers[19]."

Elaboration of the organisation model

Using the open system approach as a starting point, Nadler arrived at an organisation model that is an useful elaboration of the strategic management approach previously described. Nadler's model, the "congruence model for organisational behaviour" is reproduced in the figure below.

 Figure 2.7: Congruence model on organisational behaviour[19]

According to this model, a company consists of a number of mutually dependent components, transforming a certain input into output. Nadler designates the corporate strategy as the most crucial input. Here, the environment, the company's available resources and history are addressed in their mutual relationship and translated into company objectives. The output is the standard for judging the effectiveness of the company against the strategic objectives. The transformation process is determined, according to Nadler's model, by the operational activities, formal organisational arrangements, informal organisation and experience and behaviour of the organisation members.

The dynamic of the model is determined by the inter-relationships between these elements. The basic hypothesis, underlying the model, is that the effectiveness of a company is at a maximum when the four components are closely aligned (are congruent), and in line with the company's chosen strategy. In line with this model, it may be concluded that strategic alliances should be designed in such a way that the partners are well aligned in all the elements of the model, and that congruence (in Nadler's terms) is guaranteed. Concretely, this means that a clear strategy for the alliance alone for example, is an insufficient guarantee of success, if attention is not also paid to the alliance design. Further, it is true that the nature of the alliance objectives will partly determine the alliance design, which in turn will influence the informal organisation and the roles, positions and behaviour of key functions (individuals).

The congruence model recognises that environment, strategy, individuals and tasks differ per company and that, therefore, there can not be one optimal organisation form; it is based on the contingency approach. By emphasising the transformation process, without thereby disregarding the importance of the input and output of the system, the model satisfies the criticism of the open system model, namely that this views the process within companies too much as a black box. The emphatic attention to the "soft side" of organisations and the process dynamic linked to it, fits well with the premises of the HR approach mentioned.

2.3.3   The fit model

An essential difference between managing a company and managing a strategic alliance, is the number of companies involved. In an alliance, two or more companies are involved by definition. This does not only increase the complexity. It also changes the nature of the alignment issue. For in alliances this focuses on the alignment between two or more companies, in each of the elements of Nadler's model. In fact with a strategic alliance, an extra dimension is added to the in itself already complex alignment issue. A dimension, that most
organisation models (like that of Nadler) do not incorporate, in that these focus on the alignment issues within a single company.

The concept of fit

This "shortcoming" (as far as strategic alliances are concerned) is surmounted in this research by incorporating the concept of fit into Nadler's model. In line with the assumptions underlying Nadler's congruence model, it is concluded a successful alliance requires a sufficient degree of fit in each component of the model, to wit the partners' strategy, the activities, the informal organisations, the individuals concerned and the formal organisations. Thus, the collective alignment within the context of the strategic alliance is concerned here, as is reproduced schematically in the figure below.

Figure 2.8: The concept of fit

It must be emphasised that fit does not by definition mean equality. It is quite possible that two comparable cultures will still clash in an alliance. Fit is primarily about the question whether successful co-operation is possible, given the strategic background, objectives and organisational characteristics of the potential partners. To a certain extent, fit may also be described as symbiosis. The Dutch dictionary Van Dale describes this as follows: "(1) the phenomenon of two unequal organisms living in, or on each other to their mutual advantage....... and (2) the harmoniously living together, or interacting of (groups of) people, who are mutually dependent on each other". Symbiosis in this definition, is primarily concerned with the relations between living beings. The concepts of inequality, mutual advantage, harmony and dependency, however, are also relevant where strategic relations between companies are concerned (see chapter 3).
Five fits

Analogous to Nadler's model, five fits may be differentiated, to wit strategic, organisational, operational, cultural and human fit (see figure).

Figure 2.9: The fit model

Strategic fit concerns the strategic objectives of the partners and the alliance. Strategic fit firstly involves the alignment issue discussed in 2.3.1 (page 40). This is because the strategy of the partners is in essence the response to environmental developments, in relationship to the own position, strengths and weaknesses. Secondly, strategic fit involves the direction issue, in that the future development of the alliance is defined in the alliance strategy. In addition to strategic fit, operational and organisational fit may be differentiated. These fits are particularly concerned with the design issue. Operational fit involves the mutual alignment of business processes and activities in which there is co-operation. Organisational fit is primarily about the degree to which and the way in which both organisations are (partly) integrated. The question here, is whether the intended alliance design can overcome possible differences between the two partners. Cultural and human fit are closely related to the commitment issue mentioned in 2.3.1 (page 40). Cultural fit involves the individual corporate cultures of the partners; this may play a significant role, during the implementation process in particular. Human fit is in essence about the mutual trust between the persons involved

in the alliance.
Research focus

Fit in itself is not a new concept (also see Niederkofler[20]). Although it must be concluded that with the exception of Luimes' cultural fit[21], only limited elaboration of the different fits has taken place[3]. The emphasis in our research has primarily lain on the elaboration of strategic and organisational fit. This focus frequently was questioned in discussions with academics, managers and consultants. The question (correctly) posed, was whether the importance of the other fits were not disregarded too much, which would have negative consequences for the practical relevance of the framework. For pragmatic considerations, the primary focus on strategic and organisational fit has been maintained. This was because it was not deemed feasible to research all fits in depth within the scope of one PhD research.

It should be noted, however, that in spite of this focus, the importance of cultural and human fit was expressly taken into account, particularly in the elaboration of organisational fit. In fact it cannot be otherwise, in that the organisation structure and management style is usually a reflection of the culture within a company (and sometimes vice versa). As will also become apparent in Chapter 3, elements of cultural and human fit have been incorporated into the final framework around strategic and organisational fit. The relationship between the fits involved, is particularly concerned here. Illustrative in this respect is the role of trust, at first sight primarily involved with human fit. Trust, however, turned out to be partly determined by the degree of strategic fit, and further appeared to be of direct influence on the organisational design of the alliance (and therefore on the degree of organisational fit).

---

[3]Luimes has researched what influence cultural and human fit has upon the decision to disengage business units, which can be viewed in part as the reciprocal concept of a strategic alliance.

2.4   Effectiveness of strategic alliances

The framework that will be presented in the following chapters has the objective of increasing the alliance's effectiveness (read the chance of success). Thus, while carrying out the case studies, the way in which the factors, defined on the basis of the literature study, influence the ultimate success of the alliance concerned must be evaluated. In order to make this evaluation, it is important to be clear about what is understood by alliance success. Clearly defining success is further relevant, in that the definition chosen will influence the final framework. Success of a strategic alliance may be determined in different ways. Three possibilities come to the fore in the literature: the status of the alliance, the synergy gained, and the degree of goal realisation. In the context of this research, it was ultimately chosen to define success as the degree of goal realisation, whereby use was made of the Multiple Constituency approach. Justice is thereby done to the fact that in an alliance, different parties are involved, with often different interests. Justice is also done to the dynamic of alliances.

2.4.1   Effectiveness as alliance status

The status of the alliance (operational or not) would probably be the simplest measure of success. Not every operational alliance, however, will actually yield advantages to the partners. Among other things, this is apparent from Harrigan's comprehensive study[9]. She researched 895 alliances as to whether they were still operational and whether the alliances were viewed as successful. For the latter she relied on the judgement of the managers responsible for the alliance. At the time, 45% of the alliances researched were still operational. Of these, however, 40% were not considered successful. At the same time it was apparent that, of the terminated alliances (55%), more than 30% were still experienced as successful by the managers involved. That terminated alliances are still successful, may be simply explained. In section 2.2 (page 34), the fact was referred to that alliances are entered into for a specific objective, and have by definition a temporary nature. It is therefore quite natural that alliances end when the intended objective is realised. Ending then certainly does not mean failing, for the co-operation has met expectations. On the other hand, it is also true that when the stated objective can not be reasonably accomplished, co-operation must be stopped. Harrigan's research, however, shows that this certainly does not always happen. This picture also emerged in interviews conducted in the context of this research with different companies (in addition to the case studies). In general, there seems to be a certain exit barrier, if co-operation is no longer advantageous. The above discussion shows, that the status of the alliance is indeed a simple measure for the success of an alliance, but definitely not a trustworthy one.

2.4.2   Effectiveness as synergy gained

A second point of view that could be chosen, concerns the measurement (or estimation) of the synergy gained. Synergy is an abstract concept, often deployed in alliance negotiations. Just as with the concept of strategic alliance, everybody has an image of what synergy is. In practice, however, synergy is difficult to identify, let alone to measure quantitively (see Spitholt for example[21]). In 1965, Ansoff already gave the initial impulse to this discussion by distinguishing four forms of (functional) synergy, to wit sales synergy, operational synergy, investment synergy and management synergy[22]. He described synergy as "the effect which can produce a combined return on the firm's resources greater than the sum of its parts" (in "merger arithmetic": 2+2=5). This is also expressed in the definition of Spitholt, who researched what influence the synergy realised has on the decision to disengage business units. Spitholt defines synergy as "the positive difference between the value of the combined elements, and the sum of the value of the individual elements". He calls the negative difference antagony[21].

The transaction costs theory probably forms the most fundamental starting point for the quantifying of synergy. A disadvantage of the transaction costs theory, however, is that it is difficult to translate into practice; it is primarily a theoretical framework. It is assumed, for example, that companies may determine and implement the optimal degree of integration on the basis of a cost evaluation. With the increase of the degree of integration, the integration costs will likewise increase. Viewed theoretically, companies should choose that degree of integration, which entails a minimum of total costs. The advantages of an alliance, compared to other organisation forms are, according to the transaction costs theory, determined by the difference between the saving on transaction costs and the costs of a hierarchy. Strategic alliances are here seen as an organisation form, situated between market and hierarchy, as far as the degree of integration is concerned. The degree of integration and its advantages, however, are rather difficult to measure in practice. The costs of a hierarchy, particularly transaction costs, are actually determined by many related factors. Spitholt concludes: "... The research in question has once again shown that the measurement of synergy is difficult, perhaps impossible." The additional problem with strategic alliances, is that an alliance is by definition partial. This means, that the final result of the partners is not only determined by the synergy gained through co-operation, but also by the result on the other activities (the "normal" operational profits).

Strictly speaking, quantifying synergy is the most objective way of determining the success of an alliance. On the basis of Spitholt's findings, it must be concluded, however, that quantifying synergy as the measure of the success of strategic alliances is not feasible; in any case not in the context of this research.

2.4.3   Effectiveness as degree of goal realisation

Due to the practical problems that quantifying synergy entails, various researchers have chosen a more qualitative evaluation of the success of alliances. They have used the degree of goal realisation as a point of departure (also in the qualitative sense).
Goal realisation

Bleeke, for example, determined the degree of alliance success by asking the managers responsible for the alliance two questions: have the strategic objectives of the alliance already been realised, or will they be, and have both partners recouped their investment in the alliance?[23] Harrigan employed a similar approach to Bleeke in her research. She determined the degree of success based on the status (operational or terminated), the lifetime of the alliance, and the degree of success estimated by the managers responsible[9]. Defining success as the degree of goal realisation, has as advantage that benefits of the alliance, that are difficult to quantify, may also be included. Gaining knowledge about a certain (production) technology, or retaining flexibility may be thought of here. This means in principle, that alliances that have not yielded any direct measurable financial results, may still be judged successful. The qualitative approaches, such as those of Harrigan and Bleeke, therefore formed the starting point for the definition of alliance success in our research.

The Bleeke and Harrigan approach fits with the "goal approach" often employed in the thinking around the effectiveness of organisations. Within this approach, considered part of the traditional effectiveness approach, an unequivocal definiton of the effectiveness of a company is attempted or, in the case of this research, of strategic alliances. Effectiveness is hereby defined as the degree of goal realisation. In a strategic alliance, however, it must continually be questioned which objectives are actually involved. Those of the companies concerned, those of the alliance, or both? After all, there are always two or more companies involved in a strategic alliance, who (may) each have their own opinions on the success of the alliance and/or the criteria upon which the evaluation is based.

Goal realisation from three perspectives

This issue is overcome by the Multiple Constituency Approach. Within the Multiple Constituency Approach, effectiveness is defined as the degree to which a company realises the objectives of one or more of its constituencies[24]. An essential supposition here is that different interest groups will have different objectives they wish to realise via the company. Objectives, that certainly will not always be congruent.

By also distinguishing reference groups (e.g. competitors and interest organisations), in addition to stakeholders, who have a direct relationship to the company, the Multiple Constituency Approach has both an internal as well as an external perspective. An interesting aspect of strategic alliances is that a competitor, who would normally speaking belong to the reference group, has to be seen in the context of the strategic alliance as a constituent. The partner (or competitor) has an interest in the alliance, and will therefore influence the alliance policy, and potentially that of his partner, in the direction he desires. Thus, within the context of the strategic alliance, a three cornered relationship arises, in which the different interests must be carefully aligned (see figure below). The strategic alliance itself, must be seen as a separate stakeholder; certainly if the co-operation is effected through a new organisational entity.

Figure 2.10: Effectiveness from three perspectives

From this point of view, the effectiveness of an alliance is determined by the degree to which it serves these different interests in their mutual relationship. By defining success or effectiveness as the degree of goal realisation, different perspectives and estimations have therefore to be taken into account. This directly links up with the concept of fit, chosen as the basis for this research. An essential assumption, underlying the choice for the fit concept, is that the alliance issue must be approached from a joint perspective, and not from the perspective of the individual companies. At the same time, it is clear from the Multiple Constituency Approach, that the alliance process has a strong dynamic. The interests and objectives of the parties involved are certainly not always in line with each other during the alliance, and sometimes even in conflict. This is a result, for example, of changing external circumstances, adjustment of the individual strategic objectives, or changes in the top. A difference in opinion or conflicting interests will normally lead to a profound dialogue and possibly even renegotiation between the partners, whereby the original assumptions may come up for fundamental discussion.

Relationship with organisation model

The question that may arise from the above, is whether alliances which have realised their objectives to an equal degree, may also be regarded as equally effective. This question may be answered with the help of the fit model defined in 2.3.3 (page 45). Effectiveness is the result of the degree to which fit is realised in five areas. The basic supposition in the fit model is that a misfit on one of the five areas will influence the effectiveness of the alliance negatively.

Imagine for instance, that eventually the alliances A and B have each realised

their objectives. Alliance A, however, entailed a very difficult process, that met great resistance which led to changes in the alliance design. Alliance B, on the other hand, had a very quick and effective implementation, meeting very little or no resistance. Reasoning from the fit model, the degree of organisational and/or cultural fit will probably be less in alliance A than in B. Both alliances, however, realised their objectives, which means that both alliances overall must be judged effective. Nonetheless it should be noted that the "partial ineffectiveness" of alliance A (cultural misfit) led to a less efficient alliance process.
Conclusion on effectiveness

To a certain extent, this qualifies the definition of effectiveness as the degree of subjectively experienced goal realisation. In an overall evaluation of effectiveness, the degree of goal realisation will indeed be predominant, but the degree of fit in sub aspects must also be involved, to enable a balanced judgement.

2.5   Summary and conclusions

In this chapter, the theoretical assumptions, underlying this research, have been discussed. As will be apparent in the following chapters, these have had a strong influence on the final framework.

A detailed definition has been given of strategic alliances; this also concerned one of the research questions. Important elements in this definition were the temporary character of the alliance, the partial character, the mutual dependency of a limited number of partners, the ability to influence the alliance policy, the financial involvement and the division of profits, costs and risks.

The partners' collective alignment was central to the organisation model chosen as the point of departure for the development of the theoretical framework. In the fit model, as defined in 2.3.3 (page 45), four important issues around alliances are addressed, to wit that of alignment, direction, design and commitment. Five fits are defined. Although the primary focus has been on strategic and organisational fit, the relationships with the other fits will be dealt with in the elaboration of the theoretical framework in Chapter 3.

By defining success as the degree of subjectively experienced goal realisation, a number of problems linked to quantitative methods are surmounted: non quantifiable advantages may be (implicitly) included, and measurement of success does not demand extensive research. In line with the Multiple Constituency Approach, the effectiveness of alliances in this research is elaborated from the perspective of the different constituents involved in the alliance.

The different choices discussed here, primarily stemmed from the specific nature and objectives of this research, also partly in relation to the time available. In the introduction to this chapter, however, it was already remarked that every manager, consultant and researcher is influenced in his thinking by his own background, experience and paradigms. This also applies to this research. The theoretical assumptions that have been chosen here, must therefore be seen in this light. They offer the necessary foundation for arriving at a validated, useful framework for strategic alliances in an explicated way.

Notes

[1]   Simon, H.A., Administrative behavior, The Free Press, New York, 1976.

[2]   Jones, G.R. and C.W.L. Hill, 'Transaction cost analysis of strategy-structure choice', Strategische Management Journal, 9, 1988, p. 159-172.

[3]   Mody, A., 'Learning through alliances', World bank discussion paper, Washington, September 1990.

[4]   Ring, P.S. and A.H. van de Ven, 'Structuring cooperative relationships between organizations', in: Strategische Management Journal, vol. 13, 1992, p. 483-498.

[5]   Hamel, G. 'Competition for competence and inter-partner learning within international strategische alliances', in: Strategic Management Journal, vol. 12, 1991, p. 83-103.

[6]   Ciborra, C., 'Alliances as learning experiments', in: Mytelka, L.K., Strategische partnerships and the world economy, 1991.

[7]   Jarillo, J.C., 'On strategische networks', in: Strategische management journal, vol. 9, 1986, p. 31-41.

[8]   Powell, W.W., 'Neither markets nor hierarchy: network forms of organization', in: Research in organizational behaviour, vol 12, 1990, p. 295-336.

[9]   Harrigan, K.R., 'Strategische alliances and partner asymmetries', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[10]   Buckley, P.J. and M. Casson, 'A theory of co-operation in international business', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[11]   Commandeur, H.R., E.P.H. de Jonge en P.A. Moerman, 'De keuze van de meest geschikte coalitievorm (I)', in: B&id, maart 1990, p. 4-14.

[12]   Hergert, M. and D. Morris, 'Trends in international collaborative agreements', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[13]   Hoekman, J.M., The role of the joint venture in the strategy of the corporation, Amsterdam, 1984, proefschrift.

[14]   Huyzer, S.E., Strategische samenwerking, Coopers & Lybrand Dijker Van Dien/Samsom BedrijfsInformatie, Alphen a/d Rijn, 1990.

[15]   Jong, H.W. de, Dynamische markttheorie, Stenfert Kroese, Leiden, 1985.

[16]   Porter, M.E., Competitive advantage, The Free Press, New York, 1985.

[17]   Quinn, R.E. J. Rohrbaugh, 'A spatial model of effectiveness criteria' in: Management Science, vol 29, no 3, 1983, p. 363-377.

[18]   Weimer, J. en M.J. Van Riemsdijk, 'A new magical lamp to rub?; the multiple constituency approach, a potentially useful framework for research on the organisational effectiveness construct', paper presented at the WESWA congress, University of Twente, 1994.

[19]   Nadler, D.A., 'Concepts for the management of organizational change', discussion paper Columbia University.

[20]   Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

[21]   Luimes, W. en M.G.M. Spitholt, Verzelfstandiging van concernonderdelen, een onderzoek naar de meetbaarheid van cultural fit, human fit en synergie, Universiteit Twente, 1993.

[22]   Ansoff, H.I., Corporate strategy; an analytic approach to business policy for growth and expansion, New York, McGraw Hill, 1965.

[23]   Bleeke, J. and D. Ernst, 'The way to win in cross-border alliances' in: The McKinsey Quarterly, vol. 1, 1992, p. 113-133.

[24]   See among others the paper of Weimer and Van Riemsdijk (note 18 of this chapter).

Strategic and organisational fit
3.1   Introduction

The basic assumption underlying the theoretical framework that has been deve-
loped, is that successful co-operation demands a sufficient degree of fit
in a number of areas. This apparently obvious assertion begs a number of
questions. First of all, the question of what is actually understood by fit.
Does fit mean equality, or rather a balance of complementary factors? When
can one actually conclude that there is a sufficient degree of fit to justify
the decision to form an alliance? And in what way do strategic and organisational
fit cohere? Although the concept of fit is not new in the literature, no
unequivocal answer was given to these questions. In spite of this, the
literature provided sufficient basis for an initial theoretical elaboration
of the concepts strategic and organisational fit. The insights and concepts
of different schools of thought on strategic alliances are used here: for
example the strategic management approaches and the transaction costs theory.
The theoretical background to strategic and organisational fit is discussed
in this chapter. This has resulted in a framework in which both fits are
summarised in their mutual relationship. This chapter makes a contribution
to the integration of strategic and organisational factors in particular.
3.2   Strategic fit

By definition, a strategic alliance is entered into in order to realise a
long term strategic objective of the partners. It will, however, be plain
that the partners' individual objectives and strategic backgrounds may differ.
During the negotiations, the partners must collectively determine whether
they are prepared to make concessions or to allow potential differences to
continue to exist. Here, individual interests are weighed against the
anticipated advantages of the alliance, and the potential risks linked to
it. On the one hand, this process must be given as objective a basis as possible,
on the other, the importance of intuition and entrepreneurship should not
be lost sight of.
The main question the partners must pose both themselves and each other,
is whether there is sufficient strategic fit to justify the alliance. As
Niederkofler correctly remarks, strategic fit provides companies with the
occasion and motivation to co-operate. He defines strategic fit as follows:
"Strategic fit exists when the partners' interest in a specific area overlap,
and when each controls part of the resources needed to pursue the shared
goals[1]". The two central elements in this definition are overlapping interests
and complimentary resources. Luimes and Spitholt give the following definition:
"There is strategic fit when the partners have interests that are compatible.
The partners' interests are apparent in their objectives and strategies.
The objectives and strategies do not have to be equal, but must be compatible[2]".
Yet in the literature, the way in which the degree of strategic fit may be
determined is not explicitly elaborated. This will be dealt with below. The
ultimate aim is to enable an objective evaluation of the strategic fit between
two (potential) alliance partners. The following definition of strategic
fit is used as a starting point:

Figure 3.1: Definition of strategic fit

In this definition there are three central elements, to wit the compatibility of strategies and objectives, the strategic interest the co-operation represents to each partner, and the degree of dependency.
3.2.1   Compatibility of strategies and objectives

An addition in Luimes and Spitholts' definition of strategic fit is the distinction between equality and compatibility. It is often assumed that a successful alliance is only possible when the partners have similar objectives. Yet this is certainly not always the case. The likelihood of conflict may well be greater when companies aspire to the same objectives and are active in the same product-market combinations. Almost all publications indicate the dilemma between competition and co-operation linked to a strategic alliance. Overlap in objectives is unavoidable; there must be a common strategic interest to motivate co-operation. The question then is: on what level and in what way should this common ground exist.

There is strategic fit if the partners' strategies and objectives are mutually dependent and compatible, and the alliance is of strategic importance to the partners' competitive position.

Analogous to Porter, this discussion may be clarified by distinguishing three strategic levels with regard to alliances[3]. First of all, the corporate strategy in which the individual partners define the strategic course for their company as a whole. The second (derivative) level concerns the competitive strategy, indicating how the partners will retain their competitive position and improve it, if possible. Finally the alliance strategy, in which the partners' alliance objectives are defined.

In the alliances between American and Japanese car manufacturers discussed earlier, the problems did not really lie at the alliance strategy level. On the contrary, the Americans saw the joint venture as a means of reducing their excess capacity (and the cost price of their product along with it), while the Japanese were primarily interested in access to the protected American market. They had to subcontract production due to local content restrictions. In this case, it were conflicting competitive strategies that ultimately led to problems. The Americans attempted to retain their position in a saturated market. Conversely, the Japanese, fed by market information from their American partners, created new market segments by introducing innovative models. As a result of increasing competition from Japan, the market share of the American partners came under a great deal of pressure (also see figure).

Figure 3.2: Strategic fit on three levels

The degree to which the strategic objectives are compatible, determines the basis for co-operation. Certainly, potential partners should not make alliance

objectives the sole point of departure, as the example of the Japanese and American car manufacturers clearly shows. The competitive and corporate strategies should also be included in the discussion. It is important to realise that strategic objectives are not necessarily given facts. Of course the partners, assuming that they have done their homework well, should have a clear picture of what they
wish to achieve by means of the alliance. During negotiations, however, new insights can and will arise which may possibly even lead to adjustment of the original alliance objectives. Compatibility of objectives is thus the result of often intensive discussion of the basic assumptions underlying the alliance policy and that of the partners.
Greatly condensed, four possible outcomes can be identified in this discussion. See the figure below.

Figure 3.3: Impact of (in)compatible strategies on decision to co-operate

If not only the partners' alliance strategies, but also their competitive and corporate strategies are compatible, there is a good point of departure for co-operation. The partners should in principle abandon co-operation if the alliance objectives are not compatible, unless they are prepared to adjust their strategy. This occurs in particular when the alliance is of great importance for one of the two (see 3.3.2, page 69). There is a potential area of conflict, if the alliance strategies alone are compatible. If this is the case, then the partners must carefully evaluate to what extent the risk profile thus arising is acceptable, or whether measures in the form of agreements or organisational arrangements are necessary. If potential conflicts are not recognised and overcome, there is little chance of the co-operation lasting for any length of time. Drawing attention to problems in time, however, does place demands on the openness of the potential partners. Hidden agendas, which experience confirms are quite often deployed in alliance negotiations, should be left at home and all relevant information should be revealed.

3.2.2   Strategic importance

Closely related to the strategic objectives, is the strategic importance the alliance represents for the individual partners. Harrigan comments on joint ventures, that these should be of at least "medium strategic importance" for both partners. If it so happens that this is not the case, "...managers will not give it the attention it needs to thrive to its best abilities[4]." There has to be a certain balance. A major difference in strategic interest diminishes the stability of the co-operation, in that the partners' commitment to the alliance will correspondingly differ.
The lack of what Doz terms strategic commitment[5], considerably reduces the chance of the alliance objectives being realised. This problem may particularly occur, if the relative importance of activities where there is co-operation greatly differs for each partner. This does not necessarily concern the absolute size of the company, or the activity. This is illustrated in the figure below, with the aid of a few schematic examples. As the relative importance of the alliance increases, the partner concerned is expected to desire a greater degree of control of the policy and functioning of the alliance. This will be considered in greater detail during the explication of organisational fit (see 3.3.2, page 69). It should be noted, that the perceived

relative interest may not always be directly determined by the size of the activity. Emotional aspects may play a role here. The alliance between Smit and Wijsmuller, discussed in chapter 5 is illustrative in this connection.

Figure 3.4: Relative interest of the alliance

The strategic need to co-operate is determined by a number of factors. An obvious one is direct pressure on company continuity. This is a defensive motive for co-operation. Co-operation, however, can also be essential to strengthen the competitive position for offensive reasons. Consider, for instance, penetrating new markets or the development of new technologies. A third factor is time pressure. Co-operation can generate time advantages with respect to autonomous development and/or takeover, and be important for these reasons. Finally, the need to co-operate is determined by the degree to which a company has alternatives for co-operation. The question managers must ask both themselves and each other, is whether the same objective may be realised individually, or by means of a merger or take-over.

The nature (offensive or defensive) of the alliance and the pressure of time on establishing the alliance, will determine the degree to which the partners are prepared to make concessions on strategic and organisational issues. If the alliance is defensive in nature, and there is great pressure of time, then readiness to make concessions will be greatest (see figure below).

Figure 3.5: Impact of nature alliance and time pressure on decision to co-operate

The need to co-operate (or the importance of it) does not only determine commitment to the alliance, it also influences the partners' relative bargaining power. Harrigan notes the following with regard to bargaining power: "Firms will attempt to link up with the strongest partners they can win, but they may have to settle for those partners that their bargaining position qualifies them for[4]." The relative bargaining power of a company is determined by a number of factors, to wit the strategic need to co-operate, the goal dependency (see further) and the expected profits, costs and risks. If, for example, the strategic need is greater for one of the partners, its relative bargaining power will be less, unless its contribution to the alliance (costs and risks) is raised. A strong bargaining position can be utilised to strengthen the own position within the alliance, by claiming important management positions for instance. Yet, as will also be apparent in the elaboration of organisational fit in 3.3 (page 71), this instrument should be deployed with some caution, if one wishes to ultimately arrive at a stable alliance, yielding advantages for both partners.

3.2.3   Mutual goal dependency

The factors compatibility of objectives and strategic importance of co-operation, do not sufficiently explain why two companies ultimately arrive at an alliance and maintain it for any length of time. There is more required for this, to wit dependency. Only if the partners in an alliance are mutually dependent with respect to realising their objectives, will they be prepared to make the concessions and commitments an alliance generally demands. Mutual goal dependency

demands that partners be complementary. This aspect was also addressed in Niederkofler's definition of strategic fit.

The concept of complementary balance is often used in connection with strategic alliances, and can involve different aspects. First of all, there is the partners' know how. Alliances in the field of Research and Development in particular, often seek complementary knowledge and skills. To an increasing degree, this is not restricted to companies in their own sector; alliances are formed with companies of quite a different background also, so that in some cases completely new industries arise. A good example is the rise of multimedia applications, leading to a strong integration of computer, telecommunication and video applications. Likewise, the recent alliance between Microsoft and NBC links up the news media. Secondly, the partners' resources may be complementary. Consider production capacity, service networks, IT systems and other resources and assets, as well as financial resources. Thirdly, the complementary balance may involve the (geographical) markets served by the partners. Gaining market access is an important driver for co-operation, especially for many international alliances[66].

In general, it may be stated that the chance of success for an alliance is greater the more complementary the partners are. The partners do have to realise that collaboration unavoidably leads to knowledge transfer. Although this is often cited as one of the advantages of co-operation, there would seem to be a down side to this coin. Transfer of know how may be undesirable for two reasons. In the first place, if unique knowledge and experience determining the companies' competitive advantage are concerned. Secondly, the basis for co-operation may erode as a result of knowledge transfer. If this flows in one direction, there is a one sided advantage, causing the continuity of the alliance to come under pressure.

The transfer of know how and experience will increase when the partners collaborate more closely. Here one should not only think of know how written down in product specifications or translated into computerised (control) systems, but also of unformalised, so-called intangible know how. Although it is generally true that intangible know how is less transferable. The partners must carefully weigh up the possible risks attendant on this, and take measures where appropriate. These risks are determined by two aspects: the nature of the knowledge and experience (does this concern the core of the company or not), and the transferability. If, for example, strategically important but virtually untransferable know how is involved, then the risk is relatively limited (see figure below). When designing the alliance, express attention should be paid to this aspect.

Figure 3.6: Riscs of knowledge transfer in strategic alliances

In addition to complementary balance, mutual dependency is also determined by the number of alternative partners. In practice, companies regularly conduct exploratory talks on co-operation with different potential partners (at one and the same time). As the number
of alternatives increases (and become more serious), dependency on one specific partner declines, which strengthens the bargaining position. The reverse occurs too, for that matter. In sectors such as aviation, the number of potential alliance partners for the Royal Dutch Airlines, has for example

clearly declined in recent years. Due to, among other things, the large number of alliances already closed between eligible airlines.

3.2.4   Summary and conclusions strategic fit

On the basis of a study of the literature, three factors are identified, that are considered to determine the strategic fit between alliance partners: compatibility of strategies, strategic importance and mutual dependency.

Figure 3.7: Theoretical framework around strategic fit

The degree of strategic fit defines the actual basis for co-operation. On the above grounds, the conclusion would seem justified that without sufficient strategic fit, the alliance's chance of success will be slight. It is still an open question whether it is possible to determine the minimum degree of strategic fit required for a successful alliance. In the framework of this research, it has been established that it is undesirable to wish to quantify the degree of strategic fit on the basis of complicated methods. The degree to which each factor plays a role for each of the partners, has to be determined during the decision making process. Within the framework of this research, it has been decided to do this in expressions of low, middle and high. This is illustrated in the figure below[4]. In this example, the alliance is shown to be particularly important to partner A, and that A is more dependent on B than the other way round. This means that A is perhaps more committed to co-operation and will probably wish to have more control over the alliance. A's bargaining position, however, is less strong, due to relatively great dependence on B, so it is doubtful whether A will able to get this control, or that B will be prepared to relinquish it.

Figure 3.8: Estimating the degree of strategic fit

In principle, two points are involved when evaluating the degree of strategic fit: the absolute evaluation of the need for co-operation, and the relative difference experienced by each partner. Here "experienced" should be emphasised, because the perception of the managers involved plays an important role in the evaluation of strategic fit. Ultimately, they have to be convinced that the alliance is necessary for their company.
Perception and facts, however, are not always necessarily the same. In practice, it all too often happens that the continuity of a company is under great pressure, while the management still imagines a rosy future (see Soper's research into turnaround management[7], inter alia). This subjective (and faulty) evaluation may emphatically influence the alliance process, because the true need for action is not really endorsed. The evaluation of strategic fit should be given the most objective basis possible, although the importance and the influence of perceptions must not be underestimated.

An analysis of the degree of strategic fit may lead to different results. It is more or less impossible to predict for each separate possibility, what the consequences would be both for a decision to co-operate or not, and for the ultimate alliance design. Ideally, there should be good fit in each of

---

[4]Only the three main elements are incorporated in the figure, in principle the same estimation should be made for each of the underlying factors.

the three differentiated elements. That is to say, absolute scores above the median, and relatively small differences between the partners.

If in practice, there is a low score and/or a relatively large difference between partners, it should not be automatically concluded that co-operation is undesirable. Two points play a role in this. Firstly, it is possible that the alliance design may surmount potential strategic conflicts. This will be dealt with in more detail in the elaboration of organisational fit. Secondly, it is important to recognise that strategic fit is not a static fact. The alliance environment and the strategy of the partners in this connection, are often subject to change. During the alliance, the original points of departure may continually come up for renewed discussion, which may have important consequences for the alliance. The observation that there was good strategic fit when the alliance was established, is thus not sufficient guarantee for success, in that this may change over time. Moreover, it is also true that a limited strategic fit may be strengthened by the partners during the alliance. Fit is dynamic, which may either be a risk to, or an opportunity for, alliance stability. Partners must be conscious of this dynamic, and take it emphatically into account throughout the alliance.

3.3   Organisational fit

Strategic fit is a necessary condition for co-operation, but strategic fit alone gives insufficient guarantee for success. In the end, it is the alliance design implemented by the partners and the way in which this functions, that determines to what extent the alliance potential will in actual fact be realised. The management of an alliance may be compared to the management of a company, to a certain extent. With alliances, however, there are often a number of complicating factors which may cause their structure and management to be a complex affair. Consider for instance the integration of (parts of) organisations with very different backgrounds, collective instead of independent management of an activity, the continual need to align sometimes conflicting interests, and the in principle temporary character of the alliance. This places demands on the structure chosen for the alliance, but also on the capabilities and operating style of the managers involved. Hamel comments on this: "Making a collaborative agreement work has generally been seen as creating the preconditions for value creation. However, little advice is given on how to reap the benefits of being a good partner[8]."

Due to the great diversity of strategic alliances, it is impossible to define an ideal alliance design. Co-operation must be tailor made; the optimal form, given the specific objectives and background of the partners must be determined anew in every situation. When developing the concept of organisational fit, the emphasis was therefore put on defining generic criteria for evaluating a specific alliance design. Organisational fit is hereby defined as the degree to which the alliance design meets the criteria identified, thereby enabling successful co-operation. A precondition for the framework to be developed, was that in principle the criteria should be applicable to any alliance design. One of the departure points was the assumption that the partners' strategic backgrounds should have express influence upon the organisational design of the alliance (see the discussion of this subject in 2.3 (page 44), on the organisation model).

The explication of organisational fit took place ultimately in two stages. Based on a literature study, four factors were first identified, considered to determine the degree of organisational fit or not. These are flexibility, management control, complexity and trust. This theoretical framework will be discussed in the following sub-paragraphs. On the basis of the pilot case (see 4.3, page 85), it became apparent that these theoretical elements may well be relevant, but they provide insufficient basis for an ultimate answer to the question of whether there is organisational fit. This observation has led to a substantial adjustment of the framework around organisational fit, to be discussed in section 4.3.4 (page 96). In this book it has been chosen to justify these two stages separately and explicitly, with an eye to the desirable scientific justification of research results.

3.3.1 Flexibility

Many authors cite the great degree of flexibility alliances offer compared to a merger or acquisition, as one of the most important advantages. This means that not all the company's resources need to be dedicated to one strategic option, and that a strategic alliance may in principle be terminated, if it should turn out not to yield the results expected. Thus, the flexibility of the organisation as a whole is concerned here. A certain qualification of this point of view would seem to be necessary, however.

Firstly, it should be noted that a strategic alliance also demands considerable strategic and financial commitments from the partners. This is particularly so when the alliance is situated closer to the partners' core activities, and when a more intensive alliance design has been chosen, such as a joint venture for instance. Secondly, flexibility should not only be viewed from the perspective of the company as a whole, but also from that of the alliance. If either the environment in which the alliance operates, or the strategy of the individual partners changes drastically, the original objectives of the alliance and/or the alliance design may be up for fundamental discussion. Avoiding this discussion, or insufficiently implementing necessary changes, may cause the basis for successful co-operation to disappear quickly. As Doz remarks: "It's a dynamic relationship: adjustment and flexibility have to be part of most partnerships[5]." The importance of flexibility is underlined by Bleeke's study, which shows that alliances that have adjusted their scope in the course of time, are more successful than those that have not done so[9]. In general, two forms of flexibility may be distinguished. Firstly, strategic flexibility; this is the degree to which the partners are able to adapt the alliance strategy to changing circumstances. In actual fact, this is about maintaining strategic fit. Secondly, organisational flexibility; this is the degree to which the organisation and functioning of the alliance are adjusted, should circumstances demand it. Consider for instance the structure of the alliance, the management style or the staffing of managament positions.

It is important to realise that flexibility on the level of alliance is not self-evident. Within the context of a strategic alliance, the interests and (im)possibilities of partners must be taken into account. This was also dealt with during the discussion on the Multiple Constituency approach in 2.4.3 (page 50). To a certain extent, alliances are paradoxical. The alliance might well have been chosen because it increased the flexibility of the company as a whole, but individual latitude within the scope of the alliance may be limited.

The challenge for alliance partners, is to choose the alliance design and management style which will exploit the potential power of the alliance instrument to maximum capacity. Finding the correct balance between, on the one hand the clearest agreements possible, and on the other the retention of flexibility is the main issue here.

One must be prepared to live with uncertainty. Companies not infrequently have the tendency, supported by teams of lawyers, to put all the details of the alliance down in black and white in contracts which both parties must keep to. If the original assumptions underlying the alliance turn out to be not (or no longer) correct, then such contracts have limited value, unless

they indicate how partners should deal with potential conflicts. Moreover, the question is whether all possible circumstances and scenarios can be covered by a contract anyway. The degree of flexibility partners are prepared to build into the alliance, is for the most part determined by two factors: mutual trust and strategic fit. Partners who trust each other, will discuss potential conflicts sooner and more openly, and therefore react more quickly to changing circumstances. Willingness to adapt to each other will generally be greater too, in that they trust that the partner is not operating primarily in his own interest. When the strategic fit is stronger and the alliance is of greater strategic importance, the partners will adopt a flexible attitude for business reasons. At the same time, however, they will also experience a need to exercise more control over the alliance. The link between flexibility and control will be dealt with in the following paragraph.

3.3.2   Management control

Alliance negotiations not infrequently founder on the power issue: "who has ultimate control of the business?" Although it is a moot point whether one of either partner ought to have control. By definition, co-operation means that control should be shared with the partner to a greater or lesser extent. What is understood by management control is an interesting point. Perhaps a little unfairly, management control is sometimes made synonymous with a majority interest. In the situation in the Netherlands, however, a majority interest does not necessarily lead to management control.

Management control is primarily concerned with the influence the individual partners have on the alliance policy and activities, and with the opportunity this gives to check whether the partner is fulfilling its obligations. An interesting definition was given by one of the Unilever managers interviewed in the context of this research: "Management control means running the business according to your own principles, and controlling decision making points crucial to the success of the business[10]." Control is therefore not solely concerned with formal authority, but also with the way this is exercised, and decisions are taken.

Need for control

Killing distinguishes three factors determining the need for management
control. These are the strategic interest of the alliance, the uncertainty
surrounding the alliance and the fiduciary risk[11]. As the alliance's strategic
interest for the company increases, it will attempt a higher degree of
management control (authority). This is because the alliance may have direct
influence on the continuity of the whole company. It does not seem likely
that a company would make itself completely dependent on a partner/competitor
in such a situation, unless its bargaining position is particularly weak.

It is emphasised in many articles on strategic alliances, that an attempt
should be made to profit more from the co-operation than the partner (see
Hamel, Doz and Prahalad[12], for example). Here, alliance success is often not
defined as the durability of the alliance or the collective advantages, but
rather as the ability to undermine the partners' autonomy and competitive
position. Proceeding from such a competitive alliance paradigm, it is thus
necessary to obtain sufficient management control over the alliance, to keep
this fiduciary risk manageable. The fiduciary risk is the risk that the partner
will not do what may be expected of a good partner[11]. On the one hand, this
is about underperformance or failing to meet obligations (performance failure),
and on the other hand making conscious misuse of knowledge and information
for other purposes than the alliance (disclosure risk). It is important to
realise that strengthening (formal) control is not always the ideal solution
for this problem. Mutual trust may be more effective in many cases. This
does, however, demand a significantly different attitude on the part of the
partners to the one Hamel and Prahalad propagate.

If future developments are surrounded with uncertainty, the need for
management control will be greater. Far-reaching contractual agreements about
specific situations that may possibly occur, are not very useful in such
situations. The only thing that the partners can (and must) establish is
the way in which possible adjustments to the original assumptions are dealt
with (authorities and procedures). After all, they will wish to have sufficient
certainty that such adjustments will fit into their own corporate strategy
and vision of the alliance. Management influence may be vital to this.
Agreements about this may be very simple. A Dutch multinational, for example,
has contractually arranged with its foreign partner that any problem will
be submitted to the respective chairmen, if the management of their joint
venture fails to resolve it. If the chairmen too cannot come to an agreement,
then the alliance will be terminated[13].

Alongside the three factors Killing mentions, which particularly refer to
the alliance itself, the need for management control may also be determined
by the psychology of the managers concerned. Managers who have built their
careers in a competitive atmosphere where authority is based on hierarchy,
not infrequently have difficulty in relinquishing a part of their power and
adopting a management style based on consensus. The emotional bond with their
own company may also be a barrier to relinquishing part of their own control.
The latter seems to be especially the case with owner/directors of smaller
companies.
Companies considering forming a strategic alliance, should be duly aware
of such emotions and, if necessary, adjust the pace of alliance negotiations
accordingly.

Gaining management control

Management control or influence is relative. More control for one, is at the cost of the other's influence. Finding the right balance is essential, and demands continual attention from the partners. Seemingly small changes may lead unnoticeably to either one of the two dominating (too strongly), or to an alliance that the partners can no longer manage. The latter is an issue for relatively autonomously operating joint ventures in particular. When entering into the alliance, management control, according to Root, may either be enforced by obtaining formal ownership or by increasing the bargaining power with respect to the partner (see figure)[14].

Figure 3.9: Gaining control through ownership and bargaining power

The relative bargaining power is determined by the partners' strategic positions (need, dependency), and the resources (money, people, know how, etc.) the partners are prepared to commit to the alliance (also see Harrigan[4]). A strong bargaining position must be carefully deployed. A potential disadvantage of a strong bargaining position, is namely that there is no equality and thus a lower strategic fit. In such a situation, there is a very great chance the alliance will only yield advantages for one of the two partners, which will endanger its stability.

Formalising control

Control may be formalised by the co-operation partners in different ways. Here, the ownership and management structure chosen is concerned. With regard to the ownership structure, the question is first of all whether the partners obtain an equity interest in a legal entity established for the alliance, or whether co-operation is limited to a contractual relationship (see figure below). In addition, cross participations are regularly chosen; partners take a limited interest in each others equity capital. Cross participations generally are not so much aimed at obtaining formal control; they are more concerned with demonstrating mutual commitment to the alliance. As has already been mentioned previously, formal ownership relationships in the Netherlands are not necessarily a reflection of the partners' actual management control within the alliance.

Presumably more important is therefore the management structure chosen for the alliance. In the first place, this is concerned with the staffing, authorities and responsibilities of the alliance management. An important question involves the degree of autonomy the alliance has in relationship to the partners. To a certain extent, this may be compared to the centralisation/decentralisation issue many companies are faced with. The more the alliance management operates autonomously with respect to the partners, the more the supervisory role of the alliance Board of Supervisory Directors will assume importance. The Board of Supervisory Directors is an instrument often deployed to facilitate strategic alignment between the two partners. The operational alignment is in principle the responsibility of the alliance management.

Particularly in the context of long term relationships representing great strategic interests for the partners, it is quite often decided to grant

the partners a position on each others' Board of Supervisory Directors. Thus, developments at corporate level may be followed more directly. It should be clear that in practice, a combination of different options will often be chosen.

Figure 3.10: Ownership and management structure of the alliance

3.3.3 Alliance complexity

The complexity of the alliance is a third factor that, based on the literature study, is deemed to determine organisational fit. According to Killing, this primarily involves the question whether or not the alliance design enables effective management control[11]. He differentiates between the complexity of the alliance activities and the complexity of the organisation (see figure below).

Figure 3.11: Task and organisational complexity

Task complexity

The complexity of tasks and activities depends on the functional areas concerned in the alliance, the nature of the product and the degree of operational alignment. The number of functional disciplines involved in the alliance also plays a role. Co-operation in a high tech and innovative environment is more complex than collaboration in a technologically stable, repetitive environment. This has direct consequences for the way in which the alliance is structured and managed.

In this respect, the characteristics of a R&D alliance are different from a production or distribution alliance, for example. The result of a R&D process is relatively unpredictable. Creativity and innovation are the most important success factors. The risk of unwanted transfer of knowledge is an issue depending on the degree of organisational integration. Conversely, a distribution alliance has definable activities with a predictable and measurable output. Here, the partners will primarily manage the efficiency, costs and delivery time. The partners must try to reduce the complexity of the activities as far as possible. This may be done by limiting the alliance's scope, reducing the number of partners or introducing a strict division of tasks. A clear division of responsibilities within the alliance, has as additional advantage that the risk of unwanted knowledge transfer is limited. A possible disadvantage is that the alliance may be more difficult to manage.

Organisation complexity

The managers interviewed by Killing indicated that when the organisational complexity of the alliance increases, the chance of failure correspondingly increases. As Killing remarks: "an alliance must be simple enough to be manageable[11]." The complexity of the organisation is caused by the degree of organisation alignment the partners choose. At the same time it is true that more complex activities usually demand more complex organisational arrangements. Practical experience shows that managers, perhaps partly out of a need for control of the alliance, regularly choose a more intensive integration than is necessary, given their alliance objectives.

Strictly speaking, the alliance should be limited to those activities where collaboration has added value to both partners. The partners should avoid complicated communication and alignment procedures, where informal alignment is feasible. This can quickly lead to reduced flexibility and decisiveness in the alliance. Ciborra posits in this connection, that companies assuming the traditional principles of competition, will encounter problems when establishing co-operation, innovation and growth. Informal control based on trust and mutual respect is an absolute precondition for successful co-operation, in his opinion[16].

3.3.4 Role of trust in alliance design

The importance of trust is frequently underlined in the literature on alliances (see for example: Buckley[15], Ciborra[16], Powell[17]). According to Buckley, formal organisational arrangements are insufficient guarantee for the continuity of an alliance; without trust in the partner's commitment the chance of success is slight, in his opinion. Lorange confirms this: "key words are trust and commitment; though not sufficient, they are necessary conditions for long term co-operation[18]." Finally, Williamson indicates that "relationships that feature trust will survive a greater stress and will display greater adaptability[19]."

At first glance, trust particularly applies to human fit. Nonetheless, trust forms an explicit component of the theoretical framework. Firstly, because of the crucial role of trust in strategic alliances. Secondly, because both personal experience and the literature have shown that trust between partners directly influences the organisational design of the alliance, and is partly determined by strategic assumptions underlying the alliance. In this way, trust builds a bridge between strategic and organisational concepts. As was also indicated in the problem definition, one of the challenges of this research lies in the explication of this relationship.
Trust between (managers of) companies

Zucker defines trust as "the belief in the predictability of one's expectations[20]." Friedman relates more to the partner's qualities by defining trust as "the belief in the good intentions of the other[21]." These two definitions speak of trust, if the managers of a company are convinced that the alliance partner will behave according to what might be expected of a good partner. This relates particularly to situations which can not be predicted beforehand, and so can not be regulated by contract. Ciborra's definition is directed more to the behaviour of the alliance partners; he defines trust as "the mutual readiness to adapt[16]". Trust and flexibility are therefore strongly related. Co-operation partners are readier to adjust the alliance policy or organisation, if they trust the partner's good intentions. A concept often associated with trust, is "mutual forbearance". This is defined by Buckley as the situation in which the alliance partners mutually refrain from opportunistic behaviour (or cheating). In Buckley's opinion, co-operation is efficient when "a given amount of mutual forbearance generates the largest amount of mutual trust[15]."
In this connection Powell indicates the importance of reciprocity; the advantages of the alliance should ultimately be evenly divided between the partners. In his opinion, it is not a problem if the advantages are not equal at any given moment. For then an obligation towards the other partner incurs, which is more than likely to do the alliance good. As Powell remarks: "a measure of imbalance sustains the partnership[17]." Thus, trust has different aspects. First of all, it is concerned with a basic attitude the partners have with regard to each other, and secondly with the resulting behaviour in daily situations. Trust in the context of this research, is defined as: the situation in which both partners are convinced that in future the opposite party will keep to what is formally agreed on and to what may be expected informally, and in the case of unforeseen events, will do that which serves the
interests of the alliance partners as well as possible in their mutual relationship.

Influence of strategic and human fit on trust

At first sight, trust primarily appears to be a "relational" concept, easily associated with concepts such as openness and honesty, and leading to an emotional bond between people. That is indeed so in part, but trust can also be based on strictly rational (strategic) considerations. For this reason, a distinction will be made here between "rational" and "emotional" trust.
Strategic fit and rational trust
Rational trust means that the partners assume that the opposite party has such an interest in the alliance's success, that it will not display opportunistic behaviour and will meet its obligations. Rational trust is therefore strictly based on business considerations, and may also be present in situations in which the managers involved have difficulty in getting along with each other. If there is only rational trust between alliance partners, there is usually a situation in which the partners are to a certain extent condemned to each other. Otherwise, it may be assumed that the alliance will not be entered into. Rational trust is strongly associated with the elements of strategic fit discussed in 3.2 (page 57). Here the alliance interest and the partners' mutual dependency is concerned in particular.

Human fit and emotional trust
In practice, the incentive for many alliances is certainly not always formed by an extensive partner selection on the basis of an analysis of strengths and weaknesses, and previously defined partner profiles. Personal relationships and informal contacts between the managers seem to play a role, for there is generally a lower barrier to talks on co-operation here. Emotional trust conveys something about human and cultural fit. Different researchers have established that the more cultures connect with each other, the greater the mutual trust (see for instance Harrigan[4] and Killing[11]). A comment should be made here, that good relations between partners at the top does indeed make a good starting point, but ultimately should not be the only basis for co-operation. Possibly it is precisely in those alliance negotiations, initiated by a good mutual understanding and the vision of both managers, that the actual opportunities of the alliance still have to be determined. This may be experienced as retarding the process in the first instance, but will avert problems at a later stage.

Lack of emotional trust may impede the formation and functioning of the alliance. The partners will only be prepared to sit round the table when there are great strategic interests. This will be the case with defensive alliances in particular. The question is rather, whether potential partners would be ready to exchange confidential information and to put possible hidden agendas on the table, when emotional trust is lacking. In this respect, serious doubt must be cast on an alliance's chance of success, if there is not sufficient emotional trust between the partners.
Consequences for organisational design

Trust is related to concepts previously discussed, such as bargaining power and management control. Companies that co-operate on the basis of trust, however, have a considerably different alliance orientation to companies that are primarily out for domination and one sided advantage. As Arrow remarks: "Trust is a remarkably efficient lubricant to economic exchange. It reduces complexity far more quickly and economically than prediction, authority or bargaining[22]." Trust between alliance partners (and emotional trust in particular) has a direct influence on the alliance design.

Perhaps the most important advantage of trust is that the need for procedures and rules declines. Discussion on the ownership structure and the staffing of the management is simplified. If the partners really trust each other, it does not in fact matter who supplies the general manager of the alliance. For the reality is that he or she will ultimately act in the interest of the alliance and the partners. Informal control, instead of formal control, has as an additional advantage that the complexity of the alliance may be reduced (as Arrow also concludes), which increases its manageability. It has already been stated during the explication of flexibility, that a greater degree of trust also enhances the alliance flexibility. After all, the partners are then more prepared to live with uncertainties, supported by the conviction that a collective solution will eventually be reached.

Because of this, trust plays an essential role in alliance processes. Although it is again the case that partners must ultimately find the right balance between trust and formal arrangements. As Buckley remarks too: "extensive reliance on mutual forbearance is not necessarily good[15]." Trust is an important concept for this research, in view of the fact that a relationship is made

here between the elements determining strategic and organisational fit as well as process aspects; a relationship that has not yet been explicitly elaborated.

3.4   Conclusions

The elements which are deemed to determine strategic and organisational fit are reproduced in their mutual relationship,in the figure below.

Figure 3.12: Summary theoretical framework

As was indicated in the research justification, emphasis has been laid on the content aspects of the decision making process. To this end, strategic and organisational fit have been gone into in more detail in this chapter. It is apparent that neither can be viewed separately from cultural and human fit. For example, the role of trust in the formation and design of a strategic alliance should be thought of in this connection. The degree of strategic fit in fact gives an indication of the alliance potential. If there is no strategic fit, then co-operation is not advisable. If a good strategic fit exists, then potentially the alliance has opportunities to offer the partners. Strategic fit, however, does not yet enable a conclusion regarding the feasibility of the alliance. Here, the question is whether the alliance potential may actually be realised. On the one hand, feasibility is determined by the degree of organisational fit, on the other by the implementation risks linked to the alliance. For example, possible resistance to the co-operation on lower levels within the partners' organisation should be thought of here.

During the negotiating process, it is to be expected that the partners' primary concern will gradually shift from the strategic premises and objectives (potential), to the organisational consequences (feasibility), and ultimately the implementation of the alliance. This is summarised schematically in the figure below.

Figure 3.13: Management attention during the alliance process

This figure shows that the concepts of strategic and organisational fit are particularly relevant in the initial phase of the alliance process. The actual implementation of the alliance has not been included in the primary research area (see 1.3.2, page 11). It would seem realistic to suppose, however, that the strategic objectives of the alliance and the way in which the alliance is structured, influence the implementation. The other way round, it is true that the way in which the alliance is to be implemented must already be contemplated before the final decision to co-operate. In accordance with the research objectives, the literature research and the case studies have concentrated on the influence of strategic and organisational fit on the alliance process. This definitely does not repudiate the importance of implementation aspects. As has been explained, this mainly concerned a pragmatic curtailment of the research area. Nevertheless, an expansion of the research has gradually taken place, which broadened the scope to process aspects (see figure).

Figure 3.14: Broadening of the research scope

This is realised in the form of a supplementary study into the implementation of strategic alliances. The insights around strategic and organisational fit already developed, served as a starting point for this. The background and results of this research, which was carried out after the first four case studies, are discussed in Chapter 6.

Notes

[1]   Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

[2]   Luimes, W. en M.G.M. Spitholt, Verzelfstandiging van concernonderdelen, een onderzoek naar de meetbaarheid van cultural fit, human fit en synergie, Universiteit Twente, 1993.

[3]   Porter, M.E., Competitive advantage, The Free Press, New York, 1985.

[4]   Harrigan, K.R., Managing for joint venture success, Lexington Books, Lexington, 1988.

[5]   Doz, Y.L., 'Technology partnerships between larger and smaller firms; some critical issues', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[6]   Ohmae, K., 'The global logic of strategische alliances', in: Harvard Business Review, March-April 1989, p. 143-154.

[7]   Sopers, J.M.M., Turnaround management, Stenfert Kroese, Leiden/Antwerpen, 1992.

[8]   Hamel, G. 'Competition for competence and inter-partner learning within international strategische alliances', in: Strategic Management Journal, vol. 12, 1991, p. 83-103.

[9]   Bleeke, J. and D. Ernst, 'The way to win in cross-border alliances' in: The McKinsey Quarterly, vol. 1, 1992, p. 113-133.

[10]   Quote from an interview with the Pierrot-Lusso management, a Unilever joint venture that has been studied in the context of this research (see chapter 7).

[11]   Killing, J.P., 'Understanding alliances: the role of task and organizational complexity', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[12]   Hamel, G, Y.L. Doz en C.K. Prahalad, 'Collaborate with your competitor – and win', in: Harvard Business Review, January - February 1989, p. 133 - 139.

[13]   Quote from an interview with the Pierrot-Lusso management, a Unilever joint venture that has been studied in the context of this research (see chapter 7).

[14]   Root, F.R., 'Some taxonomies of international cooperative arrangements', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[15]   Buckley, P.J. and M. Casson, 'A theory of co-operation in international business', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

[16]   Ciborra, C., 'Alliances as learning experiments', in: Mytelka, L.K., Strategische partnerships and the world economy, 1991.

[17]   Powell, W.W., 'Neither markets nor hierarchy: network forms of organization', in: Research in organizational behaviour, vol 12, 1990, p. 295-336.

[18]   Lorange, P., J. Roos and P.S. Bronn, 'Building successful strategische alliances', in: Long Range Planning, 1992.

[19]   Williamson, O.E., The economic institutions of capitalism, The Free Press, New York, 1985.

[20]   Zucker, L.G., 'Production of trust, institutional sources of economic structure', in: Research in organisational behaviour, 8, 1986, p. 53 - 112.

[21]   Friedman, R.A., Trust,understanding and control, Academy of Management paper, Miami, 1991

[22]   Arrow, K., The limits of organisation, Norton, New York, 1974.

Expert interviews and pilot case study
4.1   Introduction

The essence of Business Administration research lies in the reciprocity of theoretical concepts and practical experience. In Chapter 3 a theoretical foundation was laid for the final framework. A theory development approach was chosen for this research, as has already been indicated in 1.5.1 (page 18). This choice arose from the observation that the requisite knowledge of strategic alliances indeed existed within the available literature, but that the mutual relationship of strategic and organisational factors had not been sufficiently examined. The main objective of the case studies was not so much the testing of the underlying hypotheses, as the further development of the theoretical framework.

The results of the expert interviews and the pilot case study are discussed in this chapter. The expert interviews did not gave reason to doubt the assumptions underlying the framework, although it was concluded that more emphasis could be placed on the process aspects of alliances (see 4.2). The pilot case study, however, led to a substantial adjustment of the framework around organisational fit (see 4.3.4, page 96). With the benefit of hindsight, this justified the choice for a theory developmental in stead of a theory testing approach. The cases that have subsequently been researched on the basis of the adjusted framework are discussed in Chapter 5.

4.2   Expert interviews

The main objective of the expert interviews was to check whether the assumptions underlying the theoretical framework were recognised, and whether the framework was considered comprehensive. This interview round was consciously restricted to a small number (6) of experts from academia and consultancy (see appendix 1). It must be emphasised that its particular concern was gaining a first indication, not testing hypotheses. The interviews were partly conducted semi structured and partly using a closed questionnaire. The questions are reproduced in appendix 1.

The conclusion arising from the expert interviews was twofold. Firstly, it was determined on the basis of the interviews and the answers to the questionnaire, that the elements of the theoretical framework were acknowledged[5]. The importance of the complementary balance was emphasised, for example, and every expert was in agreement that a difference in strategic importance between partners lowered the chance of success. The conclusions around the organisational aspects were less explicit In retrospect this may be explained by the fact that the theoretical framework concerning organisational fit still connects insufficiently with the practice of strategic alliances (see in this context the adjustment of the framework in 4.3.4, page 96). Nonetheless, there was no direct reason to doubt the underlying assumptions. This conclusion justified the case studies.

Secondly, it was concluded, particularly on the basis of the open interviews, that the process aspects of strategic alliances were still fairly underexposed in the theoretical framework. Here, the experts indicated the importance of hidden agendas, the influence of perceptions, the issues around the design of the implementation process, and the management of the alliance. In itself, this conclusion with regard to the process aspects was fairly predictable, in that a focus on the content aspects of alliances was consciously chosen in the first instance. To a certain extent, the theoretical framework has charted the "what" of alliances, whereas the process aspects are concerned with the "how". Nonetheless, it was decided on the basis of the expert interviews to maintain the original focus on content aspects, with an eye to the feasibility of the research. Although an important comment was made here, in that attention should be paid where possible in the case studies to the course of the process and the management of the alliance. Without, however, making the process an explicit object of research. This only occurred after completion of the case studies, with the supplementary research into the implementation of alliances (see chapter 6). The insights gained in the meantime from the first four case studies, turned out to be an useful starting point to this.

---

[5]For the answers to the closed questions appendix 1 is further referred to.

4.3   Pilot case

The primary objective of the pilot case was to obtain a first indication of the accuracy and comprehensiveness of the theoretical framework discussed in chapter 3. To this end, a contemplated co-operation between two retail companies was chosen. Talks were ended after a difficult process lasting more than six months. This process was supported by the author as an external advisor, which had the advantage of yielding profound insights. The framework, which has since been developed, was not then available. In this respect, the case is similar to the others, in that the analysis took place afterwards and the framework was not applied. For reasons of confidentiality, this case will be discussed anonymously. The framework around organisational fit was significantly adjusted on the basis of the pilot case. During the analysis, it was apparent that the course of the process could not be sufficiently explained by the three factors originally differentiated around organisational fit (management control, complexity and flexibility).

4.3.1   Reason for co-operation

At the beginning of the nineties, the Dutch retail organisations Web and Mask entered into co-operation negotiations. The talks were a reaction to a number of developments in their sector, described here briefly. Both Web and Mask operate via a network of local outlets, situated primarily within urban areas. The product that both companies distribute on the market is sensitive to trends and is sold preeminently to younger consumers. The market was very concentrated, the top four controlled three quarters of the market at the time. Web and Mask were number three and four respectively, with each more than 10 percent market share. Mega was the national market leader with 40 percent market share and a strong position in the West. Mega was the only one of the four active in all three links of the business chain (production, distribution and sales), and formed part of an internationally operating company. The business chain structure is summarised below.

Figure 4.1: Market structure Web and Mask

The power of producers and distributors is considerable; they regulate the supply, and determine which retailer may include which products in his assortment. In view of the trend sensitivity of the market and the short life cycle of the products, purchasing is a strategic function for retailers such as Web and Mask. The direct competition between retailers was nonetheless limited, because there was a monopoly situation in most regions. This guaranteed a stable market situation for a long period. It meant, however, that the need for investment in outlets and product innovation was limited, and prices compared to surrounding countries were relatively high.

Three developments were decisive for the talks on co-operation between Web and Mask. First of all, the continuing forward integration of international producers and distributors, who in trying to obtain more grip on the retail outlets in this way, entered into competition with local players such as Web and Mask. Retailers were taken over in surrounding countries; a development that was also expected to take place in the Netherlands. A second development, connected to this, was Mega's aggressive expansion strategy, directed at penetrating the local monopolies. A third development concerned the declining turnover per customer, due to outmoded outlets and relatively high prices. As a result the traditionally

protected market positions of companies such as Web and Mask were expected to come under pressure. Subsequently, Web and Mask started negotiations at the initiative of an independent (Dutch) distributor. After mutual consultation, it was decided to call in external consultants to research the desirability and feasibility of their alliance plans. In addition to this, the consultants were also expected to take an active role with regard to the phasing and design of the negotiation process. The latter turned out to be of great importance, in that it was clear from the beginning that neither director trusted each other.

A salient fact was that it became clear to the consultant six the six weeks after the start of the process that Web and Mask had already worked together before, when Mask had been on the edge of bankruptcy. Neither of them had mentioned this previously. At the time, however, this co-operation had ended fairly quickly, due to a conflict between both directors. Web had the feeling that only Mask had benefited from the co-operation, and moreover, that Mask had not met its obligations towards Web. This explained the mistrust, but at the same time increased the doubts about the feasibility of the new alliance. On the advice of the consultants, both directors' preconditions were first of all charted and communicated to each other. The thinking behind this was, that if express differences existed here, further research would be useless. Individual discussions to this end were held with both directors.

The most important preconditions concerned the financial involvement, the management control of both directors and the co-ordination of the alliance. Although there were differences on a number of points, the preconditions did not turn out to form an insuperable barrier to continuing the alliance talks. Making their preconditions explicit, was an important step in the process for both parties. They had to articulate a number of matters; were they open to an acquisition for instance, and would both directors be prepared to put their position up for discussion if necessary (in view of their age, this was a relevant topic).

4.3.2   Strategic background and strategic fit

In the following phase, the emphasis lay primarily on an analysis of the real necessity and potential of co-operation. The external analysis yielded two conclusions. The first conclusion was that the declining turnover per consumer demanded a new approach; this concerned the quality of the outlets as well as the marketing policy conducted. The second conclusion was, that it would be difficult for Web and Mask to maintain their own position autonomously, let alone expand it.

Strategic importance alliance

Although there was no direct pressure on continuity, it had to be concluded that, objectively speaking, co-operation was highly necessary for Web and Mask. The co-operation negotiations anticipated a few (expected) developments in the sector.

Pressure on continuity

Both Web and Mask were financially healthy. This was partly due to the high margins made possible by the local monopolies. The most important threat lay in the fact that these monopolies would be penetrated by Mega's expansion strategy, and the competition from international producers/distributors in the near future. This would not only cause the market position to deteriorate, but very probably Web and Masks' purchasing position too. In view of the nature of the product, a distributor in a specific region usually only worked

with one retailer. Mega had a stronger bargaining power than Web and Mask. This due to their size and geographic position which could be leveraged in the negotiations. An increase in scale was judged necessary by Web and Mask in order to be able to oppose this development forcefully. On the one hand, this would strengthen the (strategically important) purchasing position, and on the other hand, provide the financial basis needed for product innovation.

Offensive market opportunities

There was a large latent market, which had not been efficiently approached by the sector. Partly due to local monopolies, there had been limited investment in the outlets. Many outlets no longer met modern requirements, so that certain groups of customers had been lost. Various sector studies showed that turnover might be significantly raised by upgrading existing outlets, extending chains to new regions and developing new marketing formulas, targeted at specific groups. Yet, this demanded such economies of scale and national spread, that co-operation for Web and Mask was vital, if they wished to actively pursue these objectives.

Time pressure

In view of the signals from the market, it was clear that the developments mentioned above (forward integration and commercial renewal) would probably take place in the Netherlands within two to four years. Web and Mask would be able to realise first-mover-advantages, by a rapid and effective implementation of the co-operation. In this respect, negotiations were subject to the pressure of time.

Alternatives to co-operation

Although the threat of Mega and other producers/distributors was paramount, and would most likely have a significant impact on the position of Web and Mask, this was experienced differently by each director. The director of Mask in particular was convinced that "it won't come to that", and that he would be able to operate competitively on a local level; even with respect to international, integrated players. In contrast, the Web director was convinced that his local market positions would come under pressure in the short term, and that his independent position in the purchasing market could not be guaranteed either. A problem was that Mega was active in Web's two most important regions. For Mask, the direct threat of Mega was less important, in view of the fact that Mega was not active in its region. Nonetheless this offered no guarantee for the future. During the process, Mask became more convinced of the need for and the potential of co-operation than before. Yet, there remained a relatively big difference in "sense of urgency".

Mutual goal dependency

The potential basis for co-operation lay in Web and Masks' complementary retail chains. There was mutual competition in only two regions. In addition, the number of potential partners was restricted, in that aside from Web and Mask, only two other chains operated on the Dutch market. The rest concerned single outlet retailers.

In view of the fact that the regions in which Web was active formed spearheads for Mega's strategy, collaboration with Mega was not an option as a partner for Web, due to fear of too forceful a domination by the financially strong market leader. The relationship with the number two in the market, was so bad that this was not seen as a potential partner. For Web, Mask was in fact the only attractive alliance partner. This did not count for Mask, who maintained reasonably good links with Mega. This and the fact that Mask experienced less pressure on continuity than Web, was a key influence on the course of the process. In the end, Mask was not prepared to commit itself, and wished to make virtually no concessions towards Web. Although this was never explicitly stated during the negotiations with Web, with hindsight it must be concluded that co-operation with Mega was always a serious alternative to Mask. The fact is that not very long after the negotiations with Web were formally ended, Mask established a marketing co-operation with market leader Mega.

The question may be posed why Mask began negotiations with Web at all, knowing that the two directors had considerable difficulties working together. First of all, a factor was that Web was similar as regards size and background, which meant that Mask would at least have an equal position in the co-operation. Furthermore, the opportunistic attitude of Mask's director played a role; he repeatedly indicated that he would consider a takeover of Web, if the occasion should present itself. This was quite out of the question for Web, however.

Compatibility of strategies and objectives

The need and the potential of co-operation was recognised by both partners, and both chains were complementary geographically. Yet ultimately the co-operation did not take place. This was partly due to differences in each director's vision on the competitive strategy to be implemented.

Corporate strategy
Web's basic philosophy was to make maximum use of the strategic potential
of their locations, with the lowest possible investment in its outlets. The
quality of the outlets was therefore made subservient to the quality of the
product. The board was actively involved in the purchasing of new products.
In contrast to many other companies, Mask adopted the philosophy that the
quality and furnishing of the outlets had a positive influence on the turnover.
Mask therefore invested a lot in its outlets. The purchasing function was
less well developed than that of Web.
Alliance strategies
This fundamental difference in philosophy with regard to corporate policy
had direct consequences for the alliance negotiations. In essence, it
concerned the questions as to how real and how great the Mega threat actually
was, and which strategy might be best employed to overcome this threat. There
was ultimately a certain consensus on the general outline. Both Web and Mask
underwrote the need for action, and recognised that a new marketing policy
was necessary. Opinions differed, however, on the concrete interpretation.
Little by little, it became clear that Mask was not interested in expansion
to new regions, and wanted to emphase the upgrading of outlets. In view of
the overdue maintenance, Web would have to invest millions of guilders in
order to raise its outlets to the level desired. In the first instance, Web
emphasised increasing the marketing effort. In addition, it was necessary
to expand to (the attractive) Mega regions in the shortest possible period
of time, according to Web's director. In the end, this difference in opinions
was the decisive factor in the decision not to co-operate.
Conclusions with regard to strategic fit

Viewed objectively, one could say there was a reasonable to good strategic
fit between Web and Mask in two aspects. The need for co-operation was present,
and the chains were similar in size and very complementary. In the figure
below, an estimation is given of the different factors deemed to determine
the degree of strategic fit. Potentially, co-operation offered considerable
opportunities. Nonetheless, the difference in vision between each director
had as a consequence that necessity was perceived differently, and that on
the level of alliance objectives, consensus could ultimately be reached only
to a limited degree. That the negotiations had not been broken off at an
earlier stage, was partly due to the potential and importance of co-operation
(also see further).

Figure 4.2: Strategic fit between Web and Mask
Conclusions with regard to theoretical framework around strategic fit

On the grounds of the pilot case study, it was concluded that the theoretical
framework for determining strategic fit does provide enough structure, and
that in principle there is no reason to adjust the framework. It was also
clear that strategic fit is subjective to a certain extent; it is determined
by the perception and opinion of the persons involved. Only if they recognise
the need to co-operate, and manage to reach consensus with regard to the
alliance strategy, is there a sufficient basis for co-operation. The analysis
and
interventions of the external consultants brought Web and Mask closer together
in certain aspects. Without an objective outsider, the negotiations would
probably have stranded earlier. The question as to whether, with hindsight,

the negotiations ought to have been continued at all, will be gone into in 4.3.6 (page 101).

4.3.3 Alliance design and organisational fit

It is difficult to judge the degree of organisational fit in this case, given the fact that the co-operation never took off. Web and Mask had discussed the alliance design profoundly, supported by the external advisor. First of all, the wanted to investigate whether it was possible to find an (organisational) solution for the problem areas indicated. Secondly, it was clear that the consequences of collaboration had to be made very concrete, in order to facilitate a go-no-go decision. Up until then, Web and Mask had been avoiding the difficult issues.

As indicated in the introduction, the concept of organisational fit was adjusted considerably on the basis of this case. As it happens, it was apparent on first analysis that the initial factors of organisational fit (flexibility, management control and complexity) gave insufficient support for an evaluation of the degree of organisational fit. The most important problem was that they were theoretically significant notions in themselves, but insufficiently linked to the day to day reality of alliance processes. They are in fact more the preconditions than the core elements of organisational fit. With the aim of providing insight into our thinking process, the initial factors will be briefly explored, in order to subsequently discuss the adjustment to the framework.

Organisational background

Although the size and nature of their activities were more or less equal, Web and Mask were organised differently. This originated from the competitive strategy they pursued. Web was organised centrally, the autonomy of local outlets was limited; head office was expressly involved in operational affairs in the outlets (local promotion for instance). In contrast, managers had greater responsibility at Mask. The Mask head office was half the size of Web's. Purchasing was centralised by both of them, which was an obvious choice in view of the sector structure. Both directors had a strong influence on the day to day operations within their company. The Web director, however, managed more at a distance than the Mask director, who visited several outlets a week and maintained a fairly direct relationship with his managers. Loyalty to the company and to the director were key values within Mask. Web primarily focussed on the cost of the outlets, and invested little, as already mentioned. At Mask the emphasis lay on the quality of the outlets and the internal functioning of the organisation. The analysis of the management consultants established six success factors for companies such as Web and Mask. The mutual differences are summarised in the figure below.

Figure 4.3: Success factors Web and Mask

Intended alliance design

It was clear at an early stage of the discussions, that the alliance design was a vexed question. This was particularly the case for the managerial control of both directors and the alliance policy. The differences in vision between both directors were of such a nature, that grave doubt had to be cast on the feasibility of a common board. In fact, one of the main conclusions of the consultants was, that the only chance of the co-operation succeeding, would be if new management were to integrate activities in a new structure. The co-operation would have had to primarily direct itself to the commercial exploitation of both chains. Economies of scale were expected in the area of purchasing, product innovation and marketing. The outlets themselves would not be included in the co-operation. The consultants did conclude that both partners (and Web in particular) should commit themselves to the necessary investments in outlets, to support the new marketing strategy.

Evaluation organisational fit on the basis of original factors

When the intended alliance design is evaluated against the three initial factors (management control, complexity and flexibility), it then becomes clear that a more intense, and thus more complex, alliance design was chosen as a result of both directors' need for management control. Yet this need for influence and the differences in vision between each director, put pressure on the strategic flexibility of the alliance. The limited degree of trust impeded the finding of the right balance within each of these three factors.

Management control

The retention of managerial control was a central element in the negotiations at an early stage. Certainly it was clear from the beginning that both directors did not like the idea of losing grip on their company. This is, moreover, a frequently recurring phenomenon in smaller companies led by the owner/director. The need for management control over the company was initially caused by the relatively great financial and strategic importance of the alliance. This would only increase in case of future investment in outlets and marketing. The need for control was caused in the second place by the lack of trust between each director. This was designated the fiduciary risk in 3.3.2 (page 69).

In the design finally suggested, both directors were to constitute a Board of Supervisory Directors, who would supervise the new alliance management at a distance (which still had to be appointed). In order to enhance market focus and local entrepreneurship, it was attempted to decentralise a number of responsibilities within the co-operation. This particularly concerned the local implementation of the marketing policy, and a part of the stock policy. Purchasing remained a central affair, in view of the strategic importance and economies of scale (also see figure).

Figure 4.4: Centralisation vs decentralisation Web and Mask

This design would denote a major change for both directors. Not only would they no longer have the day to day leadership of their company, but they would also have to split authority. In addition, a different management philosophy would have to be chosen.

Complexity

The second factor judged to determine organisational fit is the complexity

of the alliance. It was stated in 3.3.3 (page 73) that this should be restricted to a minimum. The alliance design Web and Mask had in mind, seems slightly paradoxical. There were great differences in vision, but an intensive form of co-operation was nevertheless attempted. Co-operation in the field of purchasing and marketing, without integrating the commercial exploitation of both chains, could have been sufficient. More intensive integration generally means greater organisational complexity. That this was still chosen, had to do with the preconditions of both directors in the first place. They agreed on one thing; a loose alliance design would not go far enough in enabling them to realise their objectives[6].

Secondly, a more intensive alliance design was chosen because during the process, it became clear that both directors would never be able to work together flexibly. Co-operation could only be successful if a new management structure would be implemented, which demanded more intensive co-operation. In view of the age of both directors, this topic was negotiable. In addition, they too realised that a two-headed directorship composed of themselves would not work.

Flexibility

In view of the external developments expected, flexibility was crucial. By this is meant that the alliance should be able to react timely and adequately to changes in the market. One might think of the forward integration of foreign producers and distributors mentioned, and the market leader Mega's urge for expansion. During the negotiations, much attention was paid to the alliance policy. Brainstorming sessions were held among other things, and different scenarios were set up and evaluated. A restraining factor was that both parties (Web in particular) wished to talk through the alliance strategy and its consequences in detail beforehand. In itself this is a good starting point, but at the same time, it is obvious that not all future developments may be accurately predicted. Here too the limited trust between both directors played a role. If they had trusted each other, then the readiness to accept some uncertainties would probably have been greater.

This problem was expected to be overcome by selecting a construction in which both directors in their role as supervisory directors would manage the alliance from a distance. To this end, the management of the alliance should be given the authority necessary to implement the alliance in an innovative way.

Trust between Web and Mask

In so far as there was trust between Web and Mask, it was primarily rational (see 3.3.4, page 76). There was no emotional trust. Both recognised the interest that the co-operation represented, and in view of the limited number of players in the market, they were dependent on each other to a certain extent (this was more true of Web, as has already been mentioned). This limited trust had a direct influence upon the design of the co-operation (see the foregoing), and on the course of the negotiations. Certainly during the initial phase, there was a risk that both partners would abandon negotiations.

The consultants paid much attention to objectifying perceptions back and forth, and conducting bilateral discussions. In the initial phase, it was actually all about keeping both parties at the table, something which was not seldom accompanied by emotional discussions in which prejudices and problems from the past played a quite important role. With hindsight, the question may indeed be posed whether or not it was worthwhile initiating talks on co-operation in such a situation. This question arose, when it became clear that the co-operation was not going to get off the ground, in spite of all the time, money and energy that had been spent.

---

[6]There would appear to be a general (pre)judgement with regard to loose forms of
co-operation here.

4.3.4 Adjustment framework around organisational fit

Could one say there was (a sufficient degree of) organisational fit in this case? In contrast to strategic fit, it was difficult to give a clear answer to this question on the basis of the three factors, identified in 3.2 (page 57). Three reasons may be cited for this. First of all, the analysis of this case showed that the concept of organisational fit was still insufficiently precise. Secondly, it was apparent, that even if the three factors are relevant and theoretically substantiated, in the day to day reality of co-operation processes they are too abstract to offer sufficient support to the question of whether co-operation is feasible or not. This is linked to a third observation, namely that in addition to the three factors from the theoretical framework around organisational fit, a few more factors seemed to play a role. Based on these insights, it was therefore decided to adjust the framework with regard to organisational fit. This adjustment will be discussed briefly here. First of all, a more specific definition will be given of organisational fit, after which the supplementary factors, considered decisive to organisational fit, will be discussed.
Definition organisational fit

In essence, organisational fit concerns the question as to whether the alliance design chosen, facilitates successful co-operation. The success of an alliance is defined in 2.4.3 (page 50) as the degree to which the objectives are realised. Organisational fit is necessary to realise the potential of the alliance. It became clear during discussion on the intended alliance design for Web and Mask, that there were a few significant problem areas. These problems, however, could only be partly explained by the initial theoretical framework around organisational fit. Based on the insights gained from the pilot case, organisational fit is defined as follows:

Figure 4.5: New definition of organisational fit

Three elements are central to this definition, to wit the organisational differences between both partners and the influence that these have on the functioning of the alliance, the degree to which the partners have a shared

There is organisational fit when the organisational differences do not hinder
the functioning of the alliance, the partners have a shared vision on
the alliance design, and the intended alliance design enables
them to realise their objectives.

vision on the alliance design, and the contribution that this design makes to the realisation of the alliance objectives. The factors management control, complexity and flexibility are relevant in this context, but should be seen more as testing criteria. This is reproduced in the figure below.

Figure 4.6: Factors determining organisational fit, based on pilot case

Organisational similarities and differences

The intended co-operation between Web and Mask illustrates the impact organi-
sational and cultural differences can have upon the alliance design, and
the course of the alliance process. Differences between partners do not,
necessarily, form a bad starting point. On the
contrary, it may be educational for both partners to experience the
(organisational) solutions that a competitor may have found for a specific
issue. Both with regard to organisational similarities as well as to diffe-
rences, partners will have to ask themselves and each other, to what degree
this will impede or stimulate the functioning of the co-operation. In the
case of Web and Mask, it was clear that a solution had to be found for the
problems caused by the different corporate philosophies. Among other things,
this led to the proposal to make a new management responsible for the
co-operation.

Vision of alliance design

In the initial framework, the actual alliance design (which construction is chosen) remained underexposed. In order to increase practical applicability, this must be elaborated further. Each of the partners involved, depending on their background, objectives and personal preferences, can and will have their own ideas on the alliance design desired, and that there just is not one correct solution. Putting the alliance into effect is a game of give and take, in which the balance must be sought between the interests of the own company and the common interest in the alliance. Co-operation is then only desirable if the partners have a shared vision of the alliance design. This increases commitment to the alliance, and reduces the chance of alignment problems. When elaborating the alliance design, the aspects in the figure below have to be considered.

Alliance activities and policy	In which activities do the partners co-operate, and which policy is formulated for the alliance?
Degree of integration	To what degree are the partners' activities and organisations integrated, or at least aligned?
Organisation	How are the activities of the alliance organised, and in what way will the alliance function in practice?
Management alliance and relationship with partners	Who is responsible for the management of the alliance and how is the interface with the partners arranged?
Management philosophy	In what way is the alliance managed by the partners (which performance indicators are relevant)?
Contribution partners	In what way are the costs, profits and risks of the alliance divided between the partners?
Division of costs and profits	What contribution do the partners make (financial means, production capacity, man-power and other resources)?

Figure 4.7: Issues to be addressed in alliance design

Feasibility of alliance objectives

Even if the partners are in full agreement about the way, in which they wish to design the alliance, if this does not at least bring them to the starting point from which their objectives may be realised, there is strictly speaking no organisational fit. During the design of the alliance, concessions, or even excessively far-reaching choices, may occasionally be made. This may cause the alliance effectiveness to come under pressure.
Thus, organisational fit is determined by the degree to which the alliance design enables the partners to realise their objectives. This is not so much concerned with fit between partners, as with the fit between the alliance design and the formulated alliance strategy. This third factor is obvious to a certain degree, but experience shows that the original objectives can be rapidly lost sight of in alliance negotiations. Both before and after setting up the alliance, it is important to continually check the choices made, against the pre-conditions and strategic assumptions of the partners.
Conclusion

On the above arguments, three questions deemed to determine the organisational fit between co-operation partners are defined (see text frame).

Figure 4.8: Core questions regarding organisational fit, based on the pilot case

Compared to the initial theoretical framework, these questions clearly apply better to the practice of strategic alliances. The alliance design chosen has a more central role, and there is a more explicit relationship made to the effectiveness of the alliance. The original factors control, complexity and flexibility are still relevant, as mentioned earlier, but play a less dominant role. The different factors discussed, are summarised in the figure below. Here, a distinction is made between the core questions around organisational fit and the test questions, concerning the three initial factors. For the cases in chapter 5, this framework provided the format for

> Question 1: To what degree do organisational similarities and differences between the partners stimulate or hinder successful co-operation?
>
> Question 2: Do the partners have a shared vision on the alliance design?
>
> Question 3: Does the alliance design chosen enable the partners to realise their strategy?

the organisational fit analysis.

Figure 4.9: Summary adjusted framework around organisational fit

4.3.5   Evaluation organisational fit on basis of adjusted framework

If the intended co-operation between Web and Mask is evaluated by means of the questions formulated above, then it must be concluded that the organisational fit was low. The differences between both parties have been extensively discussed; it was quite clear that these strongly impeded the establishment of the alliance. It was endeavoured to minimise the influence of these differences where possible in the
intended alliance design, by aiming for a new management team and a more decentralised organisation structure. In so far as this can be assessed, the alliance design suggested by the consultants would have brought the realisation of the declared objectives within reach. In the end, however, it had to be concluded that neither director was able to reach consensus on the alliance design and the alliance strategy to be implemented. The low organisational fit, combined with the strategic problems discussed earlier, easily explain why the alliance (in spite of all efforts) was not launched after all.

4.3.6 Finishing alliance process

The negotiation process between Web and Mask was characterised by four decision moments; these are summarised in the figure below

Figure 4.10: Phasing alliance process Web and Mask

During the negotiations, an alliance focussed on the commercial exploitation of the outlets was always assumed. As the consequences of the co-operation were elaborated further, it appeared that both parties differed in opinion on many points, and were moreover not really prepared to make the necessary concessions. In order to enable a final decision on this process, already running for six months, three options were presented by the consultants.

Figure 4.11: Final options Web and Mask

The first option indicated that the new management team should attempt to expand the chain into new regions (particularly Mega's) within the most realistic period possible. The second option was included, because Mask increasingly emphasised that it was interested in a complete takeover of Web. In this case, the same advantages as from co-operation might be realised, and the potential conflict between both directors would be no longer relevant. Financial and integration issues might be accounted important points of

Option 1: Co-operation as negotiated up until then

Option 2: Takeover of Web by Mask (and possibly a third party)

Option 3: Stop negotiations and continue on individual basis

attention here. Both parties subsequently reacted separately to these three options. Web only wished to participate in a co-operation, if expansion were to have first priority and further if an attempt to broaden the scope (more partners) was made. Expansion within "a realistic period" was not enough for Web. Here, however, was precisely the source of Mask's reservations; it was convinced that marketing and upgrading existing outlets would be sufficient to maintain a competitive position. The fact that Mask had far less trouble from direct competition certainly played a part.

The first option was therefore not attainable. Because Web did not consider continuing autonomously to be realistic, discussions were subsequently conducted between Mask and an external financier about a possible takeover. This did not lead anywhere, and the negotiations between Web and Mask were finally discontinued. Within a year, Mask entered into a marketing co-operation with Mega. This concerned a less intensive co-operation than the one discussed with Web. At the time, the Mask director indicated that the co-operation with Mega was working successfully. The main reason for this, in his view, was that Mega, much more than Web, had similar views on the market and the way in which it should be approached. In the meantime, the developments expected have manifested themselves in a number of regions, and one could say that there is revitalisation in the sector for the first

time in years. Web's position is more isolated than before, after the failure
of the negotiations and the co-operation between Mask and Mega. In the future,
a forced sale of the company should not be excluded.

4.3.7   Conclusions regarding pilot case

In any case, the foregoing begs two interesting questions. Firstly,
whether the process would really have advanced essentially differently, if
the framework, developed in the meantime, had been applied (as was mentioned
in the beginning, this research was only in the initial phase at the time).
Secondly, whether or not the decision to end the negotiations should have
been taken earlier.

As in several other co-operation processes supported by the author as a
consultant, the Web and Mask case was characterised by a reasonably
opportunistic attitude at the start. Simply put, the basic philosophy was
"We have the same problem, can't manage it alone, so we want to work together.
A loose alliance will lead to nothing, so we have to integrate." It may well
be questioned whether the partners really have thought through the real snags
and opportunities of co-operating with a competitor. In the analysis of the
management consultancy, many of the factors in the framework were addressed
(to an extent implicitly). With hindsight, it must be concluded that, with
the help of the framework which has since been developed, direction would
have probably been given more rapidly to the research and the strategic and
organisational problem areas noted, would have been brought up more explicitly.
The added value of the framework therefore lies in explicating and objectifying
decision making, and in identifying potential problems by focussing on the
essential issues.

The analysis of this case also shows that an evaluation of strategic fit
will in general not lead to unambiguous insights with regard to whether or
not the partners should co-operate. Unless there are great differences or
very low scores in all elements. Companies considering a co-operation must
contemplate a complex of factors in their mutual relationship. Factors which
are certainly not always quantifiable and/or completely objectifiable.
Estimations and perceptions are often concerned. In view of the alliance's
strategic potential, those involved then decided to continue the negotiations,
even though everybody knew intuitively that there were several problem areas.
So, to a certain extent, the decision not to stop the negotiations earlier
can be explained. It should be remarked in this context, that it is not always
possible to have a discussion on content aspects all at once, certainly during
the initial phase of an alliance process. An accustomisation period, with
orientating interviews, will often be necessary. Certainly in the
circumstances of the partners being mistrustful of each other, as was the
case with Web and Mask. During an alliance process, two lines of approach
must therefore be employed. On the one hand, the establishment of trust,
and on the other the exchange of ideas, preferences and opinions. These cannot
be looked at in isolation, because real intentions only come up for discussion
when there is mutual trust. This case, once more, underlines the importance
of trust between partners in a co-operation.

Strategic alliances in practice
5.1   Introduction

The adjusted framework was the input for three developmental case studies, which were conducted concurrently. The objective of these cases was the further development of the framework. The way in which these alliances have been selected is briefly discussed below. In the remainder of this chapter the case studies are presented. These are the joint venture of Stork Werkspoor Diesel and the Finnish Wärtsilä Diesel in the field of medium speed diesel engines (5.2, page 109), the SmitWijs alliance of Smit Internationale and Wijsmuller in the field of ocean towage (5.3, page 129) and the Chemferm joint venture of DSM and Koninklijke Gist Brocades in the field of intermediate products for antibiotics (5.4, page 145). The insights gained from the cases are discussed in 5.5 (page 160). Here, the case study results are integrated with the framework, developed on the basis of the literature study and the pilot case.

5.1.1   Case study procedure

With the exception of the pilot case study, all case studies were carried out in a comparable way[7]. The method employed is briefly described here. Prior to the interviews, desk research was carried out for each of the alliances, based on public information sources (publications in newspapers, annual reports, sector reports, etc.). Interviews were subsequently held with a few key managers from either the partners or the alliance. They had been closely involved with the establishment and/or the functioning of the alliance. The interviews were semi-structured in nature. The framework developed was very much the guide line, although no straight jacket. This, in order to prevent relevant aspects, not incorporated into the framework, from being left out.

On the basis of desk research, the interviews and the supplementary internal information, a draft case study report was then written. The framework structure was applied to all cases, in order to enable the mutual comparison of case study results. The draft report was discussed in a second interview round. In the first place, this concerned approving the contents of the draft report, and in the second place, obtaining supplementary information with regard to "white spots". The final case study report was presented to the partners for approval. The summaries, incorporated in this chapter, are written on the basis of these detailed case study reports (40-50 pages on each case).

5.1.2   Case selection

The cases researched have considerable influence on the final research results. The selection of cases should therefore be made with care. The procedure, employed to this end in this research, is briefly illustrated here.
Selection criteria and inventory strategic alliances

Not every alliance is suitable as a case study. The objective of the selection criteria is to arrive at a limited number of alliances relevant to this research,

---

[7]The available information and reports from the consultancy project, and the insights
obtained throughout the assignment formed the basis of the pilot case study.

out of the large number of alliances formed in recent years. On the one hand, these criteria must lead to a sufficiently homogeneous case study population, in order to enable
proper mutual comparison. On the other hand, the criteria must be so chosen that, within the population, a sufficient degree of diversity exists, in order to enable the development of a generically applicable framework. It should be noted that, given the limited number of case studies researched, these can not be fully representative for all Dutch companies and all types of alliance. This is not a problem, however, in that generalisation occurs towards general theory in this research, and not to a specific practical

> The partners must be at least medium-sized.
> Alliances formed by divisions of large companies will be researched too.
> The partners must be sufficiently autonomous in their policy making.
> The case study population must be spread as much as possible over sectors.
> Companies, with more than one alliance, are (more) attractive, because these
> may be compared with each other.
> The population must contain both successful and less successful alliances.
> If possible, both defensive as well as offensive alliances will be researched.
> In any case, at least one Dutch partner must be involved in the alliance
> (accessibility).

situation (also see Yin[1]).

An important question in determining the selection criteria was, whether or not alliances with foreign companies should be included. This is because the chance of culture differences is perhaps greater than in alliances between two Dutch companies. The inventory of recent alliances, however, showed that the number of alliances between two Dutch partners is relatively limited. This is in contrast to the number of international alliances. If this research were to be limited to Dutch-Dutch alliances alone, no account would have been taken of the international character of the alliance phenomenon. For this reason, it was decided that international alliances may also serve as cases in this research.

Two comments may be made with regard to possible cultural differences. Firstly, cultural differences between companies within one country may sometimes be greater than between partners from different countries. Secondly, this research is primarily orientated towards decision-making prior to the alliance, and not towards implementation, where culture aspects will have greater influence.

The following selection criteria were defined:

Figure 5.1: Criteria applied for case selection

An inventory of alliances was made via a public database query (especially Textline and Financieele Dagblad) with co-operation, alliance and joint venture as key words. The period January 1993 to December 1994 was selected. This search yielded a large number of newspaper articles on almost hundred alliances. These served as a basis for the final selection of cases.

Potentially interesting alliances and approach for support

The alliances were subsequently evaluated against the selection criteria defined, on the basis of the background information obtained in this way. Fifteen alliances were ultimately considered (potentially) interesting for this research. These are briefly described in the figure below. A more extensive desk research was subsequently carried out for these alliances, with the help of the databases mentioned.

Figure 5.2: Potentially interesting alliances

The initial objective was to conduct three case studies, in addition to the pilot case. The alliances listed as potentially interesting, were subsequently approached. Here the available network of the Phd committee and the researcher was decisive. After three strategic alliances had agreed to co-operate, no others were approached. Only after it had been decided to conduct a final case study to "test" the external validity, new alliances were approached again. In the end, ten of the fifteen alliances were approached about participating in the research, until the desired number of cases was reached. Six of the companies approached decided not to participate in the research. Confidentiality was the reason given by five alliances. The Tulip / Swedish Facit alliance did not actually amount to much, in spite of considerable attention in the press. In addition, the table above indicates which companies were approached to participate, which were interviewed, and which alliances ultimately participated in our research.

5.2   Stork NV and Wärtsilä Diesel

In 1989, the co-operation between Stork NV and the Finnish Wärtsilä Diesel was established. Stork Werkspoor Diesel, the Stork subsidiary involved in the alliance, and Wärtsilä Diesel produce medium-speed diesel engines, used for the propulsion of ships as well as for the generation of energy in power plants. In addition, Wärtsilä Diesel also produces high speed engines. Important demands made on these engines are the quality (in particular the operational safety), cost price, specific fuel consumption, emissions and the delivery time. Furthermore, increasing attention has been paid to the emission value of the engines in recent years. Cost efficiency and technological innovation are important competitive factors.

5.2.1   Reason for co-operation

Wärtsilä Diesel is a relatively young company, distinguishing itself vis a vis its competitors (e.g. MAN, MAK, Sultzer, Mitsubishi) through a high degree of product efficiency. Wärtsilä Diesel has managed to lower both development costs and the cost price significantly, by closely aligning development and production ("design for manufacturing"). By doing this, they alone evaded what the current president of Stork Wärtsilä Diesel describes as "the car tire syndrome". This means that, in contrast to many competitors, Wärtsilä Diesel adopted the philosophy that not only the service (maintenance), but also the production of new engines should be profitable. With regard to diesel engines, Wärtsilä Diesel was greatly dependent on export, in view of its modest home market. The turnover was NLG 800 million in 1989.

In 1954 Stork and Werkspoor joined forces. At the end of the sixties, the diesel activities were grouped under the Stork Werkspoor Diesel division in the context of a restructuring. This situation was maintained until the end of the seventies. The division's financial results were by then so bad that a drastic intervention by VMF Stork was required. Support from the state was also requested. This resulted in the formation of Stork Werkspoor Diesel as a separate legal entity. This company had three shareholders: VMF Stork and the State each had 49% of the shares, the remaining 2% were placed under a foundation. The management of the new legal entity had been given a clear mission: cut the losses and find a strong partner. As far as this second point was concerned, selling the company had certainly not been ruled out.

The Stork Werkspoor reorganisation led, among other things, to a halving of the number of employees (from 1800 to 900, in 1983) and the postponement of investment in new engine development and production facilities. In 1987, as a result of this reorganisation, Stork Werkspoor was making profits for the first time, and the financial position had improved. Yet the product portfolio was outdated, due to the postponement of investment in R&D. In view of the major investment, that the development of a new engine demands, and the range of engines necessary to remain competitive, it was clear that Stork Werkspoor would not be able to survive independently in the long term. Finding a strong partner was therefore deemed necessary (the second task for the management).

In 1989 both Wärtsilä Diesel and Stork were looking for a strategic partner

(the specific reasons and objectives will be discussed in the following paragraph). The initiative for the alliance negotiations was taken by Wärtsilä Diesel. Ultimately the joint venture Stork-Wärtsilä Diesel was formed, in which Wärtsilä Diesel had an interest of 60% and Stork 40%. The State was thereby no longer shareholder in Stork Werkspoor. These developments are summarised in the figure below.

Explanation

All Stork Werkspoor activities were continued

In addition to the existing engine range, the Wärtsilä engine range was also sold

The product portofolio's were intended to continue to exist along side each other

Engine development and production was not integrated

The marketing and service networks were combined

Figure 5.3: Relationship between companies involved

The joint venture had as its objective the strengthening of the sales and service network of both partners, the development and production of new engines, and the transfer of know-how and experience.

Considering the quite intensive integration that was achieved between the former Stork Werkspoor Diesel and the Wärtsilä Diesel Group, it may well be doubted whether Stork *Wärtsilä* Diesel will ever operate autonomously. So could one in actual fact consider this to be a strategic alliance? We decided to incorporate this case study in our research for two reasons. First of all, it must be concluded that the partners (Stork NV and Wärtsilä Diesel) at the start of the alliance, were not aiming at a full integration of both product portfolios. See in this respect section 5.2.2 on the alliance strategies of both partners.

During the first year and a half the joint venture had the characteristics of a strategic alliance as defined in section 2.2.3. During this phase both partners (Stork NV and Wärtsilä Diesel) did not exclude a premature ending of the relationship, which satisfied the temporariness criterion in our definition. With respect to Stork Wärtsilä Diesel the latter may now be doubted. This, however, is not the case for the relationship between Stork NV and Wärtsilä Diesel. Both partners are shareholders in SWD. Both have recently invested considerably in new production capacity and both are represented on the Board of Supervisory Directors of Stork Wärtsilä Diesel. This was the second reason for incorporating this case in our research.

5.2.2   Strategic background and strategic fit

The strategic fit was relatively limited on certain points at the start of the collaboration. Stork Werkspoor Diesel and Wärtsilä Diesel were each others direct competitors at that moment. Both companies were active in the same market segment with a comparable product range. Moreover, one could say there were clear differences in strategic background. This defined the form of co-operation chosen, and the ultimate development of the co-operation. An interesting aspect of this alliance is that the strategic as well as the organisational fit was enhanced during the co-operation.

Strategic importance alliance

The direct necessity for co-operation was significantly greater for Stork Werkspoor Diesel than for Wärtsilä Diesel. Nevertheless, the Wärtsilä Diesel management was convinced of the fact that co-operation was necessary, in order to maintain and strengthen the long-term competitive position.

Pressure on continuity

Pressure on continuity loomed large, notably for Stork Werkspoor Diesel.
The company had indeed been profitable (for a few years), but at the end
of the eighties the product portfolio had become outdated. Independent renewal
of this portfolio was not a feasible option, according to the present director
of Stork Wärstilä Diesel (SWD[8]). Dependent on the type, the development costs
for a new engine amount to NLG 40 to NLG 100 million; the life cycle of an
engine is about 20 years. On average, negative cash flow is generated with
a new type of engine for the first 5 years, according to the president of
SWD. Assuming a manufacturer to have a minimum of five types in its portfolio,
this would mean a structural negative cash flow for the production of new
engines (not counting service). This fact, combined with the increasing
pressure on prices and Stork Werkspoor's restricted financial position,
enforced a broadening of the competitive scope.

At the time Wärtsilä Diesel's financial position was strong, as was its position
in the home market. The Scandinavian market volume, however, was relatively
small as regards volume, which meant that Wärtsilä Diesel was largely dependent
on export. In 1993, Wärtsilä Diesel realised 24% of the marine turnover in
Scandinavia, and 44% in the rest of Europe. Further internationalising of
the activities were deemed necessary by Wärtsilä Diesel, in order to protect
the long term competitive position. Developments within the cyclically
sensitive ship building market at the end of the eighties also played a role
(see figure).

Figure 5.4: Shipbuilding production 1982 - 1991 per region

---

[8]The abbreviation SWD specifically refers to Stork Wärtsilä Diesel (and not
to Stork Werkspoor Diesel). Considering the fact that the joint venture was
formed by the Stork Werkspoor Diesel subsidiary of Stork NV, we will refer
to Stork Werkspoor in the rest of this section.

These developments had a number of consquences for the strategic positions of Wärtsilä Diesel and Stork Werkspoor Diesel in the marine market, which represented an important part of their turnover:
demand for ship engines dropped, which encouraged price competition;
Wärtsilä Diesel was confronted with declining demand, to an even greater extent in its home market Scandinavia than worldwide;
growth potential lay particularly in the Far East (South Korea and Japan).
Offensive market opportunities
The combined strength of Stork Werkspoor Diesel and Wärtsilä Diesel created a number of chances. In the first place, combining knowledge and experience strengthened the R&D position of both partners. By ultimately achieving an integrated product portfolio too, the R&D effort necessary was halved and considerable economies of scale could be realised in the production field.

Furthermore, the necessary expansion of international activities was ensured by the co-operation. For the partners, the joint venture meant that entrance was gained to each other's sales and service network. This was significant for the marine market, in that ships sail over the whole world in principle, and therefore also need worldwide service. The arguments for local service are the customer ties that ensue and the fact that service activities make a substantial contribution to the profits. Furthermore, ship building production shifted to the Far East, as is apparent from the preceding. It was equally true that power plants were being realised abroad to an increasing degree, particularly in developing countries. Thus network expansion was also of interest to this part of the activities.
Time pressure
Although there was no immediate threat of bankruptcy, the perspective in the medium long term (3 to 5 years) was worrying, given the outdated engine portfolio. The pressure of time on Stork Werkspoor Diesel was therefore clearly higher than on Wärtsilä Diesel.
Alternatives to co-operation
In any case, autonomous development was not a realistic option for Stork Werkspoor Diesel, as is apparent from the preceding. According to the president of SWD, the critical mass and the financial position were insufficient to maintain a competitive engine range, and to operate worldwide. Acquiring another party was also no option for this reason, because most of the competitors were larger than Stork Werkspoor. The strategy of the parent company (Stork NV) influenced decision-making strongly with regard to the co-operation too. After all, during the reorganisation at the beginning of the eighties, the management had been unequivocally charged with cutting the losses and subsequently finding a strong partner.

Wärtsilä Diesel was more than twice as large as Stork Werkspoor. Go-it-alone was therefore an option for Wärtsilä Diesel. Naturally, the superior financial position also played a role in this. Wärtsilä Diesel, however, implemented an ambitious growth strategy. This growth had to be realised abroad in particular, given that potential for growth was restricted on the home market. Building up a worldwide sales and service network demands time and money, however. For Wärtsilä Diesel the attempt at rapid foreign expansion therefore meant that a
strategic partner, preferably with a complementary network, had to be searched for. Another, less ambitious strategy (focussing on the Scandinavian market, for instance), would have perhaps lessened the need to co-operate. The question is, however, whether this would have led to a tenable position in the long

term.
Compatibility of strategies and objectives

Wärtsilä Diesel's main strengths were production efficiency and cost price reduction. In addition, Wärtsilä Diesel had a strong drive for growth. On the one hand, this was in order to realise necessary economies of scale in the production, and on the other hand to be able to offer world wide service to buyers (an activity traditionally yielding margins). The main issue for the Stork Werkspoor Diesel management was to preserve continuity, without putting the independency of the company completely at stake. This was less true for the parent company Stork, who certainly did not preclude sale.
Alliance strategies
During the negotiations, both partners quite quickly arrived at a common vision of their present position and the future of the market. The first conclusion was that a world wide sales and service network is a prerequisite to operate competitively. The second important conclusion was that a complete range of engines (a minimum of five types) was necessary. Meeting these two strategic conditions independently, would demand considerable investment, knowledge and time. On these grounds Stork Werkspoor Diesel and Wärtsilä Diesel came to the conclusion together that co-operation would be a logical step.

A comment should be made with regard to the alliance objectives. Rationalisation of the integrated product portfolio was not formulated as an explicit objective at the start of the co-operation. In the joint venture agreement, there were therefore no arrangements made around the question of who should develop and produce which engines, nor on which way the shared engine line was to develop.
In the SWD annual report of 1989 this is expressed as follows "....The Stork-Werkspoor Wärtsilä Diesel product range will be kept up, and will be extended by the Wärtsilä Diesel product range. This collective product portfolio may now be offered on every important market worldwide....... Stork-Wärtsilä Diesel will continue to produce its own products and design new ones, in line with the total market and product strategy of the Wärtsilä Diesel Group". Only after the installation of the current president (more than a year and a half after the start of the co-operation) were concrete arrangements made on this point, which ultimately led to a complete renovation of the integrated engine portfolio (see further).
Corporate strategies
Although the alliance objective was clearly shared, the underlying motives for co-operation did differ (growth compared to preservation of continuity), but in principle this formed no problem for the co-operation. The fact that the partners were in direct competition with each other, did constitute a point for special attention. The fact was, they were going to sell each other's products within the framework of the co-operation. This because the competitor's product always have been depicted inferior to the own products (and now should be sold as equal). Certainly in the beginning, there was a risk that credibility towards customers would be under pressure.

The partners' strategy focussed on further increase in scale, international expansion and the development of new engines. In the long term, entering into the alliance meant that a strategic risk had been taken, given the great overlap between both companies. For if the co-operation had not been successful, both could have lost market share individually. For instance, because they

no longer had a complete, up to date engine line, had not realised any further extension of the service network or had conveyed unique knowledge to their partner. In this respect, there was a potential conflict on the corporate strategy level between the partners.
Mutual goal dependency

In 1989, both Stork Werkspoor Diesel as well as Wärtsilä Diesel offered a complete range of engines. Compatibility on this point was therefore limited at the time the co-operation was established. In contrast, the overlap in geographical markets was less pronounced. Neither of them had an especially large number of possible partners for co-operation. There were around ten important players in the market. In view of the fact that negotiations were being held between several parties, finding a partner could not be delayed.

Complementary products
With hindsight it may be concluded, that because of the large overlap in
portfolios, the results during the initial phase of the joint venture were
well below expectation. Only after a year and a half did SWD and Wärtsilä
Diesel come to the conclusion that it was necessary to define a shared portfolio
(with minimum overlap), in order to be able to utilise the synergy potential.
This would not only yield considerable cost advantages, but equally eliminate
the internal competition between SWD and Wärtsilä Diesel. Given the
development time and costs of a new engine, it was clear that an integrated
portfolio could not be realised in the short term. At the same time, visible
results were needed to reinforce the commitment to the co-operation within
both organisations.

This reorientation led among other things to SWD taking up the X-400 project
again, which had been discontinued some time previously. This was done by
their own R&D department, but in close collaboration with Finnish colleagues.
The project group also had a Finnish member. People from the business areas
were placed in the support group (a sort of steering group) that met every
four weeks. This project had two important effects. Firstly, Finns and Dutchmen
worked together for the first time at an operational level. It was apparent
that the technical staff got along well together here, due to their common
interest, and that they were moreover of equal quality. The competitive element
played far less of a role than it had done on the sales side. Secondly, the
project expressed SWD's self supporting nature in a concrete way. Up until
then, many people within SWD had had doubts on this point. The fact that
the development of a completely new engine was now being invested in,
demonstrated the "good intentions" of the Finnish partner in that respect.

In the end the project resulted in the 38. Although the engine was sold in
the market as the Wärtsilä Diesel 38, the Stork brand name was dropped. Both
the Dutch and the Finns saw the engine as their own engine. This indicated
an essential step, taken to reduce the resistance within the sales force.
In the years to follow, the engine ranges of SWD and Wärtsilä Diesel were
modernised and the number of types considerably reduced. In 1993, this resulted
in a shared range of five engines, two of which were developed and reproduced
in the Netherlands. This development is summarised in the figure below (the
shaded engines have been developed in the Netherlands).

Figure 5.5: Development of the SWD engine portfolio

Due to the development of new engines meeting all modern requirements, the
competitive position has improved. The reduction in the number of types has
moreover reduced the (future) development costs. Yet it does mean that both
companies have meanwhile become inextricably linked to each other. For that
matter, it is an interesting fact that complete integration of both portfolios
was not the starting point for both partners, as has already been mentioned.
Complementary markets
Stork Werkspoor Diesel and Wärtsilä Diesel both operated world wide within
the same market segments (the maritime market and power plants). The
geographical market position, however, did not have too great an overlap.
Stork Werkspoor Diesel had a particularly strong position in the Benelux,
Indonesia and the Caribbean, Wärtsilä Diesel had an especially strong position
in the Scandinavian home market. The sales force merely overlapped in four

countries: France, Singapore, the UK and the United States. This was an important advantage, given the need for further internationalising of the sales and service network. The central geographical situation of the Netherlands, and the fact that the Netherlands was already a member of the EEC at the time, played a role in this respect for Wärtsilä Diesel.

Complementary resources
Both companies had their own R&D department, where sufficient knowledge and experience were available for realising new developments. At the time, Wärtsilä Diesel was one of the few manufacturers to use the "design for manufacturing" concept. On this point, Stork Werkspoor Diesel could clearly gain advantage from the co-operation. A crucial problem at Stork Werkspoor Diesel was that financial resources to actually realise ideas, were lacking. The "X-400" project had been stopped for example; this project concerned the development of a replacement for the then 410 engine. The present president of SWD described it as follows..."Stork Werkspoor Diesel was at heart a healthy organisation, but did not have a healthy heart. One of Wärtsilä Diesel's obvious strengths with respect to Stork Werkspoor Diesel, was its financial position. This gave Stork Werkspoor Diesel the opportunity of financing investments which had to be made in developing new products. For Stork Werkspoor Diesel, this financial reinforcement had to materialize soon, in view of the fact that its image in the market was already worsening somewhat. Given the life span of an engine, the continuity of the supplier plays an important part in purchase. Persistent negative results (which Stork Werkspoor Diesel then had) have a negative influence on buying behaviour.
Conclusion with regard to strategic fit

The factors considered to determine the strategic fit between Wärtsilä Diesel and Stork Werkspoor were dealt with in the preceding. In the table, an estimation is given of the degree (low, medium or high) to which these were a factor for each partner. The most important conclusions are discussed below.

Figure 5.6: Strategic fit between Stork Werkspoor and Wärtsilä Diesel

Strategic need was greater for Stork Werkspoor than for Wärtsilä Diesel
The alliance was of strategic importance to both parties. Defensive consi-
derations played more of a role for Stork Werkspoor Diesel than for Wärtsilä
Diesel, in that Stork Werkspoor Diesel had more direct pressure on continuity.
The need to co-operate was greater for Stork Werkspoor Diesel than for Wärtsilä
Diesel

There was a good fit with regard to the alliance strategies
The shared vision of both partners on the developments in their market and
their own position in it, formed an important basis for the co-operation.
This meant that, in spite of the fact that both partners were each others
direct competitors, they were still prepared to really commit themselves
to the co-operation. Both managements were convinced of the need to co-operate
and the opportunities this offered. It was only in a later stage that the
overlap in portfolios turned out to be a problem instead of an advantage.

Partners were on limited complementary, but this was gradually improved
At the start of the alliance, the degree to which the partners complemented
each other was low. This certainly put the co-operation under pressure in
the beginning, externally as well as internally. Externally, it was about
the acceptance by the market; engines that had always competed with each
other, were now sold by the same organisation. Internally, it concerned the
alignment in portfolios, necessary in the long term to enable the alliance
to be successful

Overlap in corporate strategies formed basis as well as risk for alliance
The shared strategic vision of both partners was the reason they could rapidly
come to a consensus on the co-operation. At the same time, there was an explicit
strategic risk taken due to the overlap in corporate strategy in the long
term.
Conclusion
On the basis of the above, it may be concluded that there was, initially,
a reasonable degree of strategic fit, but that there were potential conflicts
with respect to certain factors. Five years later, it must be concluded that
these conflicts have been resolved for the most part. This has to do with
the intensive co-operation form chosen, and the way in which it has functioned.
The alliance between Stork Werkspoor Diesel and Wärtsilä Diesel is a good
example of a co-operation that was primarily started because of the long
term potential, and less because of the short term advantages. It should
be noted, however, that certainly at the beginning, there was hardly a very
clear vision of the desired portfolio integration.

5.2.3   Alliance design and organisational fit

The joint venture between Stork Werkspoor Diesel and Wärtsilä Diesel developed into a very close co-operation. In the initial phase the implementation was difficult, which led to an adjustment of the alliance. At the start of the alliance the historical and organisational differences seem to have been underestimated.
Differences and similarities between partners

At the end of the eighties, Stork Werkspoor Diesel had gone through a very critical period in its existence. The company had been at the edge of bankruptcy for several years. Under the leadership of the then president of SWD, several major reorganisations were put in motion. At the same time all investment in new developments ceased for a long time (the X-400 project, for instance). At the time, Stork Werkspoor Diesel's strategy was very concentrated on survival. For a long time, almost all the employees found themselves in a situation of great insecurity with regard to the future of their company and along with that, their job. They were also (according to the present president) proud of the fact that Stork Werkspoor Diesel still existed at the end of the eighties. After all the changes people had gone through in the recent past, there was a great need for a period of consolidation.

The strategy of Wärtsilä Diesel was primarily focussed on growth. They operated extremely aggressively, according to the president of SWD. Market shares were conquered by structurally lowering the prices of new engines. Wärtsilä's aggressive growth strategy obviously differed from Stork Werkspoor's strategy, focussed on survival. According to the president of SWD, this could partly be explained by differences in national culture. The most typical was, in his view, the Finnish word "sisu" (phonetic spelling). This means something like "optimistically carrying on under very difficult circumstances". In his view, the fact that there is a word for this in Finnish, is very descriptive of the nature of the people.

Stork Werkspoor Diesel had a functional structure and was hierarchically organised, with a strong concentration of power at the top. Management wanted to control major decisions. Decision-making was characteristically cautious and conservative. Wärtsilä Diesel in contrast, was organised in business areas with profit and loss accountability. All separate activities had their own P&L account and balance sheet. Every manager was evaluated individually on his budget and the meeting of internal contracts.
A consequence of this decentralised profit and loss accountability is, that there was tough, consistent negotiating between the managers concerned, when developing plans and budgets. People therefore challenged each other to improve their performances. Furthermore, R&D, production, marketing and sales were strongly integrated at Wärtsilä Diesel (quite different from Stork Werkspoor). This integrated concept and the "challenging mechanism" used, meant that the engines were built at relatively low cost, allowing the price strategy mentioned. Wärtsilä Diesel therefore was continually seeking growth, new challenges and change. In contrast, Stork Werkspoor Diesel tried (anxiously) to consolidate the situation they had just reached. Every change was seen as a new threat, which was not surprising, considering the past. At the
start of the co-operation, readiness to change was low within Stork Werkspoor Diesel. On the other hand, it was clear that something had to happen, in

that otherwise the continuity of the company would be under pressure.
Alliance design and launch co-operation

A joint venture has been chosen in which Wärtsilä Diesel has 60% and Stork
has 40% of the shares. Viewed operationally, SWD has in principle little
to do with Stork; an appeal is occasionally made to Stork for staff support
only. Stork's 40% interest is also primarily a financial interest. When the
joint venture was formed, Stork expressed the anticipation that the joint
venture would be able to finance itself without supplementary capital
injections from the parents. This also fitted Stork's strategy, which
certainly did not exclude, eventually, divesting itself of Stork Werkspoor
Diesel. This attitude seems to have changed a little in the meantime, in
view of the fact that an important share of the investment in SWD's new
production facilities will be financed by both partners.
Integration
SWD's activities concern the development, production and sales of diesel
engines. The assumption from the start of the co-operation has been that
SWD must be a fully fledged, self supporting company. This meant among other
things that SWD retained its own R&D and production activities. The sales
and service network was integrated at an early stage, a logical step in view
of the alliance objectives and the complementary markets. On the other hand,
it was apparent that the sales force of both partners had problems with the
fact that the products of the competitor suddenly had to be sold, certainly
in the beginning. The fact that both portfolios showed a clear overlap slowed
down the integration process of the sales forces.

Management joint venture
The former president of Stork Werkspoor Diesel was also appointed president
of the joint venture at the same time; no Finnish manager was transferred
to the Netherlands. The president was himself very actively involved in the
alliance talks. The five man Board of Supervisory Directors were appointed
at the same time. Two members were from Wärtsilä; their president and a member
of their Board of Supervisory Directors. Stork likewise provided two members
of the Board of Supervisory Directors, both also members of the Stork NV
board. The chairman was an independent fifth, a Dutchman was chosen on purpose.
SWD reports to the Wärtsilä Diesel group management, which the SWD president
likewise belongs to.
Beginning phase co-operation
In the first phase the former president played an important role, although
a double one to a certain extent. Under his leadership, Stork Werkspoor Diesel
had been reorganised and made profitable in a few years. Rationally, he was
convinced of the importance and need for co-operation. From the beginning
of the alliance, however, he seemed to mistrust his Finnish colleagues. He
kept emphasizing the importance of the independence of the Dutch organisation
in various board meetings of SWD as well as Wärtsilä Diesel, on which he
also was seated. In spite of the fact that he had conducted all negotiations,
he was obviously still afraid of too strong a domination by the Finnish partner.
Moreover, this attitude was also true for the lower echelons in the organisation.
There were doubts as to the real intentions of the Finnish partner. An important
question for many was, whether the self supporting nature of SWD could be
guaranteed in the long term. There were some who did not exclude the possibility
that Wärtsilä Diesel would either transfer the Dutch activities to Finland,
or close it down. The fact that at the start of the co-operation no hard
agreements had been made about the desired development of the integrated
portfolio, played a part in this.

More than eighteen months after the start of the co-operation, the results
of the co-operation remained far below expectations, and the contrasts between
the partners had only sharpened. Internally there was competition between
the Werkspoor Diesel engines and those of Wärtsilä Diesel. After eighteen
months the president was replaced, partly due to pressure from the Board
of Supervisory Directors.

Reorientation and further intensification

Both the SWD Board of Supervisory Directors as well as the management of Wärtsilä Diesel were still convinced that the joint venture had great potential. The arrival of the new president ushered in a re-orientation of the co-operation. He stated that his most important objective was to formulate a strategy that could guarantee a good fit with the group, without the self supporting character being under discussion. Among other things, this resulted in the rationalising of the Wärtsilä Diesel and Stork Werkspoor Diesel product portfolios, discussed earlier. With the reorientation in the second phase of the alliance, the foundation was ultimately laid for further intensification of the co-operation. Mutual confidence was strengthened, and awareness slowly grew within SWD that growth and innovation were important for the future. This in contrast to the conservative and consolidation orientated attitude previous to the co-operation.

The intensification of the co-operation led among other things to the development of a second new engine by SWD, the Wärtsilä Diesel 26, which replaced the 25 from Wärtsilä Diesel and the 28 from Stork Werkspoor Diesel. At the same time, SWD discontinued the production and sales of the remaining engines. In addition, an explicit demand was made, that the sale of the 38 and the new 26 had to guarantee sufficient utilisation of the production capacity (Wärtsilä's commitment was concerned here). Wärtsilä Diesel had meanwhile replaced its 22 engine by the 20 and the 46. Both engine lines complemented each other even more as a result of this (also see figure 5.5).

SWD became more integrated with the Wärtsilä Group in an organisational respect too. In the figure below, the organisational structure of the Wärtsilä Diesel group is reproduced, as it functioned during the co-operation's early years (up until mid 1995). The matrix structure consisted of product companies, business areas and network companies. SWD is active in all business areas as a product company.

Figure 5.7: Organisation structure Wärtsilä Diesel Group beginning 1995
Alliance's future

SWD and Wärtsilä Diesel's policy for the future is strongly focussed on further growth and international expansion. The objective is to attempt to raise the present market share from 20% to 30%. SWD has set up an ambitious investment program for this, focussed on the development of new products on the one hand, and on the other on increasing production efficiency. The present production locations in Zwolle and Amsterdam are to be integrated in Zwolle, where a completely new production facility is to be realised. The objective is to realise a cost price reduction in this way. It is expected that this will demand an investment of NLG 120 million, of which around a quarter will be financed by the shareholders. The rest will be financed via external capital.

Wärtsilä Diesel has recently changed its organisation, with the aim of enhancing internal synergy and customer focus. To enable this, it has been decided to set up so-called "knowledge centres for applications", and to decrease the decentralised profit and loss responsibility. The local network companies remain responsible for customer relations. They are to be supported by the knowledge centres, which determine the optimal power solution (for

the customer as well as the group), on the basis of the customer's power need. This is reproduced schematically in the figure.

    Figure 5.8: Implementation of network companies and knowledge centres
Evaluation co-operation

Six years after the establishment of the joint venture it may be concluded that the partners' objectives have been realised to an important extent. These were:
exchange of know how and experience;
development and production of new engines;
acquirement of access to and expansion of sales- and serviced networks.

The alliance may therefore be seen as successful. At the moment, it does not seem realistic to suppose that the Dutch organisation will ever operate outside the Wärtsilä structure; the interests have become too entwined. The continuity, however, of the Dutch organisation has been secured by the joint venture. In view of the ambitious investment strategy, this will be increased in the future. The Wärtsilä Diesel Group has a prominent position on the world market, the joint venture with Stork Werkspoor Diesel has made an essential contribution to this. Experience with this joint venture was evidently such, that an alliance has been formed in another market segment; Wärtsilä's position in the high speed segment will be expanded further, via the joint venture with Cummins.
Conclusions with regard to organisational fit

The degree of organisational fit was relatively limited at the start of the alliance. This was nevertheless increased to an important extent during the co-operation. The core questions defined in 4.3.4 (page 96) have been used for this case (and the following cases) in assessing the degree of organisational fit. The factors presented in 3.3 (page 67), i.e. complexity, flexibility and management influence are considered testing criteria for this (as discussed in 4.3.4).

Testing criteria complexity, flexibility and management influence
Because SWD is still a self supporting company within the Wärtsilä Diesel Group, the *complexity* of the mutual alignment is limited; the joint venture operates as a separate business unit in fact. In view of the alliance objectives, the choice of a more intensive co-operation form (joint venture) was obvious. SWD has an own board, independently responsible for the policy and outcome of the company, within the frameworks of the group strategy. The general manager of SWD has therefore a place on the board of the Wärtsilä Diesel Group. The *management influence* from the joint venture itself is therefore substantial. Stork NV has only a very limited influence, given the structure chosen. Stork NV is more a large, external shareholder than a managing partner. The intensive integration has had as a consequence, that SWD's policy is closely entwined with that of the whole group. So, in that respect the *flexibility* of SWD is relatively limited, which is inherent in the fairly intensive form of co-operation finally chosen. At the same time it must be said, that in recent years the Wärtsilä Diesel Group as a whole has implemented a few major changes in its organisation in a very short time, in order to be able to react to the market. The adaption of the alliance strategy is a good example in this context.
Core questions organisational fit

To what degree do organisational similarities and differences between the partners stimulate or hinder successful co-operation?
The difference in background between both partners worked as an impediment to the implementation of the co-operation, certainly at the start of the alliance. On the one hand, this had to do with the scant readiness to change within Stork Werkspoor Diesel. On the other hand, there were clear differences in the operating style. Wärtsilä Diesel was extremely aggressive and very decentralised, with a great urge for growth and profit improvement. These two points together led to resistance within Stork Werkspoor Diesel in the beginning. This was strengthened by the mistrustful attitude of the president towards the Finns. With hindsight, it would be justified to conclude that the extent of the organisational differences, in particular the implications thereof, have not been recognised sufficiently.

Do the partners have a shared vision on the alliance design?
During the negotiations the alliance form was quickly agreed on. Nonetheless,
it became apparent in the first year that the then president ultimately could
not function within the form chosen (partly by him). So rationally there
was clearly a shared vision. Emotionally, however, this was not so simple
for the Dutch president. On the Dutch side in particular, there was the fear
that things would finally result in a complete transfer of the activities
to Finland.

Does the alliance design chosen enable partners to realise their strategy?
As has been stated, the co-operation had three objectives: access to sales
and service networks, development and production of new engines, and sharing
of know how and experience. These concern all the company's functions, from
R&D up to and including sales. The choice of an intensive co-operation form
is obvious, in view of the ambition expressed in these objectives. The objec-
tives mentioned could only be realised by means of close alignment of port-
folios and activities. The conclusion seems justified that any less intensive
co-operation form would not have enabled the partners to do this. Although
it must be noted that at first a less intensive alignment of product portfolios
was chosen, than is now the case.

On the basis of the above it may be concluded, that in the beginning the
degree of organisational fit was relatively limited. Organisational
differences led to great resistance, and seemed not to have been sufficiently
overcome in the first year. In addition, it was not clear what consequences
the co-operation would have in the long term, certainly at the lower levels
within Stork Werkspoor Diesel. This was probably caused by the fact that
in the first instance, no statements were made with regard to the integrated
product portfolio and the contribution of each partner to it. The
organisational fit, just like the strategic fit, was ultimately considerably
improved. This was a process taking several years. In any case, two factors
seem to have played a major part in strengthening the organisational fit.
Firstly, the clear vision of the co-operation's future (in particular the
alignment of product portfolios). Secondly, the co-operation projects between
the Netherlands and Finland, with the objective of realising tangible
advantages for both parties and removing existing prejudices and mistrust
(particularly on the Dutch side).

Addition to the framework

An insight gained from this case study, was that the alliance design eventually
may overcome strategic conflicts inherent in the alliance. In the case of
SWD this concerned the strong overlap in product portfolios and the conflicting
cultures. The way in which the alliance design has overcome these conflicts,
in the end turned out to be a success factor for the SWD joint venture. Although
the objective was to conduct the three developmental case studies concurrently,
it has nonetheless been decided to incorporate this into the framework around
organisational fit, which was applied to the analysis of the Smitwijs and
Chemferm joint ventures. With hindsight it may be concluded that the additional
question formulated below, also appeared to be relevant in these two joint
ventures.

Are (potential) strategic conflicts overcome by the alliance design chosen?

Figure 5.9: Additional question organisational fit

5.3   Smit Internationale and Wijsmuller

In 1991 Smit and Wijsmuller, active throughout the world in the field of towage and salvage operations, transferred their ocean towage activities to the 50/50 joint venture SmitWijs. Thus in SmitWijs, an alliance was forged between two companies dubbed each other's competitor for decades, and having had little or no contact in the past. The co-operation, now operational for more than five years, is experienced as exceptionally successful by both partners.

5.3.1   Reason for co-operation

Smit is a group of firms operating internationally with a broad activity and service portfolio in maritime services. Smit has three divisions: Maritime Contracting, Offshore Shipping and Port & Coastal. The net turnover was NLG 439 million in 1994. Smit was (and SmitWijs is) world market leader in the ocean towage and salvage sector and almost four times as big as Wijsmuller, number two in the world . The competition consists of a large number of (minor) local parties and a few medium large regional players. Wijsmuller has terminal towage and harbour towing services and salvage and wreck clearance as its most important activities. From its home base in the Netherlands, the company operates throughout the world through a number of local offices. Wijsmuller is a family business and has three divisions: harbour towage services at home and abroad, salvage, terminal towage and other services. The eighties signified a trying period in the company's existence. Wijsmuller operated on the brink of bankruptcy for several years.

In 1989 the ailing Wijsmuller entered into a co-operation with the off shore contractor, Heerema, who wished to extend its activities to heavy sea transport. To this end, Wijsmuller's heavy transport ships were transferred to Wijsmuller Transport, in which Heerema had an interest of 75% and Wijsmuller of 25%. At the same time, Heerema acquired an interest of 40% in the Wijsmuller Group, which remained responsible for the manning of the ships. Due to the widely diverging activities, Wijsmuller and Heerema had never considered a more intensive integration. For Wijsmuller, the co-operation signified a very necessary reinforcement of its financial position. Heerema was primarily interested in Wijsmuller's heavy transport fleet. In this respect, it might be said that this was a pragmatic alliance between two companies with a temporary need of each other. For Wijsmuller the alliance with Heerema was strictly defensive. Heerema ultimately acquired the remaining 25% of Wijsmuller Transport, and bought back its interest in Wijsmuller[9]. Also see the figure below.

---

[9] For confidential reasons, it is not possible to examine the background of the Wijsmuller and Heerema co-operation in more detail here.

Explanation
- Heerema bought out Wijsmuller's 25% in Wijsmuller Transport at the end of 1990.
- At the same time Heerema's interest in Wijsmuller was increased from 40 to 50%.
- In November 1991, this 50% interest was sold to the Dutch Salvage and Towage Holding, in which the Wijsmuller family, Heerema and a couple of finance corporations have a share. Heerema also got rid of this interest later.
- Via Wijsmuller Transport, Heerema entered into an alliance with Van Ommeren for heavy transport: Dock Express. Ultimately Dock Express and Wijsmuller Transport were merged into Dockwise.

Figure 5.10: Alliances and mergers/acquisitions in Smit's and Wijsmuller's market

Until the end of the eighties, the relationship between Smit and Wijsmuller had been bad; mutual contacts were restricted to a minimum and competition was intense. This changed, however, when new management took over the helm at both Wijsmuller as well as Smit. Neither was burdened by the past, and both recognised the potential and the benefit of co-operation. As a result of the changes at the top, relations between Smit and Wijsmuller gradually improved. At the end of 1991, this led to the decision to transfer the ocean towage activities to the joint venture SmitWijs. On the one hand, this decision was prompted by the market developments confronting both Smit and Wijsmuller, and on the other hand by the individual strategic background of the partners. This is extensively discussed in the next section.

5.3.2 Strategic background and strategic fit

The strategic fit between Wijsmuller and Smit was relatively good. Both recognised the potential and importance of co-operation, and the alliance objectives were very compatible. The salvage activities were nonetheless a potential area of tension. Smit and Wijsmuller, however, appear to have found a good organisational solution for this (see 5.3.3, page 136).
Strategic importance alliance

With the help of the alliance, they could further strengthen their position in the world market, and profit from considerable economies of scale in their ocean towage operation. In addition, a platform was created via SmitWijs for intensification of co-operation in other areas. The co-operation between Wijsmuller and Smit was primarily offensive in nature.
Pressure on continuity
At the beginning of the nineties, the margins in ocean towage were under pressure; this was for a number of reasons:
The introduction of heavy lift ships; these transport the same cargo in part (particularly jack-up oil rigs and dredging material) about twice as rapidly.
An overcapacity of off-shore supply ships; although not specifically tugs, these are able to carry out certain towage activities reasonably well.
"Cheap flags"; several foreign competitors could recruit crew in countries with a much lower wage level, due to local regulations.
According to the director of Smit, an additional development was that the number of disasters at sea had declined, due to improved communications techniques and the use of satellite navigation.

Nevertheless, there was no direct pressure on continuity for either partner. On balance, it may be concluded that Smit's need for co-operation was relatively greater than that of Wijsmuller. Wijsmuller had in fact no choice with regard to the co-operation with Heerema, but the financial position and profits had significantly improved in 1991 (as a result of the alliance with Heerema). At the time, Smit was also operating profitably, but the director of Smit commented that the results of the ocean towage activities had been under great pressure in 1990.
To a certain extent, Smit faced the task that Wijsmuller had already accomplished to an important degree (profit recovery of the ocean towage activity). At that moment, one of the alternatives for Smit was getting rid of the large sea-tugs (including the 100 crew members). That, however, would also end the salvage activities that could be undertaken using these tugs. Although salvage, expressed in absolute turnover, was not Smit's main activity, it was regarded by most people (emotionally) as the heart of the company. In principle, getting rid of these tugs was the final solution to be considered.
Offensive market opportunities
Both Smit as well as Wijsmuller were confronted with the fact that margins had declined considerably due to price competition. Furthermore in the salvage field, there was often a duplicated effort for Smit and Wijsmuller. The first to arrive at the emergency site got the job, the second had sailed for nothing. Traditionally it was so, with salvage in
particular, that Smit and Wijsmuller salvors would rather accept a job at a loss as it were, than let the other have it. Competition in the market has been reduced by the alliance. A second argument for co-operation was that this could greatly improve the partners' geographical coverage.
Alternatives to co-operation

A takeover or merger between Smit and Wijsmuller was not considered. Retaining its own identity and independence was an essential pre-condition for Wijsmuller in the alliance negotiations. A takeover of Smit by Wijsmuller was equally eliminated, given Smit's relative size. Independently purchasing new tugs was not considered, in view of the large investment (± NLG 40 million per tugs) and the developments in the market. With regard to the ocean towage activities, collaboration seemed a logical answer to the (divergent) situation in which both partners found themselves.
Mutual goal dependency

That Smit and Wijsmuller's tugs were complementary formed an important motive for co-operation.
Complementary activities and markets
Smit and Wijsmuller's activities, and the geographical markets in which they operated, overlapped to a great degree. It should be mentioned that Wijsmuller, pressurised by the financial results in the period behind it, had partially reduced its ocean towage activities; this limited its opportunities in the market. Partly as a result of this, Smit's agent network (for ocean towage activities) was larger than Wijsmuller's.
Complementary resources
As a consequence of the nature of the tugs, Wijsmuller and Smit contended with different issues around the utilisation of capacity. Smit had its own fleet, for it did not want to be dependent on third parties for basic activities. Yet Smit had the problem that the cash flows from its ocean towage activities were not very stable. The nature of the fleet (four ocean going tugs[10]) primarily meant that mainly short assignments were executed (on the basis of short term contracts); a stable source of income was therefore lacking. Wijsmuller on the other hand had two anchor handling tugs (specifically for crane ships and pipe layers) for which long term contracts were constantly closed. This generated a stable basic income. The disadvantage, however, was that Wijsmuller often needed to hire ships from third parties in the case of salvage jobs, as a result of the long term contracts negotiated for the Typhoon and the Tempest. This meant sometimes "saying no". Through the co-operation, Wijsmuller acquired the flexible ocean towage capacity, which its anchor handling tugs did not offer. Due to this, it was able to react more alertly to market opportunities, both in salvage and towage, without having to build up a whole fleet. For Smit the co-operation meant that it acquired a more stable source of income.
Alternative partners
Smit and Wijsmuller are in principle the only players of any size in their market. With a smaller partner, less significant advantages would probably have been realised. In view of the objectives that each partner wished to realise through the co-operation, the conclusion seems justified that there were no serious alternatives.
Compatibility of strategies and objectives

The alliance strategies of Smit and Wijsmuller were very compatible. As a result of the greatly overlapping activities and the fact that salvage was not part of the joint venture, there was nonetheless a potential problem area.

---

[10]The total number of Smit's ships amounted to 321 in 1995.

Alliance strategies
Their common interest was to improve the profitability of their sea tug
activities. To sum up, SmitWijs had the following objectives:

Retention of market image
Smit and Wijsmuller agreed on what Wijsmuller's director described as a
"necessary evil". By this is meant that both partners have to have tugs for
the purpose of salvage at their disposal, in order for the market to see
them as a credible party. It was remarked in this context: ".... if you don't
have any ocean going tugs, then you don't count; these are the men that keep
the sea safe". In addition, when the fee for a salvage job is fixed by arbitrage
in London, not only are matters such as the price of the salvaged ship and
the cargo, weather and position taken into account, but also the salvage
ship deployed. Keeping all the equipment going is compensated

Decreased competition
The fact that co-operation partially eliminates mutual (price) competition
has already been indicated.

Greater geographical coverage and flexibility
With a greater number of tugs (and therefore a greater geographical spread),
Smit and Wijsmuller can reach the spot more rapidly in the instance of a
salvage job. This increases combat power and flexibility. In addition, normal
towage activities demand less sailing to and from the job

Lower costs
Firstly, economies of scale could be realised through co-operation, due to
the greater geographical coverage. Secondly, both partners operate with a
stronger cost focus, due to continual comparison of cost levels (see further).
Corporate strategies
In this alliance, there was clearly a common interest. Nonetheless, there
was also a potential problem area that might have impeded the success of
the alliance. Firstly, Smit and Wijsmuller remained each other's most
important competitor in every other activity. A conflict in one of these
areas can and will have repercussions for the joint venture in the field
of ocean towage. Secondly, the co-operation was only concerned with the ocean
towage operations in principle, while salvage activities also could, and
(in the case of a SOS situation) had to, be carried out with the tugs concerned.
A further dilemma was in how far the alliance was acceptable to the market.
Strictly speaking, there was the question of a possible cartel in the field
of ocean towage activities, in which market prices could also be regulated.

Conclusion with regard to strategic fit

An estimation of the degree, to which each one of the factors discussed played a part for both partners, is given in the table below.

Figure 5.11: Strategic fit between Smit Internationale and Wijsmuller

The strategic fit between Smit and Wijsmuller was relatively good. An interesting aspect of this alliance is that two companies, labeled competitors, join forces and at the same time remain each other's most important competitor. The focus on ocean towage increased the feasibility of the co-operation, but also led to a potential area of conflict in that rescue tows could be also carried out by the tugs. A crucial question was therefore, in what way this potential conflict in the alliance could be resolved.

5.3.3 Alliance design and organisational fit

The alliance design chosen by Smit and Wijsmuller and the considerable mutual trust of both managements were considered crucial to the success of the alliance.
Differences and similarities between partners

The organisational differences between both partners were limited, due to the comparable activities. A clear difference was that Wijsmuller is a family business with a Wijsmuller for director, while Smit is not. Without questioning the commitment of the Smit people, it is generally true that the emotional bond of a director owner to his company is often great. For Wijsmuller, retaining its own identity and independence was therefore an essential pre-condition throughout the co-operation negotiations.
Furthermore, the relative size of both partners played a role. Inherent in Smit's size, is the relatively greater distance between the management and the operation, compared to Wijsmuller. This has a number of consequences for the management style; the SmitWijs director perceives this to be more direct and content orientated at Wijsmuller than at Smit. Wijsmuller's operating style might well be described as more "aggressive" than that of Smit. It should be noted that this suits the difficult phase that Wijsmuller had been going through.
Alliance design

The SmitWijs organisation was restricted to a minimum on purpose. SmitWijs operates relatively independently of the parents, who manage the joint venture at a distance, via the board. In spite of the focus on ocean towage, salvage is a major issue here.
Degree of integration
All the large ocean going tugs of both partners were sold to the joint venture. This concerned Wijsmuller's two anchor handling tugs and Smit's four large ocean going tugs. In spite of this difference in contribution, a 50/50 joint venture was chosen, because equality was judged essential. Both Smit and Wijsmuller realised a profit on the book value by the sale of tugs to the joint venture, as a result of which the balance position was improved. The co-operation concerns ocean towage activities, and in principle not salvage operations. In theory, it would not have been strange to have also worked together in the area of salvage, in that here mutual competition was the greatest. Furthermore, salvage operations could also be carried out with the tugs transferred to SmitWijs. Emotions, however, were particularly bound up with the salvage field. Strangely enough, this small section of the total activity dominated the picture (internally as well as externally).

It was decided not to (directly) include the salvage activities in the co-operation, for two reasons. In the first place, as they themselves said, it was a immense step for both parties to make the sudden transition from "cut-throat competition" to complete collaboration. Although mutual trust was certainly present in the initial phase, both partners still wanted to consider how the co-operation was to develop, before contemplating possible intensification (see further). Secondly, the market's reaction could not be calculated beforehand. If salvage were also to be included in the co-operation, there would have been
strong concentration, which might have met resistance. In the end, the co-operation was well accepted by the market anyway. This occurred because

SmitWijs exploits the tugs in the ocean towage field.
The proceeds and the costs of these activities come under the joint venture
(and with those 50/50 for the partners).
SmitWijs cannot execute salvages independently; this is taken care of by
Smit Tak or Wijsmuller Salvage.
If the SmitWijs tugs are not involved in towage contracts, they are available
for salvage operations.
For salvage operations, the six tugs are equally assigned to both partners;
both have one anchor handling tug and two ocean going tugs.
The criteria for being awarded a salvage job is the distance to the job; the
nearest boat gets the salvage job.
25% to 40% of the proceeds of a salvage are for the partner that salvages
the ship.
The remainder goes to the joint venture (in which both get half).

Smit and Wijsmuller continued to charge rates in conformity with the market, and because both partners' names were included in the joint venture. This increased recognition in the market and enabled SmitWijs to utilise existing confidence in both parents.
Potential conflict salvage activities
The focus on ocean towage has not completely dispersed the tension with regard to salvage, however. The alliance has a double character; a focus has been chosen that cannot be fully realised. That is to say, in certain cases Smit and/or Wijsmuller will give preference to the salvage job, even if the ship concerned is deployed on a towage job. This has to do in the first place with the (potential) profitability of salvage jobs. In this connection the director of SmitWijs noted that "......towage is the bread and salvage the jam." NLG 1 million turnover can sometimes be realised within a week with one salvage job; an average towage job of NLG 1 million takes about 60 days. Secondly, SmitWijs is obliged to render assistance in the case of an SOS in the neighborhood of one of its tugs. This can be done by hiring towage capacity for example, so that its own tug is free for salvage.

In order to avoid having to negotiate each salvage job, it was necessary within the framework of the co-operation to come to agreement about salvage activities in the ocean towage field too, in so far as this concerned SmitWijs's tugs. The most important precepts of division are summarised in the figure below.

Figure 5.12: Criteria for dividing salvage jobs

In the majority of cases, this construction works clearly and well. There may be a problem when the other partner has its own ship (thus not belonging to the joint venture) in the neighbourhood of a rescue tow and is also able to undertake it. In such cases, Wijsmuller and Smit contact each other immediately, to confer on how this may be resolved. Mutual trust is essential here. In a recent instance, it was finally decided to allow both parties to put in an offer for the same salvage job. This, however, does not often happen in practice .
Management alliance

The joint venture has only two employees: a director and a general manager. These two people come from Smit. They specifically undertake commercial operations to obtain towage and charter orders. The overhead costs of the joint venture were thus reduced to a minimum. SmitWijs made use of both parents' staff support (particularly for nautical questions), and if necessary, an appeal was made to an external advisor who had previously worked at Smit.

The co-operation management was informally regulated for the most part. The operating style was described as "flexible". Regular consultations take place between both partners (four times a year). Management control by the board is primarily directed at financial performance. According to the Smit director, what is remarkable is that a significant part of the board meetings deals with salvage operations, while, as already mentioned, the co-operation is primarily concerned with ocean towage. This once again illustrates the emotions around
salvage, and the fact that the potential conflicts are situated here.
SmitWijs way of operating
The operational management of SmitWijs's tugs has been fully subcontracted to each partner. This particularly concerns technical and nautical maintenance, and manning the tugs. Smit takes care of this for the four tugs it initially provided, Wijsmuller for the other two tugs that originally belonged to them. SmitWijs is primarily responsible for obtaining ocean towage commissions. It uses an extensive agent network, a large part of which originally is from Smit. Agents may be individual offices, but also local partners. If agents get an inquiry, they pass this on to SmitWijs. SmitWijs works out a proposal on the basis of factors such as type of object, routing, type of tug, weather conditions, etcetera. In the case of very big or complicated jobs, SmitWijs is directly involved with client negotiations as well.

In order to operate competitively, SmitWijs must keep a ship's operational costs as low as possible. Among other things, this means that crew and maintenance have to be purchased at the most favourable rates possible from each parent. The tugs' budgets are fixed per annum. Each parent's fleet manager gives an account of these budgets to SmitWijs. Sometimes, particulary difficult discussions arise, when one a fleet manager exceeds his budget (or threatens to exceed it). According to the director of SmitWijs, the success of the joint venture is significantly determined by the degree to which both partners (and SmitWijs) can agree on reasonable budgets (and meet them).

The SmitWijs structure is very important in managing the Smit and Wijsmuller fleet costs. A direct consequence of the method described above, is that the cost structure of both partners has been made transparent and is continually compared to each other, via SmitWijs. The director of SmitWijs, responsible for the results of the joint venture, has every interest in keeping as strictly as possible to the budget agreed upon. But it is also in the partners' interest to tackle each other about the costs charged, in that 50% of the joint venture profit goes to them. Within SmitWijs, there will always be a certain "tension" between the partners. Every guilder budget reduction (for ocean towage) for one's own company, means an indirect profit of 50 ct for the partner. If the budget were not to be reduced, the guilder could be "pocketed" in its entirety. Mutual trust will determine whether or not such opportunistic behaviour will occur.
According to Smit and Wijsmuller, the more transparent costs and profits, and the internal benchmarking are advantages of a separate joint venture.

As the Smit director commented: "there was pressure via SmitWijs on both organisations to work more efficiently". In his opinion, SmitWijs has in principle the freedom to break the management contract with one of the partners, and transfer to the other. Of course the question might be posed whether things would ever get this far in practice. The SmitWijs director functions reasonably independently with regard to both partners in this game. On the one hand, he experiences this as an advantage, on the other he notes that SmitWijs does not always have sufficient grip on the fleet managers. To a certain extent this is inherent in the construction chosen.

Implementation

In view of the competitive background, it was quickly recognised that it would probably take years to implement the co-operation effectively. In principle the problem did not lie in the operational alignment, but far more in the requisite changes in behaviour (from competition to co-operation). Certainly in the initial phase, there was considerable resistance to the co-operation at the operational level. It is doubtful whether a co-operation in the salvage area could have been sold internally, even if management were to have reached that stage five years ago. It was here that direct competition (in particular) was noticeable in the operation.

Both partners very consciously decided on a gradual implementation of the co-operation. The director quoted the Dutch poet Vondel in this connection: "A good warrior has already won much, even if only time". In his opinion, each year the co-operation exists means that part of the resistance and the traditional competition between Wijsmuller and Smit has been dissolved. The focus on ocean towage has had a positive influence on the implementation, certainly within Smit. Given that ocean towage is in fact seen as a less important (or heroic) activity by the salvors within Smit, there was relatively less resistance to co-operation in this area, as it happens. From the beginning of the alliance, a lot of attention was paid to communication between the individual organisations. In particular, attention was paid to the consequences and advantages of the co-operation. The main objective was to change the mindset of the people in the operation, and to create readiness to co-operate with the competitor at all levels in the organisation. It was noted, that the collaboration must show tangible results as quickly as possible. Not only for the joint venture, but also for the individuals involved.

Results of the co-operation

In the five years that the co-operation has been operational, both partners
have described it as successful. The advantages of the co-operation lie in
a number of areas:
greatly increased flexibility;
cost reduction of ± 10% in both parent companies (area of ocean towage);
reduced competition (including the salvage field);
higher margins on towage activities.

Smit's comment, with regard to this last point, was that its revenues had
in fact declined (due to the 50/50 construction), but that the results on
balance were better, due to reduced competition between the two companies.
The turnover of SmitWijs amounted to about $ 20 million. The market share
for the larger ocean towage contracts comes to about 80% at the moment. Also,
almost all inquiries throughout the world land up at SmitWijs. This domination,
however, has not led to large price increases, which would not be accepted
by the market.

According to SmitWijs, it is of the utmost importance that the excellent
relationship with the customer be maintained. In the meantime, it has been
decided to give the tugs "life extension". In time, there will be investment
in replacements. In the past, each partner bought new tugs while also looking
at what the competition was doing. At present, the partners intend to buy
tugs together, so economies of scale will matter even more than they have
done up until now.

One point of attention is the distribution of the number of salvages between
the partners. The fact is, these show a clear imbalance between Smit and
Wijsmuller (± 9 to 1). On the one hand, this could be coincidence; a Smit
ship was in the area by chance on different occasions. On the other, in the
market Smit probably has the advantages of its relatively large size. At
the moment, this is not experienced as a problem by either partner, but it
is not clear whether this will remain the case.

As well as being a joint venture in the area of ocean towage, SmitWijs has
also become a platform for discussion between both partners. Smaller
"co-operation projects" are therefore more easily started: for instance the
stationing of tugs, and the collective buying of fuel, spare parts, towing
equipment, etcetera. At the moment Smit and Wijsmuller, together with ITC,
have the tug Waker stationed off the Dutch coast. A similar contract has
been entered into with the British government, in co-operation with Cory.

Conclusions with regard to organisational fit

There was clearly a potential conflict in the alliance between Wijsmuller and Smit, neutralised by the correct choice of alliance design.
Management influence, complexity and flexibility
The *complexity* of the alliance was restricted to a minimum for ocean towage activities. The joint venture has two employees, the operational management is subcontracted to the partners. The equal "sharing" between both partners of the tugs contributed prevents discussion continually occurring about the division of jobs and revenues. Transferring the activities to a separate organisation has allowed more insight into not only the co-operation, but also the cost structure of both the partners. Nonetheless, Smit finds the salvage agreement rather complicated in practice.

Smit and Wijsmuller retain sufficient *management control* on the joint venture via the Supervisory Board, as they say themselves. An interesting fact is that the crew of two comes from Smit. Wijsmuller finds this only logical, in that they are the ones with the most experience in ocean towage. Mutual trust plays a much more important role in the management of SmitWijs than formal regulations and procedures (ultimately with regard to salvage too).

This has increased the *flexibility* of the joint venture. A number of matters have been clearly established, but it is assumed that exceptions to the rules will be resolved within a good mutual relationship (and that detailed rules and procedures are not necessary). The operating style may be termed "pragmatic and no nonsense".
Core questions organisational fit

To what degree do organisational similarities and differences between partners stimulate or hinder successful co-operation?
Both organisations are similar, due to the nature of the activities. One could say there were differences on a number of points (see above). Yet this has not had a negative influence on the functioning of the co-operation. In particular, the fact that both companies were traditionally each others biggest competitors somewhat hindered actions at the operational level in both organisations during the initial phase.

Do the partners have a shared vision on the alliance design?
Smit and Wijsmuller had already reached agreement on the desired alliance design at an early stage. Here the pre-conditions for successful co-operation were central, and not the individual interests, as is apparent from the choice of the two Smit managers. Even after several years, it is still thought that any other alliance design would probably have been less successful.

Are strategic conflicts overcome by the alliance design chosen?[11]
Up until now the agreement on the division of salvage jobs has functioned well, although Smit has clearly carried out more salvage jobs than Wijsmuller. The question, however, is to what extent the present 50/50 division will remain realistic, given the present
division (much more for Smit). Setting up a separate organisation, to which the fleet managers of both organisations must report, has increased the transparancy of the co-operation. This has probably averted several difficult

[11]This question has been added based on the analysis of the SWD joint venture.

discussions.

Does the alliance design chosen enable partners to realise their strategy?
Once again, the objectives of the co-operation were: increase flexibility
and geographical coverage, decrease competition, lower costs, and maintain
the market image. Up until now, the joint venture has contributed to the
realisation of each of these four objectives. The first two objectives had
already been realised when forming the joint venture. Reduction of the tugs'
operational costs was realised by better geographical spread, and by the
accurate management of both partners budgets by SmitWijs. The choice for
a separate organisation made a major contribution to this. The reaction of
the market was an issue in the initial phase. Yet the market image was only
reinforced by the reference in the name to both parents, and by not increasing
the prices compared to the competitors.

On the basis of the above, it may be concluded that the degree of organisational
fit, between Wijsmuller and Smit, was good. The only reservation that has
to be made, concerns salvage operations. One cannot avoid making arrangements
over this, in spite of the desired focus on ocean towage. Nevertheless, the
question must be posed whether the present system of arrangements may be
retained in the future. What is striking, is that mutual trust between both
directors (and the commitment of both to the co-operation) is an important
success factor for SmitWijs.

During the past few years, conditions have been created for further
intensification of the co-operation. In the near future, it should become
clear if, and in what way, co-operation should be intensified in the area
of salvage. A barrier to further intensification, is the not entirely
predictable reaction of the market to such a concentration of power.
Co-operation in the area of ocean towage was received well, the question
is, whether this would also be the case for a co-operation in the area of
salvage. This will partly depend on Smit and Wijsmuller's (price) strategy.
A second point of attention is the division of salvage jobs. Smit has had
considerably more recoveries than Wijsmuller up until now. For the time being
this is in Wijsmuller's favour, given that part of the revenues come to SmitWijs,
of which Wijsmuller in turn receives half. Nevertheless it does not seem
probable that a similar division could be retained in further intensification
of the co-operation in the future.

5.4   DSM and Koninklijke Gist Brocades

In 1994, the IPPD division of Gist-Brocades and DSM Andeno, a subsidiary of DSM, formed a joint venture, named Chemferm. Chemferm produces and sells end products in the field of antibiotics. Before going into the strategic rationale behind the joint venture and the alliance design, the background of the partners will be briefly discussed.

5.4.1   Background of the partners

Royal Gist-Brocades NV (GB) is biotechnological company, operating on a world wide basis. Its most important products are manufactured on the basis of fermentation processes. GB is one of the largest producers of bakers' yeast, penicillin and enzymes in the world. Production facilities and sales organisations are distributed throughout the whole world, with a focus on Europe. In 1994, GB's turnover amounted to NLG 1.7 billion (± 2 billion in 1996), with 5300 employees.

GB is structured in three divisions: Food Ingredients, Bio-Specialties Division and Industrial Pharmaceutical Products Division (IPPD). The IPPD division, which is involved in the Chemferm joint venture, is the largest industrial producer of penicillin in the world, and has a strong market position with regard to intermediates for the purpose of antibiotics production. In 1994, the industrial products turnover amounted to NLG 740 million.

DSM is an international industrial company with as the most important activities hydrocarbons and polymers, basic and fine chemistry, resins and synthetic products, and energy. In 1994, when the Chemferm joint venture was formed, DSM realised a net turnover of ± NLG 9 billion (± NLG 10 billion in 1996).

In 1994 the Fine Chemicals division realised a turnover of NLG 525 million. The division consists of three business units: DSM Andeno, DSM Special Products, and Holland Sweetener Company (a 50/50 joint venture). DSM Andeno, which was involved in the joint venture with Gist- Brocades, has specialised in the production of intermediate products for the pharmaceutical industry (for antibiotics inter alia)[12].

---

[12]In the following, reference to GB and DSM will always allude to the IPPD division and DSM Andeno respectively unless otherwise stated.

5.4.2 Strategic background and strategic fit

At the beginning of the nineties DSM and GB were confronted with increasing competition in their marketplace. Independently, both companies decided on a forward integration strategy, in order to retain and strengthen their market position and protect their core technologies. This was ultimately realised via Chemferm. The complementary core technologies of both partners (fermentation and fine chemistry) in the field of antibiotics, offer an important competitive advantage.
Compatibility of strategies and objectives

GB's corporate strategy concentrates on the three areas represented in the divisions: Food Ingredients, Bio-Specialties and Industrial Pharmaceutical Products. The "commodities" yeast and penicillin, generate a steady turnover and profit, and are therefore an important competitive basis for GB. In recent years, attention has been paid to reducing the cost price of products, and strengthening the market position. Product development lagged behind to a certain extent at the beginning of the nineties. To strengthen the world wide market positions, GB sought further expansion of its product portfolio. Fine chemistry was a spearhead here.

In the early nineties, after a long period of diversification, DSM focused its strategy on expanding existing strengths. Fine chemistry was one of the key areas in DSM's long term strategy. According to the company, activities in the fine chemistry field in particular may have a stabilising effect upon bulk chemical activities, which are sensitive to economic fluctuations. At the beginning of the eighties, these among other things caused the profitability to deteriorate. In contrast, fine chemistry is relatively insensitive to economic cycli (DSM annual report). Therefore, DSM aimed at a strong growth of turnover in this area.

Not only did both DSM as well as GB consider fine chemistry a strategic priority, according to the Chemferm's technology manager, the market position of both companies in the anitbiotics sector was put under pressure at the beginning of the nineties. This was due to increased competition from the Far East and a concentration among the most important buyers as a result of mergers and takeovers. Such mergers generally imply a reorientation towards suppliers. Examples are the Pharmacia/Upjohn merger, and the takeover of Wellcome by Glaxo for NLG 23 billion. The main question that GB and DSM had to answer, was whether the present position in the business chain was sufficiently strong. And if not, which strategic option would be most feasible: forward integration or a retreat to their core activities, intermediates and fine chemistry. This is illustrated in the exhibit below.

Figure 5.13: Strategic dilemma Gist Brocades and DSM

Neither partner found the latter (retreat to the core activities) attractive. They put forward as argument that this would mean that their competitive basis would become more vulnerable. Furthermore, it would diminish the added value of their own company. Given that their position was expected to come under stronger pressure in the future, both companies (independently) decided on forward integration. After having broadly determined their strategic course, the next step was to implement it. The

main issue was whether forward integration would be realised autonomously, through acquisitions, or via strategic alliances.

Traditionally, DSM adopted a restrained position with regard to co-operation. This is apparent among other things from the statement made by DSM's director of strategic planning, Van der Grinten, in 1990: "DSM gives priority to developing new technologies, instead of to takeovers and/or joint ventures". With regard to autonomous development, it was stated that this "may well be expensive and risky (50% chance of success for R&D projects) and relatively slow (10 years between initial research and market introduction), but that this may ultimately yield substantial advantages and a head start over competitors". In 1990, a partnership with another company was assigned "definitely the lowest priority" by Van der Grinten[13]. Nonetheless, the possibility of co-operation presenting itself at the end of 1993 appeared to be for DSM the most effective means of realising the desired development and extension of fine chemical activities. Just like Unilever, DSM seems to have modified its original (reserved) attitude with regard to co-operation.

Autonomous development was not deemed attractive by GB, in view of the fact that building up experience with technologies in the chemical industry is very complicated (and thus costs a much time) and demands large investments. Considering the relatively small size of GB, compared with other players in the market, acquiring a competitor was not feasible from a financial and perhaps also a managerial point of view. GB therefore focused on strategic alliances as a means to strengthen its position and realise forward integration.

In 1993 an interesting opportunity arose when a Spanish antibiotic manufacturer was put up for sale. Up until then, both GB as well as DSM Andeno were major suppliers of the Spanish factory. Gist reacted quickly and ultimately acquired the Spanish factory, which was in line with the forward integration strategy chosen. At the time, GB and DSM were already discussing the possibility of an alliance in this area. However, as was mentioned before, GB sought reinforcement in fine chemistry, in order to supplement its own fermentation activities. DSM was strong in the fine chemistry area, but not in the field of fermentation. So from a strategic point of view, the two companies complemented each other well. GB's takeover of the Spanish factory signalled a clear acceleration in the process. As a result of the acquisition by GB, DSM Andeno thus became an important supplier of GB. Both considered it important to clarify this relationship and to determine to what degree GB and DSM would co-operate in the future.

Mutual goal dependency

The technology available played an important role in the search for a partner. Although GB and DSM operated to a large extent in the same markets, they supplied totally different products. In the end, however, these products were integrated in the same application. This may be compared to supplying the gear box as opposed to supplying the chassis
to a car manufacturer. Though essentially different products, they are both crucial to the functioning of the car. The difference between the technologies of DSM and GB can be described as follows. Fine chemistry is about the synthetic

---

[13]It should be noted that DSM did *acquire* companies sometimes. In 1987 for example, DSM Andeno was bought from OCÉ (on OCÉ's initiative).

production of substances. In fermentation, on the other hand, substances are produced by means of biological reactions. The latter is a more like a natural process, and therefore often less controllable. The difference between fine chemistry and fermentation is also sometimes referred to as "science" versus "art". The latter is generally less easily transferable.

Thus GB and DSM's competencies were highly complementary. In addition, each partner's knowledge (and that of GB in particular) is very specific, so that they almost certainly cannot develop it autonomously. With respect to their antibiotics activities, it may be concluded that GB and DSM had mutually dependent strategies and objectives. This proved to be a strong foundation for the Chemferm joint venture.
Strategic importance alliance

Co-operation was of strategic interest for DSM, as well as Gist Brocades. It should be noted that, in view of the size and profitability of both companies (as a whole), there was no direct pressure on continuity. Nevertheless, action was needful to implement the forward integration strategy in time, in order to secure the market position of DSM Andeno and the IPPD division of GB. In general, it can be concluded that the Chemferm joint venture was primarily offensive in nature. The relative importance of Chemferm's turnover is clearly greater for GB (as a company) than for DSM. In the first place, this has to do with the size of the IPPD division and DSM Andeno in relation to the total activities of both companies. When the alliance was formed, GB's IPPD division was responsible for more than 40% of the GB turnover. DSM's Fine Chemicals division only realised 6% of DSM's total turnover. Though it should be noted here that the relative interest of fine chemicals in DSM's turnover has increased significantly recently, as a result of DSM's expansion strategy in this area. Secondly, Chemferm was relatively more important to GB than to DSM because the sales realised by GB through the supply of raw materials to Chemferm were about six times greater than the sales realised by DSM. This difference in importance has influenced the alliance design, in that GB wanted this to be expressed in the division of control (see 5.4.3, page 152).
Conclusion with regard to strategic fit

On the basis of the above discussion, there was a good strategic fit between the two partners. In the figure below the degree of strategic fit is estimated.

Figure 5.14: Strategic fit between DSM and Gist Brocades
Potential risks of the joint venture

In spite of the fact that there was a good strategic fit, the Chemferm joint venture entailed two potential risks. These concerned the direct competition of Chemferm with major buyers of both parents, and the risk of unwanted knowledge transfer regarding their core technologies. Both partners were well aware of these risks, which had a considerable influence on the alliance design (see 5.4.3, page 154).
Direct competition with major buyers
Forward integration via Chemferm meant that GB and DSM came into direct competition with a number of major buyers. After a year and a half, Chemferm was responsible for ± 15% of the turnover of DSM Andeno as well as that of the IPPD division, and had a market share of ± 20%; this market share

has been built up at the cost of major buyers (of other products) of DSM and GB. This is reproduced schematically in the figure below.

Figure 5.15: Impact of the Chemferm joint venture on competitors and buyers

A certain risk was taken with forward integration, since it could never be evaluated with certainty what reaction the alliance would precipitate among the existing buyers of DSM and GB, who now became competitors of Chemferm. Legislation on competition played a part in this, in view of both partners' strong market positions. If the co-operation were to be launched in a large number of areas, this would probably clash with European legislation, and enlarge the risk of an unwanted reaction form existing buyers of GB and DSM. The approach chosen was characterised by Chemferm as.... "start in a big way, in a small market segment".

Risk is knowledge transfer with respect to core technologies
In the long term, Chemferm implies a risk that DSM and GB actually wished
to prevent. Both partners wanted to "protect" their basic technology from
the competition, by means of forward integration. Part of DSM and GB's core
technologies, however, have been purposely combined in Chemferm, which carries
the risk of (unwanted) transfer of knowledge in the long term. In this connection
Chemferm's technology manager commented that, within the scope of the
co-operation, both partners should be deemed able to incorporate the know
how of the other party within five years. This conclusion influenced the
alliance design, especially the structuring of joint development processes.
This will be expounded in the next section.

5.4.3   Alliance design and organisational fit

Within the framework defined by both partners, Chemferm operates relatively
autonomously. Significant success factors of the alliance design chosen are
the strong focus on a relatively narrow product range, the small organisation
without complicated systems and procedures, and the subtle balance between
synergy and competition that is maintained.

Chemferm activities

It was deliberately chosen to concentrate the co-operation on the production
and sale of existing end products in the area of a small range of antibiotics,
at any rate in the initial phase. This was mainly because of the unpredictable
reaction from major buyers mentioned before. An additional argument is, that
a focused alliance can be managed more easily.

Chemferm's main activity is the production of existing semi-synthetic
cefalosporines (bulk end products), and their sale throughout the world.
In addition, Chemferm develops intermediate products for modern
cefalosporines and other products for the pharmaceutical industry.
(Re)development of existing production processes is being worked on actively.
This, in addition to the development of completely new processes, employing
modern bio-technology. The size of the Chemferm organisation has been
restricted to a minimum. Chemferm's head office had ten employees in 1995.
They are responsible for the sales, management (at a distance) of the production
and the development activities (see further). The Spanish production location
mentioned (80 men) has been transferred to the joint venture. Both parents
supply raw materials. Chemferm has no R&D facilities of its own, but uses
the extensive R&D facilities of each parent (DSM: 1200 people, GB: 500 people)
and co-operates with several Dutch universities. Staff services (e.g. HRM
and legal affairs) are purchased from the parents too.

Alliance policy

Within the focused area of Chemferm's activities, an offensive strategy was
developed and implemented with force, to utilise the alliance potential to
its fullest extent. Chemferm's strategy is geared to production with
state-of-the art technologies at the lowest possible cost level. This is
considered a requisite for remaining competitive with low wage countries.
Lowering the cost level demands economies of scale, among other things.
Chemferm aspires to strong growth of its activities, partly for this reason.
For the time being, the objective
is to realise a turnover of NLG 400 million by the end of the century (the
turnover in the first year was more than NLG 100 million). This strong growth
will also significantly increase the market share to around (an expected)

50%. The fact that Chemferm competes with large buyers form DSM and GB, will always play a role. Too great, or too fast, an expansion at the cost of the competition (read buyers of GB and DSM) may have negative consequences for the sale of other products to these buyers.

Chemferm is in principle responsible for turnover, profit and added value. This means that both parents supply according to market prices. Only in the case of an intensive price war in the Chemferm market would lowering purchase prices be considered (temporarily). One could say the hiring of R&D capacity from the parents is obligatory, unless the tariffs of the parent concerned are not in accordance with the market. However, in that case, the (internal) tariff is usually lowered to prevent external (out-of-pocket) costs being made, when GB's or DSM's R&D organisation still has available capacity.
Management alliance and Board of Supervisory Directors

Chemferm's management team has four positions. The general manager and the financial manager come from GB. The technological manager and the commercial manager come from DSM. The reason for this division lies in the relative importance of Chemferm activities for each partner. As already noted, this is significantly greater for GB than DSM. During the alliance negotiations, GB therefore imposed the condition that it would supply the general and the financial manager.

Chemferm has no people on the pay-roll, all employees are employed by the parent organisation from which they originate. Long term career prospects lie with GB or DSM, in principle. A construction like this makes demands on the alliance management, and the mutual trust between the partners. Indeed in practice, situations will regularly occur where the interest of Chemferm and those of GB or DSM are not the same. Think for example of the purchase of raw materials: every guilder discount may well be profit for Chemferm, but this is (50%) shared profit. Up until now, however, difficulties have not yet arisen from this "double hat problem".
In view of the size and diversity of each partner, not all of the organisational differences, that self-evidently exist, will be explored extensively here. According to both the Chemferm general manager and the technological manager, one issue has considerable influence upon the functioning of the co-operation, and the way it is managed in particular. This concerns the degree to which DSM and GB are prepared to take risks in strategic decisions.

Decision-making within DSM is a generally a more careful, and hence often slower process, than within GB, in their opinion. This difference was characterised as follows: GB managers think things over once carefully, then act. Any (unforeseen) deviations are corrected as they occur. Simply put: "Think, act, correct if needed". DSM managers on the other hand, analyse a decision very thoroughly before proceeding to take action. This was characterised as: "Think, think again, rethink, act". The advantage is that mistakes are made less quickly, the disadvantage is that sometimes action is taken too late. In this
connection, an interesting comment was made that Chemferm, in part due to its smaller size, operates relatively decisively and to an extent more aggressively, not only with respect to DSM but also to GB.

The Chemferm Board of Supervisory Directors also consists of four people. From GB, the general manager of the IPPD division and the financial manager

of the GB company have a place on the board. The DSM board members are the strategic planning manager from the Fine Chemistry Division, and the director of DSM Andeno. Each of these people has been involved in the co-operation from the very beginning; there have only been minor changes in the board up until now. The management and the Board of Supervisory Directors have a joint meeting once every three months. In addition to the financial results, market developments and Chemferm's market strategy are particularly discussed at these meetings. Affairs such as the R&D programme are discussed generally less frequently (once per six to nine months).

The strong emphasis in the board meetings upon the "market side" of the alliance, is due to both partners' interest in the Chemferm turnover (purchase of intermediate products), and Chemferm's competition with important buyers of both parents. Up until now, the total sale to third parties by both parents is still greater than the amount Chemferm purchases. This, combined with the fact that Chemferm operates in the "heart of the core business" of both partners, means that the parents' need for influence is relatively great; they wish to monitor the Chemferm development and management policy very closely. The consequence of this, however, is that Chemferm's management, in spite of the organisational independence, still experiences DSM and GB's great involvement in day to day procedure.

At the moment, both partners are highly committed to Chemferm, which after all operates at the heart of both core activities. An important factor here is the Board of Supervisory Directors. All four members have been involved in Chemferm from the beginning, and get on well together. This mutual trust means that the chance of opportunistic behaviour is deemed small, and each side assumes that the partner is primarily acting in the interest of the joint venture. This underlines once again the importance of good staffing in a strategic alliance.
Maintaining complementary balance on technologies

A crucial question for both partners when designing the co-operation, was the way in which combined know how could be optimally utilised without the basis of the co-operation getting lost. As was mentioned before, transfer of know how regarding core technologies is one of the risks the joint venture entails. This risk was especially manifest at joint (re)development of production processes. A project organisation was chosen for these research activities. At first a team derived from both parents was put together per project, under Chemferm's leadership. The idea was to bring these teams together regularly, in order to guarantee optimal alignment of the activities of GB and DSM engineers, who worked on the project in their own research lab. It quickly became clear that this construction did not work in practice. The almost total lack of communication outside formal project consultation (due to the physical dispersion of the team), was named as the main reason for this.

It was therefore decided to restructure the project organisation fairly quickly after the start of the joint venture. In the new structure, still in use, one project leader is assigned per project. He is fully responsible for the planning, staffing and execution of the project within the budget agreed on with Chemferm. The project leader determines the knowledge needed for optimal execution of the project, still lacking in his company, but which the partner may well have. The projects are executed at one location. In

principle this is the location most satisfying the preconditions and success factors for the project involved. Halfway through 1995, Chemferm had seven projects going, of which three at GB locations and four at DSM. In this construction, it is thus the project leaders who are responsible for the project and not Chemferm. The project leaders report to their own R&D manager with regard to resources, and to the Chemferm technology manager with regard to budgets and results.

The final project organisation set up has a number of advantages, in Chemferm's opinion. Project execution taking place in one location improved communication, and decreased Chemferm's operational involvement, and with it, the overheads. By assigning budget responsibility to the project teams, they can be managed more effectively.
Chemferm's role: finding synergy and stimulating competition

In principle, Chemferm involves itself as little as possible in the day to day management of projects. Chemferm's role is primarily initiating and facilitating, with a strong emphasis on "synergy finding". In the first year much attention was paid to stimulating horizontal communication between DSM and GB at the operational level (see figure below). It is attempted to preclude vertical communication via the top (read Chemferm) as much as possible. If one of the partners has a question, Chemferm will only indicate the way once. After that the project managers are expected to solve it on their own. In this way, Chemferm creates (or facilitates) the communication channels between the partners.

Figure 5.16: Project organisation Chemferm

Internal competion between DSM and GB is sometimes consciously stimulated by Chemferm. It is Chemferm's basic philosophy that both partners should strengthen their respective core technologies within the context of the joint venture. Only if GB gets stronger in the fermentation area and DSM in the fine chemistry area, will a win-win-win situation be created. Both partners as well as Chemferm will benefit from this. In practice this "competitive synergy" is pursued as follows. For an existing production process, both partners are invited to come up with a more cost efficient or more effective solution. The current owner of the process (GB in case of a fermentation process, DSM in case of a fine chemistry process) will do this based on the existing technology. His focus is generally on short term improvements. The other partner will apply his own core technologies when developing a new process. Here the focus is more on long term solutions. The latter will only be chosen if, in comparison
to the solution of the current owner of the process, it offers substantial benefits. In this way, existing production processes are always subject to optimalisation and cost reduction, whereas the development of new processes is only begun when a substantial improvement in economics is feasible. This method stimulates both partners to seek opportunities for improvement continually. Cost savings are realised in this way for Chemferm, which would have been accomplished less easily without this competition. It is very important here that the competition does not become counterproductive, due to too much time being spent on research without recovery of costs, or too great a rivalry arising between the partners. Perhaps the most significant advantage is that complementary know how is maintained, and is even partly

increased because DSM and GB keep doing what they are traditionally good at (respectively fine chemistry and fermentation). It has been decided not to swap people between GB and DSM for a long period. This is because the know how on both sides is expected to erode due to this.
Chemferm results

Up until now, the alliance is considered successful. During the first two years of the alliance, the turnover and profitability exceeded the original budget. In addition, the alliance did not give any alignment problem of note in the first year, and Chemferm was received well by the market. In a year and a half, Chemferm has developed into the largest buyer of both GB's IPPD division and DSM Andeno. Aside from good financial results, Chemferm has also yielded considerable strategic advantages. Without the joint venture, GB and DSM would probably not have succeeded in realising forward integration. In addition, the expansion to South East Asia would not have been launched or with less force, because each partner would perhaps have hesitated too long (DSM would have probably been too late).
Conclusions with regard to organisational fit

The degree of organisational fit may be termed particularly high on the basis of the foregoing. This conclusion is backed up by the persons interviewed, who view the alliance design as one of the success factors of the co-operation.
Management influence, complexity and flexibility
To sum-up, it may be stated that with Chemferm, the partners realise the advantages of a small, independent organisation. What is striking, is that Chemferm operates very independently on the one hand, but that both partners definitely retain *influence* via the meetings between management and board. This is sometimes experienced by Chemferm as obstructive, but is probably essential for the partners in view of the potential conflicts with buyers mentioned.
Certainly at the beginning, Chemferm demonstrated that changes to the organisation, if needful, were actually carried through (e.g. the project organisation). One of Chemferm's characteristics is the focus of the activities. Although dictated by market rationale, this has also had advantages for the joint venture's internal functioning and the way it is managed. The focus and limited integration reduces the *complexity* of the co-operation, and makes this transparent for the management. For the time being, Chemferm seems sufficiently *flexible* to be able to anticipate new chances in the market.
Core questions organisational fit

To what degree do organisational similarities and differences between the partners stimulate or hinder successful co-operation?
The most important difference between GB and DSM concerns the way of decision-making (the risk profile). Yet this difference appears to have a more positive than a negative effect, for DSM in particular. In addition, Chemferm's organisational independence is a buffer. It is remarkable that Chemferm has built up a personal identity and operating style in so a short time.

Do the partners have a shared vision on the alliance design?
DSM and GB have a clear, common vision of the alliance's critical success factors. During the co-operation, this led to a few adjustments in the alliance design. Only with regard to the division of shares did some discussion arise.

GB had aimed for a 70/30 division, due to the relatively greater turnover interest. In the end this did not happen, but in return the division of management positions was used as a means of exchange.

Are (potential) strategic conflicts overcome by the alliance design chosen? Not integrating the research activities was an essential choice made in the design of the co-operation, given that this significantly increases the chance of retaining the complementary balance. The focused activity portfolio is averting problems with DSM and GB's large buyers for the time being, but it is not clear if this will still hold true if Chemferm should grow in the future.

Does the alliance design chosen enable partners to realise their strategy?
Chemferm has not only realised good financial results, but Chemferm has also
strengthened DSM and GB's strategic position in the market for antibiotics.
The original objectives for both partners was the expansion of their activities,
strengthening their competitive position by internationalisation and forward
integration. Both GB as well as DSM have taken a major   step towards realising
these objectives via Chemferm.
Conclusion

The good fit between DSM and GB, both strategic as well as organisational,
led to the joint venture being quickly and effectively implemented and
delivering good results. A question for the future is to what degree and
in what way Chemferm (and the two parents) will be able to continue the present
success. The answer to this question is not in anyway self-evident. This
is because there are a number of potential risk factors, possibly causing
the position of Chemferm to come under pressure in the future.

Strong turnover growth and market share and/or expansion of activities
The negative repercussions for other products of GB and DSM may increase
as a result of further growth in turnover. This will be even stronger if
horizontal growth is realised (and Chemferm loses its strong focus). A second
consequence of strong growth may be that the overheads will greatly increase,
and the joint venture's present "pioneer character" will be lost.

Declining commitment of parent organisations
At the moment Chemferm has the full commitment of both parents and the members
of the board. This is not strange, given that Chemferm is one of the spearheads
in GB and DSM's' policy, and the present board has been closely involved
since the beginning. Nevertheless, changes in the board and/or a shift in
priorities within GB and DSM may cause this commitment to decline. The current
success (strangely enough) may play an unwanted role in this. A lot of attention
is generally paid to an alliance, particularly in the beginning. The moment
this functions well, there is a risk of attention flagging to an extent.
However, this should be avoided at all times, because many joint ventures
manoeuvre in an difficult situation between two competitive parents. This
demands the explicit attention of the management.

Increasing importance for (one of) the partners
All in all, it is apparent that Chemferm buys much more from GB than from DSM. Yet both partners share half of Chemferm's profits. Chemferm's further growth may lead to an increasing need for management influence on the part of GB and possibly even to re-negotiation of the present 50/50 division.

Transfer of knowledge and loss of complementary balance
The basis for the co-operation is formed through complementary know how and technologies. In the present alliance design, risks of unwanted transfer of knowledge would seem to be sufficiently covered. The technological manager plays a crucial role in this. In the first place, this risk is recognised by him, and in the second, he very expressly manages complementary factors. This should also be an issue for continued attention in the future.

Departure of key figures to parent organisations
The staffing of the joint venture may be denoted one of the success factors. Yet at the same time, it is also a "weakness" to a certain extent. The success of the alliance is dependent on a small number of people. One might say that this is the case in many organisations, but in joint ventures there is a greater chance of return to the parent organisations. The managers' career prospects naturally lie there.

The objective of this discussion is certainly not to sketch a alarming perspective for Chemferm. For the time being, the opposite appears to be true. Instead of risk factors, the above points could also be seen as preconditions for the future success of the alliance. Strategic alliances in particular operate in a very complex force field, where not only their own situation and organisation have to be taken into account, but also developments within both parents must definitely be considered. If changes in one of these areas are not recognised in time and translated into their consequences for the alliance, then there is a sizeable chance that the actual basis for the co-operation will slowly erode. For the time being, the present management of Chemferm seems properly aware of this, and has an active management policy for preserving the complementary status quo. The challenge is to manage the above-mentioned risk factors or preconditions in the future as well.

5.5   Integration case studies and theoretical framework

The case studies discussed in this chapter contribute to this research in two aspects. First of all, the insights gained during the interviews with the companies involved, have enabled the initial theoretical framework to be reviewed, modified and expanded where necessary. Testing the hypotheses underlying the theoretical framework is not at issue here, as has already been observed in 1.5 (page 18). In designing the empirical research, a developmental approach was explicitly chosen. This means that not only was it checked during the case studies whether elements of the theoretical framework held good, but also whether it covered the complex reality of strategic alliances to a sufficient degree. Note that such an approach makes demands of the openness and flexibility of the researcher; there may be temptation to limit analysis of the case to the context set by the existing framework. In theory development research, one has to be alert to choices and events around the alliances researched, which do not fit into the framework, but are relevant nonetheless. One must also be prepared to subject the original premises to discussion, as happened during the pilot case. A second contribution made by the case studies, concerns the enrichment of theoretical knowledge with the insights and experiences of managers confronted with strategic alliances during in day-to-day practice. This experience increases the practical applicability of the theoretical framework. It furnishes companies, who are considering entering into an alliance, with an understanding of the lessons others have already learned.

In this section the first aspect, the development of the theoretical framework, will be explored in particular. The adjustment to the framework around organisational fit based on the pilot case, has already been extensively discussed in 4.3.4 (page 96). This will not be repeated here. The practical recommendations and lessons from experience will be dealt with in the final conclusions in chapter 8.

5.5.1   Brief comparison case studies

Of the four cases researched, one alliance ultimately was not formed. Two alliances, SmitWijs and Chemferm, were successful from the start. In Chemferm, success was even more rapidly realised than the partners expected. The results of the SWD joint venture remained clearly beneath expectations for the first 18 months. Gradual change in this only arrived after redefining the strategic course and implementing organisational adjustments. A conclusion, drawn from the basis of mutual comparison, is that the degree of strategic and organisational fit is a good indication of the final development of an alliance (see figure below).

Figure 5.17: Summary case study results: strategic and organisational fit

In summary, it may be concluded that the last three case studies did not lead to a fundamental adjustment of the framework, as was the situation in the pilot case study. Aside from expanding sub-aspects of the framework, the most important contribution of these cases lay in explicating the relationship between strategic and organisational fit, and in increasing the insights into implementation aspects of alliances (also see Chapter 6).

5.5.2   Conclusions with regard to strategic fit

The basic assumption, when developing the theoretical framework, was that strategic fit determines whether sufficient basis for co-operation exists, from a strategic point of view. Three questions are relevant to the evaluation of the case study results. Firstly, can an evaluation be made of the strategic fit, and with it the strategic basis for co-operation, on the basis of the framework developed here? Secondly, which supplementary factors might have to be distinguished? Thirdly, in what way do the strategic premises influence the alliance design? These questions are answered below.

Evaluation initial factors

On the basis of the case studies, it may be generally concluded that the elements, distinguished around strategic fit on the basis of literature study (interest, compatibility, and dependency), are relevant indicators in evaluating strategic fit. Furthermore, they are recognised as such by the companies researched. At the same time, it became clear that the actual result of the analysis of strategic fit does not necessarily enable a go-no-go decision. From the cases, it is apparent that the answer to questions such as "are the alliance objectives of the partners compatible" depends, to an important degree, on the (subjective) estimation of those involved.

The final decision to co-operate or not, is not only determined by the degree of fit, but also by the potential both partners perceive for improving this during the alliance. In the pilot case, it was apparent that co-operation, objectively seen, offered clear opportunities, but that the partners were not able to bridge the differences in background. Strategic fit is thus not a static fact, but has a dynamic that should be recognised by the partners beforehand.

New elements strategic fit

In addition to the three initial elements, three supplementary factors have been identified on the basis of the case studies, which are deemed to determine strategic fit between partners. Firstly, the degree to which the partners have a common vision of the developments in their market, and the impact of these developments upon their company. Secondly, the added value of the joint supply and activities for customers and/or the partners. Thirdly, the reaction from the market to the strategic alliance.

Partners' common vision on market developments

In the pilot case, the difference in vision between the two directors was a significant impediment to the process. Web expected strong Europeanisation of the market and the entrance of international players, whereas Mask thought that "it won't come to that", and that local monopolies were not yet under pressure. Due to this, the two directors did not only experience the strategic importance of the alliance differently, they also had a different vision of the strategic course desired for their companies. In the end, this turned

out to be a major obstacle to the alliance. Conversely, in the alliance between Stork Werkspoor and Wärtsilä Diesel, both partners clearly had a common vision of the developments in their market and the consequences of this for their own company. This was also the case in the alliance between Smit and Wijsmuller. In both alliances, this had a positive influence on the establishment of the alliance. Based on this, it was concluded that strategic fit partly depends on the degree to which the partners have a common strategic vision on the development of their market.

Added value joint supply and activities

Although this was no problem in the alliances investigated, it was commented several times that co-operation is only advisable if it is of use to customers. In other words, this concerns the added value of the joint supply in the market. Consider for instance improved functionality, quicker service, lower costs, etc. This is in itself an obvious observation. Nonetheless, it must be concluded on the basis of experience in consultancy projects, that negotiations are quite often waged over alliances which are less advisable, when viewed objectively, than enthusiastic entrepreneurs and/or their Board of Supervisory Directors imagine at that moment in time.

A critical attitude with respect to the actual rationale behind the alliance is important, whereby the time-honoured adage "the customer is king" ought to be one of the guiding principles. The added value of the alliance may also lie in internal efficiency advantages, as a result of economies of scale for instance. The resulting lower cost price does not necessarily have to be translated into a lower retail price. In that case, the advantage of the alliance is in an improved profit margin for the partners.

Reaction from the market parties

In principle, strategic alliances are formed to strengthen the partners' competitive position. The more the alliance leads to too strong a concentration, however, the more the balance may tip in an unwanted direction. The mere suggestion of cartel or monopoly forming, may lead to resistance on the part of the customers. Smit and Wijsmuller are clearly the world's number one and two in their market. This fact was an important issue when designing the alliance. Forcing up prices was quite purposely avoided, in order to preclude unwanted reactions of (potential) customers.

A special situation occurs the moment forward integration is realised via the alliance. This was the case with the Gist Brocades and DSM Chemferm joint venture. Due to strategic considerations, it was decided to expand activities into the production of intermediates for antibiotics. Chemferm, however, did enter into direct competition with both parents' existing buyers, and employed a relatively aggressive market strategy. In order to avert a negative response from buyers, it was decided to focus the alliance on a limited section of the activities.

Mergers, but also alliances between major players in a specific sector, quite often lead to power concentrations. In such cases, the European Commission will check whether this is in conflict with the EEC's antitrust legislation, and if so, to what degree. If the alliance concerned is primarily focused on alignment of policy and activities, and not on their integration, this will be checked against cartel legislation (article 85). If the alliance is focused on the integration of activities, then it falls under the merger act. When evaluating major alliances, the European Commission will primarily consider whether the proposed alliance does not eliminate existing and potential competition within the sector too much. The combined effect of

agreements is evaluated here. A second precondition deployed is that the alliance should have objective advantages for the consumer. As a matter of fact, this is in accordance with the issue discussed previously. A proactive attitude of the potential alliance partners is to be recommended, to prevent problems with the European Commission, which might still arise after closing the deal. Naturally, this is only relevant to major alliances.

Summary
Based on the literature study and the cases, six factors have been distinguished that are deemed to determine strategic fit. These are summarised in the figure below. Also indicated are the core questions the partners must ask themselves and each other, in order to check whether sufficient basis exists for the alliance, from a strategic point of view.

Figure 5.18: Summary core questions regarding strategic fit

Consequences for decision making

During the development of the theoretical framework, co-operation is assumed only to be advisable if sufficient strategic fit exists between the partners. The case studies give no reason to doubt this supposition, but qualification is required to a certain extent. On the basis of the case studies, the conclusion seems justified that the degree of strategic fit alone is not decisive for the question, whether or not to co-operate. Several other aspects also play a role here. First of all, the nature of the strategic fit. This particularly focuses on the question, whether or not there are potential areas of conflict. Secondly, the risk profile of the alliance influences the decision whether or not to co-operate. A third aspect is the long term alliance potential (dynamics).

Nature of strategic fit (potential conflicts)
The evaluation of strategic fit may lead to different results. A good fit in every one of the factors distinguished, means that there is a sound basis for co-operation, viewed strategically. In practice, however, a lesser fit in sub-aspects may occur. In such a situation, the partners have to ask themselves how this may influence the functioning of the alliance. Smit and Wijsmuller's alliance objectives complemented each other well. Nonetheless, there was a potential conflict in the salvage field: Smit and Wijsmuller remained each others (most important) competitor. This is not in itself a problem, if it were not for the fact that the tugs brought into the joint venture can also salvage (and must in an SOS situation). Strategic fit was limited in sub-aspects of the SWD joint venture too. This particularly concerned the strong overlap in engine ranges, which certainly formed an impediment in the initial phase of
the alliance. This problem was ultimately overcome by the joint development of a complete new range of engines. This, however, was a process lasting years, in which the partners' commitment was appealed to considerably.

When there is limited fit in an increasing number of factors, the actual basis for co-operation will be instable. Co-operation is then only advisable, if there is clear prospect of a structural reinforcement of the strategic fit. The three situations discussed here, and their consequences for the decision whether or not to form an alliance, are schematically reproduced in the figure below.

Figure 5.19: Nature and degree of strategic fit
Risk profile of the alliance
There are nearly always risks linked to strategic alliances. Consider, for example, the risks of transfer of knowledge or an unwanted reaction of market parties. Further, implementation risks must be taken into account (will the operational levels also be committed to the alliance), and the failure risk of the alliance (the consequences of a premature ending of the alliance). In the Chemferm joint venture of DSM and Gist Brocades, uncertainty about the reaction of large buyers, who were directly competed with as a result of the alliance, was an important issue in the alliance talks.
Smit and Wijsmuller clearly took into account an unwanted reaction in their market, as well as the fact that both partners were traditionally cut throat competitors, which would probably hinder quick implementation at lower levels. Such risks have to be weighed against the potential advantages of the alliance. Strictly speaking, this may cause a negative decision to be taken, even if co-operation does offer opportunities. The readiness to take risks will of course partly depend on the strategic importance the alliance represents for the company and perhabs also the emotional bond of the managers with the activities concerned.
Dynamic alliances
It was clear in each of the alliances researched, that both strategic as well as organisational fit regularly come up for discussion in the day-to-day reality of the alliance. A good fit when the alliance was formed is in principle no guarantee for future success. Changes in the environment, new insights on the part of the partners, shifting interests, alliance results that may be disappointing, these are all factors which can lead to an adjustment of the initial premises.

Although in Chapter 1 it was postulated, that the framework to be developed ought to support decision making around alliances, it has to be acknowledged on the basis of the case studies that the framework may also be useful after the start of the alliance. It also enables managers to evalutate during the alliance, whether or not the preconditions of successful co-operation are still being met (read fit). The framework does not only support decision making, but also enables management of fit. Perhaps the most striking example of what this means, is the Chemferm alliance. Here, the technology manager of the joint venture was well aware of the actual basis of the alliance, the complementary know how and technologies of the two partners. The complementary status quo is actively managed (and utilised as much as possible) through the design of the project organisation and the way the projects are managed. For him, fit is not an immutable fact. During the alliance changes can and will occur. The problem is that this often proceeds very gradually, and that it is only established with hindsight that the partner, for example, has appropriated the unique knowledge and skills of one's own company. By not regarding strategic (and organisational) fit as fixed facts, the dynamic inherent in strategic alliances is taken into account.

Summary framework around strategic fit after case studies

There were three central factors in the initial framework around strategic fit, to wit the strategic importance of the alliance for the partners, compatibility of strategies and objectives, and mutual goal dependency between the partners. Supplementary factors were identified based on the case studies. The nature and degree of the strategic fit turned out to determine the decision whether or not to co-operate. In every alliance, potential partners must be aware of the risk profile of the alliance and the possible strategic conflicts connected to it. If there is limited strategic fit, it must be determined to what degree, and in what way this may be improved in the future (time dynamic). In the figure below, the results of the literature research and the case studies are integrated into the adjusted framework around strategic fit.

Figure 5.20: Summary framework around strategic fit

5.5.3   Conclusions with regard to organisational fit

Organisational fit appeared to be a precondition for a successful alliance, perhaps even more than was supposed when designing this research. The managers interviewed almost always indicated the alliance design chosen, when asked about the most important success factors of their alliance. The importance of strategic fit was certainly not denied, but to a certain extent it was seen as a sort of basic condition. If there is no strategic fit, then co-operation is not advisable. It depends on the alliance design, whether the strategic potential of the alliance is actually realised. It was apparent that, especially during the design process, the partners were confronted with difficult questions. In most cases, remarkably enough, the power issue was not concerned here (with the exception of the pilot case).
The dilemmas lay primarily in finding the correct balance between co-operation on the one hand, and competition on the other. The factors related to organisational fit which were differentiated on the basis of the literature study and of the pilot case in particular, turned out to be firstly relevant, and secondly reasonably complete in the other three cases. The contribution of the last three cases, as far as the concept of organisational fit is concerned, lies in the confirmation of factors derived from the literature and the pilot case, as well as in the integration of strategic and organisational factors.
Evaluation framework around organisational fit and new factors

A good organisational fit between partners is expected to increase the chance of success of the alliance. At the start of SWD there was limited organisational fit which, partly in connection with the intensive integration, led to the implementation problems mentioned. The degree to which a limited organisational fit may be improved, will greatly depend on the nature of the differences. The elimination of differences in management style and organisation philosophy between partners, for example, will usually demand a relatively intensive change process. The question is even, whether it might be better to decide on a less intensive integration in such a situation. Smit and Wijsmuller averted integration problems by restricting the organisation of the joint venture to a minimum. The operational management of the
SmitWijs tugs, for example, is still carried out by the partners themselves.

The cases researched show that a limited organisational fit generally makes greater demands on the implementation process, and should have consequences for the way in which the alliance is structured (also see figure below).

Figure 5.21: Impact of organisational (mis)fit on alliance

Based on the last three case studies, it was concluded that the framework around organisational fit, developed on the basis of the literature study and the pilot case, accords well with the day-to-day practice of the strategic alliances researched. A much better estimation of the degree of organisational fit was possible than the one only based on the initial factors (complexity, influence and flexibility). The framework around organisational fit has been expanded by factors based on the case studies, to wit the focus of the alliance, and the degree to which potential strategic conflicts are addressed.

The challenge when designing the alliance is to focus the co-operation on those activities, where co-operation is actually both possible and advisable. Reasons for choosing a focus for the alliance are, among others, reduced integration problems, improved management control, and fewer repercussions for the other activities of the partners. These three points played a part in the choice of alliance design, particularly for Smit and Wijsmuller. Stategic conflicts may be overcome by the alliance design. When both partners remain competitors over a wide range of activities, for example, they will have to analyse the potential risks and translate them into the alliance design. The final framework around organisational fit is summarised in the figure below.

Figure 5.22: Summary framework around organisational fit
Relationship strategic and organisational fit

At the start of this research, it was assumed that the strategic premises influence the ultimate alliance design. In 3.3.2 (page 69) it turned out that the relative interest the alliance represents, determines the degree of control the partners pursue. The influence of strategic fit on (rational) trust, and thus on the design of the alliance, was also dealt with in 3.3.4 (page 75). In each of the alliances studied, the partners' strategic positions and objectives were either explicitly or implicitly taken into account in the alliance design.

Within the limited scope of the joint venture, the good strategic fit between DSM and Gist Brocades enabled an intensive integration of activities in Chemferm. At the same time, it was very deliberately decided to integrate the partners research organisations as little as possible, in order to prevent unwanted transfer of know how (preservation of the complementary status quo). In contrast, there was relatively limited strategic fit at the start of the Stork Wärtsilä
Diesel joint venture. Throughout the first year, there was little change in this situation, because the actual integration of the two portfolios did not occur. An analysis performed by the new SWD president showed, that the origin of the disappointing results lay here. This led to a redefinition of SWD's strategic premises, and a restructuring of the joint venture. The alliance design chosen by Smit and Wijsmuller is viewed by both partners

as one of the most important success factors, in addition to the mutual trust. The potential conflict around salvage activities has, up until now, been overcome by a focus of the alliance, and very clear arrangements about the division of salvage jobs.

Thus the partners' initial strategic positions influence the alliance design. In these examples, however, it has also become clear that it is difficult to recognise an unequivocal relationship between the nature and degree of strategic fit, and the organisational design of the alliance (and with this organisational fit). Nonetheless, a few general conclusions seem possible. A good strategic fit will generally mean that the partners' commitment is relatively strong. If the organisational fit is also good, then there is a sound basis for intensive co-operation in principle. This was the case in the alliance between Smit and Wijsmuller, for instance. If the strategic fit between the partners is limited, but there is potential for improvement in the long term (remember the SWD joint venture), it will depend on the alliance design and the commitment of the partners, whether co-operation is desirable.

In the matrix on the following page, an overview is given of possible situations and their consequences for the alliance, given the degree of strategic and organisational fit. It is important to realise that the "conclusions" as expressed in the cells of this matrix must be interpreted strictly formally as hypotheses. After all, the character of this research is the development of theory, and has therefore led to verifiable hypotheses for further research.

Figure 5.23: Impact of strategic and organisational fit on decision to
co-operate
To conclude

It was apparent when carrying out the case studies, that the framework developed
enabled a relatively rapid diagnosis of the alliance concerned. When
discussing the case study reports, the companies concerned commented without
exception that an accurate analysis had been given in a brief period of time.
Perhaps a contribution of the framework also resides here; it focusses the
discussion on the relevant aspects. It should be noted that the aim of the
framework is not in principle to give an analysis of the degree of fit with
regard to content, on the basis of which a final decision is subsequently
taken about whether or not to co-operate. The objective is primarily to
structure and objectify the decision making process, whereby the dialogue
between the (potential) partners must ultimately lead to a conclusion about
the degree of strategic and organisational fit. Fit in that sense, should
therefore not be seen as an actual fact, but more as the outcome of a process.
A process, that will continue during every alliance to a greater or lesser
degree, given the dynamic of strategic alliances.

Notes

[1]   Yin, R.K., Case study research, design and methods, Sage, Newbury Park,
1988.

Implementation of strategic alliances
6.1   Introduction

The dilemma with regard to the scope of the research has already been explored in 1.3.2 (page 11). There, it was postulated that content as well as process aspects should ideally be researched in depth. In view of the reservations existing about the feasibility of this within the available time, it was chosen to focus on content aspects in the first instance, without so denying the importance of process aspects. This was therefore a pragmatic choice. During the interviews with key people of the alliances researched, the way in which the alliance was implemented was also discussed (unavoidably). The design and phasing of the implementation process turned out to have had considerable influence on the functioning of the alliances, particularly at SmitWijs and Stork-Wärtsilä Diesel. In both cases, there was at first resistance to the alliance on lower levels of the organisation. Partly due to this, there was even a change of management at Stork-Wärtsilä Diesel, more than a year afterwards. In both cases, a phased implementation was ultimately chosen. Great demands were made here on the long term commitment of the two parents, and mutual trust. These case studies, as well as the practical experience gained as a consultant underlined the importance of a thorough preparation and design of the implementation process.

This led, once again, to the question whether or not alliance implementation should be researched after all. There were two reasons for deciding on an extension, in so far as was feasible given the remaining research period. Firstly, because of the practical relevance of the research. This clearly increases if recommendations may also be given for the implementation process. Secondly, on the basis of the case studies, a direct relationship was presumed between the way in which implementation develops, and the nature and degree of strategic and organisational fit. This means that the framework developed facilitates supplementary research. Within the context of the PhD research in question, it was decided to conduct a separate, supplementary research into the implementation of strategic alliances.
The fit model discussed in the foregoing, served as a point of departure for this research. The research was carried out by Spies and Zandbergen[1], with the author of this book bearing final responsibility. In this chapter, the results of the research into the implementation of alliances will be gone into, first of all. Subsequently, the framework developed by Spies and Zandbergen will be elaborated in more detail and illustrated in the light of the case studies discussed in chapter 4 and 5.
6.2   Objectives, method and summary of results

In the following, the objectives of the research conducted by Spies and Zand-bergen are first examined. The research method and final results are subsequently discussed.
6.2.1   Objectives of the research into alliance implementation

The objective was to develop a framework that supports management of the alliance implementation process by the partners. Considering this objetcive, the following research objective was formulated..... "The identification of critical factors and actors for the successful implementation of a strategic alliance, and the way in which these factors may be managed." There is a conscious distinction made between factors, the

elements upon which management is focussed, and actors, the persons responsible for implementation. This arises from the assumption that persons involved in the alliance will fulfil different roles, and will direct their attention and influence to different factors in the context of that role.

6.2.2   Research method

The research design employed by Spies and Zandbergen is summarised in the figure below. This design will be briefly explained.

Figure 6.1: Research method

1. *Literature study*
   During the literature study it became clear that implementation aspects were only explored to a limited degree in the alliance literature. In most cases only general guide lines were given. To supplement this, the literature on merger integration processes and change processes in general was therefore consulted, which provided a better foundation. The success of alliance implementation is approached from different points of view within the literature. This is also apparent from the figure below, in which an overview is given of factors which seemed to be relevant in alliance and merger implementation.

   Figure 6.2: Relevant aspects of alliance implementation (based on literature study)

2. *Expert interviews*
   In addition to the literature study, interviews were conducted with experts on alliance and change processes. These interviews were aimed at gaining insight into the practical problems experienced in the first place and obtaining an indication of the relative importance of the many factors, coming to the fore in the literature study, in the second place. The experts that have been interviewed are listed in appendix 3.

3. *Draft framework*
   In the draft framework, the insights and factors, arising from the literature study and the expert interviews, were categorised. A distinction was made here between actors on the one hand, and factors on the other. In the draft framework reproduced below, the mutual relation is still only elaborated to a limited extent.

   Figure 6.3: Initial framework around alliance implementation

4. *Interviews with managers involved in strategic alliances*
   The draft framework was subsequently developed further on the basis of twenty interviews with managers responsible in their daily practice for the implementation of one or more alliances. This concerned managers of leading companies such as Unilever, the Dutch Railroads and Océ Nederland, as well as small and medium-sized companies (see appendix 3). The interviews were conducted in a semi-structured way, with the draft framework as starting point. The objective of the interviews was to test the plausibility of the elements of the draft framework, gaining insight into mutual relations and extending the draft framework where necessary. New insights on the basis of an interview were included in the following interview,
   which gave the process an iterative character.

5. *Final framework*
   The final framework, developed in this way, is reproduced in

the figure below. After a brief summary of this framework, a
detailed elaboration is given in 6.3.

Figure 6.4: Final framework around alliance implementation

6.2.3   Summary framework alliance implementation

It is apparent from the Spies and Zandbergen research that three dominant
actors may be identified, determining the course of the implementation process
of the alliance. Firstly, the alliance sponsors: these are the people who
determine the effort partners are prepared to make for the alliance. The
sponsors are also ultimately responsible for the alliance. Secondly, the
agents of change in the alliance: the agent of change is entrusted by the
sponsors with the daily management of the alliance and is responsible to
them for this. The third actor, who may possibly have a direct influence
on the course of the implementation process, is the coach or consultant.
This can be an external advisor as well as an (internal) facilitator supporting
the partners with advice and assistance, based on his experience with alliance
processes. With regard to the implementation factors, it is apparent that
the managers and experts interviewed consider strategic fit and trust as
preconditions for successful co-operation. During the implementation, the
management effort is particularly focussed on three factors, to wit cultural
fit, organisational fit and resilience.

6.3 Elaboration alliance implementation framework

The background and dynamic of this framework is discussed in the following. Here, the insights yielded by the Spies and Zandbergen research are combined with insights gained during our research. This is done by giving examples from the case studies conducted in this research, in order to clarify the way in which the different actors and factors manifest themselves in practice.

6.3.1 Strategic and organisational fit

The framework around strategic and organisational fit formed the starting point for the research into the implementation of strategic alliances. This was based on the hypothesis that the strategic rationale behind the alliance, and in particular the organisational design, would influence the course of the implementation. For that matter, it was also apparent that in the cases already researched, organisational feasibility either implicitly or explicitly plays a role in the decision whether or not to co-operate, and in the elaboration of the final alliance design. In this way, Smit and Wijsmuller very consciously chose for a focus on towage, in that both managements estimated that an intensive co-operation, in which salvage operations were also involved, would meet too great a resistance.

It has become apparent that partners should be duly aware of the dynamic of fit during the implementation. Strategic fit forms the actual basis of the alliance; if it is not present then co-operation is not advisable. It is quite possible, however, that the strategic fit will diminish over time, as a result of changes in the environment or in the policy of (one of) the two partners. The partners will have to anticipate this in time, and collectively redefine the strategic premises of the alliance. In the most extreme cases, this may even lead to a termination of the alliance. In practice, however, it will more likely lead to an adjustment of the objectives for example, or to a change in the relative contribution and the division of costs and profits.

An interesting question in the case of Smit and Wijsmuller is whether the unequal division in salvage jobs (via SmitWijs) will not lead to problems. The open (and frequent) communication between the two sponsors and the superior mutual trust seem to have solved this potential conflict for the time being. The Chemferm alliance shows that the alliance design may also overcome potential problems. The most important long term risk here concerned the transfer of knowledge and skills around the part of the core technologies of both partners, to wit fine chemistry (DSM) and fermentation processes (Gist Brocades). The project organisation implemented combines both strengths, but minimalises the risk of unwanted knowledge transfer as much as possible.

The partners must regularly submit the strategic premises of their alliance to discussion, even after the formal decision making process. This enables a timely adjustment of the alliance, which may prevent unnecessary problems. It requires, however, the commitment of the sponsors in particular, to keep working at a good strategic basis for the alliance continuously.

6.3.2 Trust

Trust between partners has already been dealt with extensively in 3.3.4 (page 75). The research into alliance implementation confirms the essential role of trust in strategic alliances. At the same time, it was clear that trust

between the top alone is not sufficient. The lower levels must also trust each other, starting with the agents of change. Emotional, rather than rational trust appears to be experienced as being important here. It enlarges understanding of possible cultural differences, and lowers the threshold for discussing possible problems in the alliance. Trust may be reinforced in different ways. Think, for example, of the stimulation of informal contacts, the establishment of a trial period and the consistent meeting of the agreements established. An obvious conclusion too, however, was that without a certain initial click, the alliance process would usually remain troublesome. The question should even be asked, whether an alliance really ought to be launched at all, without emotional trust. Contracts may improve rational trust, but for most managers they are no guide line to the practical functioning of the alliance.

In the alliance contemplated between the retailers Web and Mask (see 4.3, page 95), it was apparent that the limited mutual (emotional) trust formed an impediment to arriving at an alliance. This contrasted with the SmitWijs joint venture of Smit and Wijsmuller. Both managements fully trusted each other, which formed an important basis for the alliance. Remarkably enough, this was completely unlike the situation between their predecessors a few years previously. Trust is linked to individuals. This is one of the reasons why changes at the top of the alliance must be considered carefully, to avert a rent in the relationship of trust, that has been built up.

6.3.3   Cultural fit

As was apparent from the case studies in this chapter, cultural aspects quite often play a role in alliance processes. Lack of cultural fit is regularly mentioned as the cause of an alliance's failure. Luimes, who has researched the influence of cultural fit in the disengagement of business units as mentioned earlier[2], describes cultural fit as the situation in which partners' corporate cultures do not hinder collaboration[14]. Here too, it should be emphasised that fit does not by definition mean equality. The influence of cultural aspects may be great. This is a result of the functions fulfilled by a corporate culture in general. The culture of an organisation or its units, usually gives direction to employees' conduct: what is acceptable, correct and/or desirable. The culture provides a common framework of reference for this, facilitating mutual alignment within the group, as well as the management of the group. Another function of culture concerns the bestowing of an identity on individual group members and on the group as a whole (sense of belonging).

Inherent in strategic alliances is the exposure of the own culture to the influence of an alien culture. Variations in operating style and behaviour as a result of cultural differences, may lead to misunderstanding, friction and lack of communication within the alliance. A complicating factor, is that operating in the context of an alliance quite often demands another attitude, aside from any cultural problems. A few behaviour characteristics come to the fore in the Spies and Zandbergen research, such as striving for a win-win situation, openness and mutual respect. A strategic alliance thus influences the culture of an organisation in two ways; confrontation with another culture, and the need to adopt a collaborative operating style.

A pitfall which regularly occurs in alliance processes, is the assumption that if people at the top can get along together, this will also be the case at lower levels. The fact is that (seemingly small) cultural differences will be noticed directly by employees in particular, when confronted with the partner's culture and operating style in their day-to-day functioning. It should be noted that confrontation with another culture may also have distinct advantages. New influences may call the normality of rooted patterns and paradigms into question; this may form the starting point for a (gradual) change of culture.

Cultural aspects are usually more important, or more manifest, when operational and organisational integration within the alliance increases. The way in which the cultural fit will be realised and managed should be determined beforehand. Van Leeuwen[3] differentiates five approaches on the basis of his experience with merger integration processes (also see the figure on the next page). Dependent on the approach chosen, higher demands will be made of the partners' skills in managing cultural aspects.

---

[14]It would be going too far to deal with the concept of culture in depth in the context of this section. Instead, we refer to the extensive literature in this field. The following definition contains several generally accepted characteristics of a culture: a culture is a shared pattern of thinking, ideas, feelings and values as a result of shared experiences and common learning.

Perhaps the most simple solution is to keep both cultures separated. This usually means, however, that actual mutual alignment will be limited, and that there will be definitely no organisational integration. A much more ambitious strategy is the integration of both cultures, or the development of a completely new culture. This may turn out to be necessary, if strong organisational integration is chosen in the context of the alliance. Culture integration or innovation means, that partners must take into account an intensive process of cultural change, which makes demands on the partners' readiness to change (resilience) and (culture) management skills.

It should be noted, that the creation of a (partially) new culture may also for that matter be the result of a spontaneous process, occurring without an explicit management effort. The Chemferm joint venture of DSM and Gist Brocades appeared to operate more agilely and slightly more aggressively in the market, than is normally the case with both parents. No "cultural programme" was at the root of this, however. The reasons appear to lie in Chemferm's limited size and the organisational independence in particular.

Figure 6.5: Approaches to culture management in strategic alliances

6.3.4   Resilience

Resilience, or to put it differently, an organisation's readiness to change, will influence the implementation of strategic alliances as Sanders also notes[4]. In the SWD alliance, it was apparent that the Werkspoor employees, as a result of the large number of changes they had endured during a difficult period for their company, were not exactly awaiting yet another major change. In addition, they were clearly frightened of a reorganisation and a transfer of the production to Finland. The resistance created by this, hindered the alliance implementation.

Resilience may be described as follows: "the capacity to cope with a high level of change while a minimum of dysfunctional behaviour is shown[5]." Dysfunctional behaviour may manifest itself in different ways, varying from open anger to acquiescence and a lethargic attitude. As time goes on, and change seems to be inevitable, the reaction of the organisation will also shift. In the case of a negative reaction to change, initial denial will usually gradually turn into anger, after which there will be an attempt to exert influence on the process through negotiating with the management (also see figure below).

Figure 6.6: Negative reaction to change

The degree of resilience is determined on the one hand by the personal characteristics of members of the organisation, and on the other by the history of the company, as is shown by the SWD example. Low resilience usually expresses itself through resistance to change. The management of potential partners must predict reactions as well as possible. This was an important issue for Smit and Wijsmuller, for example. Given the highly competitive background of the two companies, the sponsors foresaw due resistance to the alliance, especially if the salvage operations were to be involved. Partly due to this,

it was decided to focus on ocean towage, an activity emotionally less sensitive, and a gradual implementation of the alliance.

If the alliance is expected to meet resistance within the organisation, the question is whether the partners will direct their change strategy to increasing the resilience of the organisation, or to managing and reducing resistance, the expression of low resilience. Increasing resilience usually demands energy and time. Time, which is not always available in alliance processes. Nonetheless, this approach may be preferred, if many changes are to take place as a result of the alliance in the future. The second approach, reducing resistance, may lead more rapidly to the desired acceptance in certain cases. Frequently mentioned instruments in this connection are open and timely communication, early involvement of key people and tangible results in the beginning, advantageous not only to the company, but also to the employees. The increase in personal knowledge and experience, and extra career opportunities as a result of the alliance may be thought of here, for example.

The strategy chosen is partly dependent on the nature of the resistance. In this connection, an interesting distinction is made by Ansoff between behavioural, political and systematic resistance[6]. Behavioural and political resistance is the natural (emotional) reaction of individuals and groups to changes, which threaten their culture, achievements and position. As was already noted in the discussion of cultural fit, this will quite often be the case in strategic alliances.

Systematic resistance occurs in situations where the organisational systems and management capacity are not sufficient to implement the intended changes efficiently. Where strategic alliances are concerned, the question is, for example, whether the manager of the alliance is available full time, or whether he is supposed to manage the alliance alongside his normal work. In the latter case, the chance of systematic resistance and priority conflicts increases significantly. Another issue, in this connection, is the degree to which both partners' operational, communication and reporting systems fit together (operational fit). Such apparently simple affairs may frustrate effective co-operation, if they are not well regulated.

The phasing of the implementation process partly determines the nature and degree of resistance the alliance will arouse. If a rapid implementation of the alliance is decided upon, under great pressure of time for instance, then the chance that this will meet with resistance is greater, than when both partners pay attention to the desired changes in behaviour, subsequently develop the necessary organisational systems, and only then put the alliance into effect. Ansoff designates these two different implementation strategies respectively the "resistance inducing sequence" and the "change motivating sequence" (also see the figure on the next page).

Figure 6.7: Resistance inducing and change motivating sequence

A planned approach to the implementation is to be preferred in principle, in that this enables better monitoring of progress and usually increases control of the process. There is a down side to this coin, however. Keeping too rigidly to the original plan may mean that unexpected circumstances will not receive the attention they deserve, and that problems

will be dealt with too quickly because of the time schedule.

Spies and Zandbergen correctly note that to attempt a generic phasing of alliance implementation is undesirable. The number of contingencies is simply too large for this. Factors that may influence the implementation strategy are among other things: pressure of time, the nature of the activities, the degree of integration, the operating style of the two partners, the resources available (people and assets), etc. The partners must be aware of the (dis)advantages linked to their approach. The phasing and design of the implementation process must be aligned with the factors dealt with in the foregoing (strategic fit, trust, organisational and cultural fit and resilience). In addition to these factors, the attitude, skills and behaviour of the managers involved in the alliance play a role. The respective roles of the alliance sponsor, agent of change and coach will therefore be explored in the remaining part of this section.

6.3.5   Role of the sponsor

The sponsor has usually initiated the alliance. In almost every case, first negotiations will be conducted by the (top) management of the companies involved. They formulate the vision and objectives of the alliance, and ultimately take the decision. It has been concluded on the basis of the research into alliance implementation, that the commitment of the sponsors may be of overriding importance to the success of the alliance. According to Maljers, after the actual establishment of the alliance, it is the sponsors' task to follow developments closely and to test the operational and strategic contributions against the vision formulated[7].

In principle, the sponsor should not be involved in the operational management of the alliance. The only possible exception to this, is the initial phase of an alliance, where the sponsors pass on the baton to the alliance management (the agents). After signing the contracts, the sponsors must remain involved in the alliance. To this end, a Board of Supervisory Directors is often chosen on which the sponsors of each partner have a seat, and which may be supplemented by an independent outsider. In this way the alliance's development may be followed (at a distance) and redirected where necessary.

Even if the original sponsors remain involved as supervisory directors, the risk still exists that their direct attention, and possibly even their commitment, will diminish in the course of time. This will certainly be the case if the alliance develops in a positive direction. Everyday affairs and new projects will demand attention, which may be to the cost of the alliance. Changes in the Board of Supervisory Directors must be avoided as much as possible. Indeed, there is a not inconceivable chance that the carefully built up relationship based on mutual trust will be disturbed and that the new Supervisory Director will be less involved in the alliance. The reverse is also true, too strong an identification with the alliance by the sponsors is not good either. The moment they regard it too much as "their baby", objectivity declines and a less critical attitude is taken.

Sponsor commitment expresses itself in direct involvement with the alliance and willingness to invest in it. This certainly does not only concern money and production resources. According to Spies and Zandbergen, it essential for the course of the implementation process that the sponsors are prepared to assign their best people to the alliance. These must possess the (social) skills necessary to operate within the complex situation that an alliance

quite often entails. Involving the agents in the decision making process at an early stage is to be recommended. Influence on the alliance design increases the commitment of the agent of change. In addition, his operational knowledge and experience may avert problems that the top does not or can not anticipate, in view of their generally less directly operational involvement.

Continuous and open communication between the sponsors is important. The sponsors must be prepared to regularly discuss the strategic premises of the alliance, and where necessary, to adjust alliance objectives and/or organisation on the basis of new (shared) insights.

6.3.6   Role of the agents

The agents of change in the alliance are responsible for the actual implementation and management of the alliance. In joint ventures such as Chemferm, this usually means a separate management team consisting of managers from the two partners. If no separate organisation is set up for the purpose of the alliance, the agents continue to operate within their own company, unless mutual exchanges are decided on by the partners. As the SmitWijs joint venture reveals, the agents do not necessarily have to be a proportional representation of the two partners: SmitWijs' crew of two actually came from Smit. Expertise was the most important criterium here. A more equal division of management positions will often be attempted, however. It was already mentioned in 3.3.2 (page 71) that the strategic importance of the alliance, the relative bargaining position of the partners and, in particular, mutual trust, influence the division of control in the alliance.

In addition to obvious characteristics like knowledge of the business and managerial capabilities, a social attitude is one of the most important qualities of a good agent, according to the Spies and Zandbergen research. This is confirmed by Moss Kanter; she states that agents of successful alliances build up a crucial advantage by recognising and effectively managing human aspects in strategic alliances[8]. Closely linked to a social attitude, is the concept of collaborative attitude[9]. In contrast to the competitive attitude many companies expect of their management (both externally and, increasingly, also internally), the agent must continually seek for win-win situations and opportunities for optimising mutual collaboration.

The agent of change fulfills an integrating role during the implementation of the alliance. The agent is responsible for communicating the alliance objectives. He must recognise, discuss and where possible bridge (cultural) differences. Any problems arising must be signaled to the alliance sponsors in time by the agent. In addition, he must attend to clear and timely progress reports to the sponsors and regularly reassure himself of their commitment. Where necessary, the agent might play a role in reinforcing or repairing the mutual trust between the sponsors, by intervening in an informal sphere, for instance.

Particularly in alliances, where the agents physically works in another organisation as well, his career may create a certain area of tension. It is the responsibility of the agent to manage the common interest of the partners as well as possible. He may, however, be sometimes faced with difficult choices here. Not every decision in the joint venture's interest, is by definition also the most advantageous for the company where his career opportunities ultimately lie. It is the responsibility of the sponsor to recognise this potential conflict of interest for the agent, and to stimulate him to put the alliance's interest first above all. If the agent's career influences the course of the alliance to the cost of the partner, then emotional trust between the partners will quickly disappear, and with it an important basis for co-operation.

6.3.7   Role of the consultant / coach

Given the complexity, sensitivity and failure risk of many alliance processes, it is quite often decided to call in a consultant / coach. This may be either a manager or staff member of one of the two partners, or an external consultant.

The author of this book has been involved several times in alliance processes in this capacity. Two reasons for hiring a consultant may be mentioned.

First of all the expertise and experience the consultant has acquired in similar situations in other companies. For example, "technical knowledge" about the fiscal and legal consequences and financial issues may be concerned here, or more "organisational knowledge" regarding the structuring of the process and possible forms of co-operation. Smaller organisations in particular, usually do not possess such specialist knowledge and experience. This is less true of big multi-nationals such as Philips and Unilever. Firstly, the latter have years of experience with alliance and takeover processes, and secondly, usually have a staff department specialised in this field. If one of their operating companies is considering an alliance, support will usually be sought at home in the first instance. The contribution of the expert consultant lies primarily in coming up with solutions to problems, whereby state-of-the-art concepts and consulting methods are used.

Secondly, a consultant may be hired to increase the commitment to the alliance as an objective outsider. In these cases, he fulfills more the role of process consultant and less that of expert. The contribution of the process consultant lies primarily in designing an effective change process, and managing possible resistance to the alliance. Coming up with solutions for content problems plays less of a part here. A purely expert approach is only then advisable, if the partners have a very specialist question. If there is need for more integral support and guidance of the alliance process, a combination of the process and expert approach usually turns out to be the most effective.

Integrity and objectivity should in principle be basic characteristics of every consultant. In the case of a strategic alliance, these may be considerably put to the test in that the interests of the partners will not always be aligned with each other, certainly not in the initial phase. An important question here, is who hired the consultant: the partners jointly, or one of the two partners?

In the first case, the consultant's legitmacy towards both organisations is better guaranteed, which increases the willingness to co-operate and supply information. It is the integrity of the consultant which must guarantee an independent attitude. In addition, he will have to have a professionally critical attitude towards the intentions of the partners. It should never be the case that the consultant becomes an extension of the two managements, and embroils himself too much in the effort to arrive at co-operation (co-operation as a goal in itself). Commercial interest should be subordinate to effective support of the partners.

If the consultant has been hired by one of the two partners, there is a chance that his analysis will be insufficiently recognised or acknowledged by the other partner. The partner may also decide to call in his own consultant, to give a second opinion or even conduct a
completely new research. Experience with such constructions teaches that this increases the complexity of the process, and that perceptual differences are quite often created between the partners, which are difficult to bridge. The essence of alliance processes is that the potential partners arrive at a shared vision of the alliance together. Hiring a consultant together is to be preferred for these reasons.

6.4   Conclusion

In this chapter, a general framework for the implementation of alliances has been presented, that has been developed on the basis of literature study, expert interviews and interviews with alliance sponsors and agents. In addition to this, the elements of the framework were illustrated in the light of the case studies carried out in our research.

In the implementation of strategic alliances, strategic fit and trust (in particular emotional trust) turned out to be a prerequisite for success. During the implementation process, the partners must particularly focus on cultural and organisational fit and the resilience of the organisation. The latter may also concern managing resistance, which should be seen as an expression of low resilience. From their role and position, the sponsors will have to focus in particular on safeguarding a good strategic fit and maintaining a relationship based on trust. Visible sponsor commitment to the alliance is essential during the implementation.

The agents who is responsible for the actual implementation, must maintain an open relation with the sponsors and point out areas of strategic and organisational conflict in time. Particularly in the initial phase, the agent will have to invest time and energy in communication with lower levels in the organisation, and transform any resistance to the alliance into co-operation and commitment. The coach or consultant may make a contribution during the whole process, both in an expert and a process role. Particularly when bridging cultural differences and removing resistance is necessary, an independent and objective outsider sometimes turns out to be indispensable in practice.

The added value to our research, of the framework on alliance implementation discussed here, lies in a number of areas. First of all, the expansion of the original focus on strategic and organisational fit. The importance of a good cultural fit for example, is especially manifest during implementation. This must be already taken into account during the decision making process. Secondly, a sharpened insight into the dynamic of fit. Strategic fit is not a static, fixed fact, but will quite often come up for discussion throughout the alliance. It is dependent on the relationship between, and the commitment of, the sponsors and agents whether this will ultimately lead to an adjustment of the alliance objectives or design or not.

The third contribution of the research into the implementation of alliances, lies in distinguishing these roles as well as in the way they (may) influence the course of implementation. Previous to the final decision to co-operate, the potential partners must not only estimate the degree of strategic and organisational fit (read the potential of the alliance), they must also determine in how far the factors for successful implementation discussed here may be satisfied (feasibility of the alliance).

In the following chapter, the framework discussed here will be applied to the analysis of the alliance, which was investigated as a conclusion to this research, to wit the Pierrot-Lusso joint venture of Unilever and the Swiss ToniLait.

Notes

[1] Spies, J.D.J. and J.H. Zandbergen, Succesvol implementeren van strategische allianties, Erasmus Universiteit Rotterdam / Coopers & Lybrand, november 1996.

[2] Luimes, W. en M.G.M. Spitholt, Verzelfstandiging van concernonderdelen, een onderzoek naar de meetbaarheid van cultural fit, human fit en synergie, Universiteit Twente, 1993.

[3] Leeuwen, C. van, Sturen op cultuur vergroot de slaagkans van integratieprocessen, intern rapport Coopers & Lybrand, november 1993.

[4] Sanders, G.J.E.M., 'Werken met organisatieculturen bij fusies en overnames', in: Holland Management Review, nr 23, zomer 1990, p. 32 – 38.

[5] ODR, Human resilience to change, brochure from: Conner, D.R., Managing at the speed of Change, Random House, 1993

[6] Ansoff, H.I., Implanting strategic management, 2nd edition, Prentice Hall, London, 1990.

[7] Quote from the interview held with Maljers.

[8] Kanter, R.M., 'Collaborative advantage', in: Harvard Business Review, July/August 1994, p. 96 – 108.

[9] Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

Application of the final framework
7.1 Introduction

Strictly speaking, the final conclusions of this research could have been placed in this chapter. The theoretical framework discussed in Chapter 3 was applied to four case studies, and was developed further on that basis. Adjustments took place in sub-aspects, but the conclusion seems to be justified that the final framework covered the reality of the cases researched. This is certainly so, if the results of the research into the implementation of alliances are also taken into account. A criticism often made of case study research, concerns the external validity (also see 1.5.3, page 21). The research results are usually easily reducible to the specific cases that were researched. The results, however, can not necessarily be generalised into a greater domain than the case studies researched. One can meet this objection (in part), by carrying out an extensive study of the literature prior to the empirical research. Provided that this is done correctly, it may be assumed that the framework then developed, will be applicable to a relatively large domain. This turned out to be the case for the concept of strategic fit, which was developed in Chapter 3. With regard to organisational fit, however, the theoretical framework turned out to link up with the practice insufficiently, which necessitated adjustment. The development of the framework partly took place concurrently. This means that in the final framework, the combined insights of the last three cases are integrated with the initial (theoretical) framework.

With this discussion as starting point, it was decided for reasons of academic rigour to pay more explicit attention to the question of external validity in the empirical research (see also 1.5.3, page 21). This is done in the form of a fifth case study. This "test" case study was executed after winding up the first four cases and integrating the results (see 5.5, page 160). The objective was to gain a first indication of the external validity of the framework developed. A first indication is emphasised here, in that naturally no hard pronouncements on this subject can be made on the basis of one case study. A second objective concerned the (for the first time) integral application of the framework on alliance implementation.
The Pierrot Lusso joint venture of Unilever and the Swiss dairy co-operation ToniLait was selected for this purpose. The joint venture concerned the marketing, sales and distribution of ice cream for the Swiss market. This involves a rather specific alliance for two reasons. Firstly, in that Unilever has traditionally preferred acquisitions instead of strategic alliances. There has been a shift in recent years, however, and alliances are also increasingly formed. This is partly prompted by local legislation (in China for example), and partly by business reasons. Secondly, the Pierrot-Lusso joint venture is exceptional, in that it concerns an alliance between a large multinational with ice cream as core activity, and a local farmers co-operative firm with ice cream as side activity. Thus it involves two different partners, both in the nature and scope of their activities as well as in their managerial and organisational background.

The case study has been conducted in a way, comparable to the previous case studies. After a desk research, interviews were held with two Unilever executives involved in the alliance. The management of the alliance was subsequently interviewed. This concerned both managers originally from

Unilever as well as ToniLait. The analysis was structured in accordance with the adjusted and expanded framework, discussed in 5.5 (page 160). The complete analysis was first discussed with the management of the joint venture, after which the final case study report was written, incorporated in the next section. This report has been approved by the Verwaltungsrat[15] of the joint venture, in which Unilever, ToniLait and the management of the joint venture are represented.

---

[15]In Switzerland, this is a statutory co-ordinating body, to a certain extent comparable to a Board of Supervisory Directors. One difference is that the Verwaltungsrat may be given more operational responsibilities.

7.2   Pierrot-Friola / Lusso-Eldorado

In May 1995, Pierrot-Friola, a division of the Swiss ToniLait, and
Lusso-Eldorado, a division of Unilever, decided to form a joint venture in
the marketing, sales and distribution of ice cream in Switzerland. This
signified further intensification of the existing relationship; an important
part of Lusso-Eldorado's Swiss ice cream production had been transferred
to Toni-Lait a year earlier. The joint venture is called Pierrot-Lusso.

7.2.1   Reason for co-operation

Unilever is a company operating internationally in the field of food and
chemicals. Unilever is the world market leader in the field of ice cream.
In the mid-eighties, after a period of strong growth with a focus upon takeovers,
Unilever defined four core activities. The most important objective were
to diminish the diversity within the company and to better focus the expansion
effort. The four core activities are food, personal care products, detergents
and specialty chemicals. Non-core activities were sold. In order to put the
synergy potential between ice cream activities to better use, a shift occurred
from local to international brands (the Magnum ice cream is a good example
of this), and ice cream production was concentrated in a restricted number
of sites. Small scale sites were only maintained in a number of countries,
as in Switzerland, where there was a considerable import duty on ice cream
by the Swiss government. For Unilever, these duties were equivalent per
thousand litre almost to the average fixed production costs per thousand
litre. Up until 1993, ice cream production in Switzerland was managed by
Lusso-Eldorado, but localised in a site belonging to Astra, another daughter
company of Unilever. Marketing, sales and distribution for the Swiss market
were also taken care of by Lusso-Eldorado.

ToniLait is a merger of five farmers' co-operatives ("Milchverbände").
Together they control around 50 percent of the Swiss Dairy market, making
ToniLait the largest Swiss dairy co-operative. Processing of the milk takes
place locally (close to the farmers), which, however, hinders the
actualization of scale and efficiency advantages. Cream, the basis for ice
cream, is a residual product in the processing of milk. So the production
of ice cream was actually a subsidiary activity, albeit one which made an
important contribution to profit. In 1993, ToniLait obtained the exclusive
rights to the brand name Pierrot-Friola, and a separate legal entity was
formed for the marketing, sales, and distribution of Pierrot-Friola ice cream.
The ice cream production took place in Bern and Zürich.
There was a considerable overcapacity within ToniLait: the total capacity
was actually greater than the total demand of the Swiss market. Among the
farmers, however, the willingness to concentrate production was limited.
They saw the factory as a guaranteed sales channel, and were strongly attached
to local production. The individual members of the co-operative, the farmers,
have significant influence upon the policy of their Milchverband. In the
mid nineties, a reorganisation was put into effect by ToniLait, with the
aim of professionalising the management. As a result of this, the influence
of individual farmers has decreased and the Verwaltungsrat has delegated
more powers to the Toni management.

In 1992, when Unilever stopped Astra's production activities, Lusso-Eldorado
was confronted with a major increase in its overheads. Up until then, these
had always been shared with Astra. This was occasion for the management to

investigate whether ice cream production should not also be transferred to another site. In general, there were two options: the European Unilever plants, or outsourcing to a local partner in Switzerland. Due to high import duties, the latter was chosen, in spite of the fact that in doing this, the opportunity for extra cover for Unilever's overheads was not utilised. In view of its huge overcapacity, ToniLait was an obvious partner. Agreement on this was reached quite quickly. Moreover, a few options for stepping up the co-operation were incorporated into the production agreement. Outsourcing the ice cream production to Toni was an initial, and in retrospect important, step in the direction of more intensive co-operation. Quite soon after the transfer of the greatest part of the production to ToniLait, Pierrot-Friola was also approached by Lusso-Eldorado about co-operating in the field of marketing, sales and distribution (see further 7.2.2, page 196).

Talks were held with the Pierrot-Friola management and the former chairman of ToniLait. Although ToniLait also recognised the advantages of co-operation, initial talks came to nothing, nonetheless. At first both parties wanted 51 percent of the shares in the joint venture to be formed. A 50-50 division was the Toni chairman's utmost concession. This proposal, ultimately supported by the Unilever Food executive responsible, was nonetheless rejected by the Unilever Special Committee. As a matter of principle, Unilever was not prepared to participate in an alliance, if its interest were not to be at least 51 percent. This was not acceptable to ToniLait for two reasons.
Firstly, people were not fully convinced of the necessity for co-operation at the time and were therefore hardly prepared to make concessions. Restricted insight into the cost structure of the co-operative also played a role in this. Secondly, the then chairman of ToniLait had presided at the birth of Pierrot-Friola. The emotional link he had with the company raised a barrier to his relinquishing (a part of) his control. This was reinforced by the attitude of his Verwaltungsrat, which attached importance to maintaining control over Pierrot-Friola for other reasons. Although only a small part (seven percent) of the total turnover, they saw this as a guaranteed channel of profit for their core product, milk.

After discontinuing the talks, both parties had no further discussion on more intensive co-operation for more than a year. This had no further consequences for the production agreement. In August 1994 the chairman of ToniLait was replaced (by the present one) as a result of the reorganisation within ToniLait previously mentioned. This was reason enough for Lusso-Eldorado to bring up the possibility of far-reaching co-operation once again. As early as a month after the first talk, a letter of intent was composed by Lusso-Eldorado and ToniLait, to intensify the talks. According to those involved, the positive experience with co-operation on production had certainly stimulated this process. The final contract was signed eight months later (see figure below).

Figure 7.1: Phasing of the Pierrot-Lusso alliance process

In the end, the negotiations took longer than expected. In particular, this was due to the partners holding lengthy and profound discussions on all possible issues. Both the design as well as the implementation of the alliance were elaborated in detail, before it was made public. The number of managers involved was kept low on purpose (eight), because strict secrecy both internally and

externally was desired. Externally, this was due to possible reaction from Nestlé, the most important competitor. Internally, this was because close involvement of both parent companies would have put too great a pressure on the process, according to the managers involved.

An additional argument for keeping the number of those involved low, was that consensus on management level was deemed crucial for alliance success. Bringing the views and opinions of a restricted number of people into alignment was already experienced as troublesome enough. Involving more parties would have probably complicated the discussions too much, according to both Pierrot-Friola and Lusso-Eldorado. The negotiations almost ended prematurely several times, because the issues threatened to prove irresolvable by the partners. The commitment of both boards, the thorough preparation and the belief in consensus were decisive, however.

7.2.2   Strategic background and strategic fit

The strategic fit between both partners was reasonable to good on different points, be it that the strategic background and starting position of Pierrot-Friola and Lusso-Eldorado essentially differed. For the moment, this does not seem to stand in the way of the success of the alliance, but in future the partners must be alert to a possible disturbance of the present balance. The strategic fit between both partners will be analysed more closely below in the light of the adapted framework (see 5.5, page 160).

Partners strategic vision on the development of their business

Prior to the initial discussions, Lusso-Eldorado had made an accurate analysis of its strategic position and the expected developments in the Swiss market. This was supported among other things by extensive Unilever know how and experience. Several sessions were spent on this subject with the Lusso-Eldorado board. Lusso-Eldorado saw itself confronted with a number of developments that might put its competitive position under pressure. These were:

the stagnating market and overcapacity in Switzerland;
the strong influence of co-operations on the distribution of ice cream;
concentration among retailers and strong ROBs (Retailer Owned Brands);
shift to international brands (marketing and production);
strong pressure on the cost price of products;
gradual opening of Swiss ice cream market.

The new chairman of Pierrot-Friola did not have much experience in the ice cream business, but he subscribed to the analysis Lusso-Eldorado presented to him in the first (orientation) discussion to a significant extent. Moreover, the conclusions where roughly similar to those of an earlier analysis by the Pierrot-Friola board. The common vision at management level formed a good starting point for the negotiations;

both partners recognised the potential for co-operation. Furthermore, the new chairman, in contrast to his predecessor, had no emotional tie to Pierrot-Friola and saw collaboration primarily as a business issue.

Strategic importance alliance

In view of their different background and starting position, the developments mentioned had a different impact on each partner. Unilever was one of the moving forces behind the rise of international brands. This enabled Unilever to gain important synergies in the field of marketing and production and to strengthen the competitive position with regard to local players. The

influence of co-operatives and the import duties formed the most important problem for Unilever/ LussoEldorado in Switzerland. There was certainly no direct pressure upon continuity.

The co-operation was primarily of an offensive nature for Unilever. The distribution network could be enlarged, an important strategic asset in the ice cream market, causing the market share of the international Unilever brands to double. An additional advantage of the co-operation was that it prevented Nestlé being able to close a similar deal with Pierrot-Friola. The direct threat of the developments mentioned was very much greater for Pierrot-Friola than for Unilever. She had none of the international brands which, partly as a result of TV advertisements on foreign channels, were becoming increasingly popular. If the Swiss market should in actual fact deregulate, Pierrot-Friola would have a considerable cost disadvantage, compared to international players such as Unilever. Co-operation with an international company was imperative for Pierrot-Friola, in order to obtain access to international brands, and to better utilize its production capacity. For Pierrot-Friola the alliance was more defensive in nature.

Financially speaking, the co-operation was more important for ToniLait than for Unilever. At the time ToniLait was operating at a loss, which could be compensated for by good results from Pierrot-Friola. Cost reduction and economies of scale were important motivations for both partners. From a strategic point of view, the alliance was more important to Unilever, in that ice cream belonged to its core business; this was in contrast to ToniLait.

Compatibility of strategies and objectives

The alliance objectives of both partners were reconcilable to a great degree, precisely because of the difference in backgrounds and starting positions. The most important objectives are summarised in the figure below.

Figure 7.2: Alliance objectives Lusso-Eldorado and Pierrot-Friola

There was distinct apprehension within ToniLait about co-operation with a large multi-national like Unilever, certainly at the beginning of the alliance talks. This is moreover a familiar emotion, often encountered in alliance processes where there are great differences in size and experience. The fear of a complete takeover (in the long term) was unfounded, given that Unilever has no ambitions at all in the dairy field, ToniLait's core activity. This in contrast to Nestlé, who does count dairy products as part of its core business. So in this respect, the corporate strategies were compatible.

Nevertheless, there is a question of a potential risk in the long term, due to Unilever's great efforts for concentration and cost efficiency in Europe; this will cause the average cost price per 1000 litre to be structurally lowered. As a result of this, local production in Switzerland might be economically irresponsible in spite of all import duties, if ToniLait turns out not to be able to realise a competitive cost level. The deregulation expected would only increase this problem. Both partners were duly aware of this risk. There were therefore long term agreements made concerning volumes and prices in the final co-operation accord. They assume a gradual cost reduction by ToniLait to Unilever Best Proven Practice level. However, in doing so it is recognised that the co-operation was partly prompted by circumstances which were probably temporary. If this had not been dealt with in advance, both partners would certainly have had to confront each other during the co-operation. This underlines the importance of thorough preparation, where the potential partners do not postpone these kinds of difficult questions, but attempt to arrive at a solution together.

Mutual goal dependency

Unilever in Switzerland was dependent on a local partner in order to avoid import duties and to strengthen the brand position. Due to the market structure (great influence of co-operatives), it was difficult to increase the market share of at least 30 percent autonomously. Pierrot-Friola was, as has been mentioned, dependent on an international partner to obtain access to international brands and to utilise overcapacity (also see figure). For both partners it was true that neither Nestlé nor a regional player was an alternative.

Nestlé is a global competitor of Unilever with own brands, and would demand a (more) dominant role in the co-operation. Regional players do not possess the national spread in their distribution network that is necessary for Unilever. Nestlé was not an attractive alternative for Pierrot-Friola, because Nestlé possesses its own production capacity in Switzerland (at the time of the talks Lusso-Eldorado no longer did) and has dairy as its core activity. A co-operation with Nestlé would very likely have resulted in the restructuring or closing of ToniLait's ice cream production. Regional players did not possess the international brands imperative for Pierrot-Friola, and also had their own production capacity. Although this was not experienced as such during the negotiations, Pierrot-Friola and Lusso-Eldorado were condemned to each other to a certain extent.

Figure 7.3: Mutual dependency Lusso and Pierrot

Acceptance by the market

An important element of the alliance was the integration of marketing and distribution activities. Up until then, both partners had their own distribution network, co-ordinated in a specific region by their own depot or a wholesaler. For Pierrot-Friola, the wholesale share was at least 30 percent of the total volume, for Lusso-Eldorado this was around 20 percent. A difficult problem with integrating both networks, was that Pierrot-Friola and Lusso-Eldorado each had their own wholesaler in a number of regions, or that one of both had an own depot and the other was operating via a wholesaler (also see figure).

Figure 7.4: Strategy towards wholesalers

Four regions constituted a problem, in that here was overlap and wholesalers with a strong (contractual) position. A substantial risk was that these wholesalers might combine forces, if their contracts were ended abruptly (apart from possible legal consequences). In that case, Pierrot-Friola and Lusso-Eldorado would have created a new competitor, with a network already in operation. In the period between the detailed letter of intent and the final contract, this formed a tricky question during the negotiations. In the end, a strategy was devised for each of the problem cases. They were then approached collectively. This led to two being taken over, two merging and one remaining a partner. It was exceptionally difficult to reach an agreement with one wholesaler; he was eventually paid compensation. In this phase, a considerable appeal was made to the commitment of both partners, seeing as the ending of a relationship of many years with their

wholesalers was the first concrete step to co-operation. This was a step, which made the way back less accessible.
Added value to customers

The alliance was primarily formed to realise economies of scale and scope. Co-operation may be advantageous for Pierrot-Friola retailers, in that they too have international Unilever brands at their disposal. Further, the more efficient distribution infra-structure may improve service and delivery time. In order not to disturb the relationship with retailers (and food service outlets) too much, Pierrot-Friola and Lusso-Eldorado retained the sales representative and the people who deliver the ice cream where possible per account, in the initial phase of the co-operation.

Conclusion with regard to strategic fit

The starting point for the co-operation lay in the shared vision of both partners for the future of the Swiss ice cream market and the fact that the alliance objectives of Pierrot-Friola and Lusso-Eldorado were highly compatible. The initial apprehension within ToniLait for a complete takeover by Unilever was unfounded, because Unilever did not count dairy as part of its core business, and in principle did not invest any longer in local production facilities. In that respect Unilever was a much more attractive partner for Pierrot-Friola than Nestlé.

The potential risk of the wholesalers combining forces, was recognised and neutralised in an effective way. This proved one of the most awkward points during the negotiations. The co-operation was of strategic importance for both partners, albeit for different reasons. For Unilever, the motivation primarily arose from specific circumstances in the Swiss market. This means that deregulation of the Swiss market may erode the basis for the co-operation. If ToniLait succeeds in obtaining the cost targets set, the strategic fit may also be retained in the long term. Its background and structure may influence the reorganisation, however. In the figure below the factors discussed in the preceding are summarised.

Figure 7.5: Strategic fit between Lusso-Eldorado and Pierrot-Friola

7.2.3   Alliance design and organisational fit

Lusso-Eldorado and Pierrot-Friola were clearly in agreement as regards the strategic premises. The further elaborating of this (volumes, prices, distribution) and the organisational design of the alliance (division of shares, management structure, etc.) turned out to be a more complicated affair. An intensive form of co-operation was chosen for the Pierrot-Lusso joint venture, in which Unilever clearly has a leading role. Before going into the alliance design chosen and the implementation of the joint venture in more detail, the partners' pre-conditions and the most important organisational differences are discussed.

Pre-conditions Pierrot-Friola and Lusso-Eldorado

Thorough preparation was characteristic of the alliance. Lusso-Eldorado, for instance, had already made an analysis of the pre-conditions the parties involved (Toni, Pierrot-Friola, Unilever and Lusso-Eldorado) were likely to employ. By charting the positions of the players involved in this way, an initial estimation was made of the feasibility of the alliance and the own negotiating strategy could be determined. The chairman of Pierrot-Lusso emphasized the importance of good preparation. According to him, thorough homework diminishes the chance of the partners being taken by surprise during the negotiations, or even taking decisions that, with hindsight, it would have been better not to take.

The most important pre-conditions of Unilever and Lusso-Eldorado were respectively: a majority interest (51%) and management control, financial reporting according to Unilever format and the use of Unilever brands. As a matter of fact, the Lusso-Eldorado management made the following comment in

connection with the majority interest: "....at the end of the day financial participation is irrelevant, it's all about management control and trust." Management control was defined here as ".....running the business according to your own principles and controlling decision making points crucial to the success of the business." Partly due to this, a rigid pre-condition for Lusso-Eldorado was reporting according to Unilever format. ToniLait and Pierrot-Friola had as their most important pre-conditions the maintenance of ToniLait's identity and independence, and full control over their production facilities.

An essential difference with the first talks was that none of the managers of the two parties involved believed that a 50/50 alliance would work in practice. The previous talks had run aground specifically on this point. Further, ToniLait was less attached to the relative interest in the joint venture in the second round of talks.
As remarked on previously, the necessity for co-operation was now more strongly identified, and the chairman of ToniLait had, due to his background, no emotional link with Pierrot-Friola. An additional argument was that ToniLait was undergoing a major reorganisation at that time, so that it was deemed preferable to direct available management capacity to the milk business, while managing the joint venture at more of a distance.
Differences and similarities between partners

During the talks it was clear that, although Lusso-Eldorado and Pierrot-Friola operated in the same market, their basic business paradigm was essentially different. Unilever was an international company with ice cream as its core activity, and a strong focus on margins and brand development. Conversely, Pierrot-Friola formed part of a national farmers' co-operative with ice cream as a side line, and emphasis on volume and production. This entailed a clear difference in the stakes at the talks.

At Unilever, the responsibility for the talks lay with one man, the Executive vice president ice cream and frozen food Europe. On the other hand, at Toni the joint venture had to be approved by the Verwaltungsrat, composed of 19 men, 18 of whom were farmers. Due to their background, they had relatively little affinity with Pierrot-Friola's ice cream activity; as already stated, they saw it primarily as a sales channel for milk. They experienced co-operation with a large multinational as Unilever as threatening (see foregoing). Due to the Verwaltungsrat's many members (a result of mergers), it was exceptionally difficult (and time consuming) to come to a consensus. Unilever clearly had to get used to this.

In the negotiation phase, the chairman of ToniLait played a decisive role. His commitment to the co-operation and the mutual trust between him and the Unilever managers involved, finally convinced the Verwaltungsrat too. That this was not easy became apparent when ToniLait, shortly before signing the final contract, still seemed to have problems with the balance of shares and management structure
already discussed at length. A quick intervention by the Toni chairman prevented the co-operation falling apart.
Organisational design

Unilever has taken an interest of 51 percent in the joint venture Pierrot-Lusso. All sales, marketing and distribution activities of both parties are

transferred to the joint venture. Pierrot-Lusso has no ice cream production capacity of its own. Both partners had their own reasons for this. At the time, it was clear that in order to arrive at a competitive cost level, ToniLait would have to hold another efficiency drive.

If production were also to be incorporated in the joint venture, Unilever would have been jointly responsible for it. This was not considered desirable by Unilever, given the great difference in business philosophy between ToniLait and Unilever. In addition, an important factor is naturally that Unilever had ceased local production shortly beforehand, in attempting concentration in Europe. Moreover, one may well ask whether ToniLait would have been at all keen to include ice cream production in the co-operation as well, in that they wished to retain full control over this at all costs.

Management structure

Daily control of the joint venture is in the hands of the management. The chairman of Lusso-Eldorado is now chairman of the joint venture. The management reports to the Pierrot-Lusso Verwaltungsrat in the first instance. In addition, there is an important reporting line to Unilever, the majority shareholder. The Pierrot-Lusso Verwaltungsrat has three members, namely the Executive vice president ice cream and frozen food Europe of Unilever, the chairman of Pierrot-Lusso and the chairman of ToniLait. In order to maintain the balance of power, the latter is also the chairman of the Verwaltungsrat (see diagram below). This was also a quite important token of Unilever's good intentions towards ToniLait. For the same reasons, Pierrot-Lusso was chosen as a name for the joint venture, and not Lusso-Pierrot, which was Unilever's preference.

Figure 7.6: Alliance design Pierrot-Lusso

Partners contribution in the co-operation

Toni's contribution primarily consisted of the "hardware", namely production plants and its offices and cold stores (see figure above). A rental agreement was made for the latter. In addition, long term agreements were made about the ice cream volumes Pierrot-Lusso buys in from Toni (in million litres per year). This volume guarantee was judged essential by Toni.

Hard targets were defined around the price level in this connection. A gradual lowering of the cost price to Unilever Best Proven Practice was thereby presumed. The result of these agreements is that ToniGlace in the years to come must improve the cost efficiency of its ice cream production to an important extent in order to remain operating at a profit. Where necessary ToniLait may consult the knowledge and experience in the field of ice cream production available within Unilever and the best practice analyses of Unilever plants. In addition, ToniLait may participate on a voluntary basis in Unilever's quality audits. Unilever's contribution is also designated the

"software" of the alliance by the Pierrot-Lusso management. This refers in particular to the Unilever brands, the extensive know how in the field of ice cream, the financial reporting system, and the management experience in the field of marketing, sales and distribution.

So within the co-operation, on the one hand a complete integration of marketing, sales and distribution activities has been chosen, and on the other a strict division with regard to ice cream production and the physical infrastructure. For Unilever and Lusso-Eldorado in particular, this was a choice motivated primarily from its long term strategy. With hindsight, it may be asserted that the evaluation made by the Lusso-Eldorado management of the different

parties' preconditions has turned out to be by and large correct. The alliance design chosen incorporates these preconditions in the main.
Implementation and functioning of the joint venture

In addition to the form of co-operation discussed, the way in which the implementation of the alliance was prepared and carried out made an significant contribution to its success, according to the Pierrot-Lusso management. Prior to discussing the conclusions with regard to the degree of organisational fit, the implementation and functioning of the Pierrot-Lusso joint venture will therefore be gone into, applying the framework presented in chapter 5 (see also figure).

Figure 7.7: Framework around alliance implementation
Contribution of different factors to alliance success
From the beginning both sponsors, the chairman of ToniLait and the Unilever Executive vice president, were strongly committed to the alliance. What is more, collaboration for them was seen as a business issue, in which emotional issues, strictly speaking, are omitted. Both were convinced of the importance and potential of co-operation. This commitment and the great mutual trust between both sponsors played an essential role in the realisation of the alliance. The chairman of Toni in particular had to overcome the requisite resistance in his organisation to the plans for co-operation. Unilever's Executive vice president ice cream and frozen food also filled a coaching role during the negotiations, which were largely carried out in his name by the management of Lusso-Eldorado. Both parties commented that he had hauled the alliance talks between Pierrot-Friola and Lusso-Eldorado out of an impasse several times, due to his years of experience with takeover and alliance processes. He had given advice at critical moments, or intervened more directly, for instance in the case of the decision-making around the most critical wholesaler. Human fit existed not only between the sponsors of the alliance, but also between the two boards. The difference in background was noticeable (multinational versus co-operative), but on both sides there was understanding for the partner. The recognition and discussing of differences was considered essential in this.

The operating style of the chairman of Lusso-Eldorado (and later of Pierrot-Lusso) was experienced as positive by those involved during the implementation of the alliance. In particular, this pertained to his open attitude, the professional and objective approach, the avoidance of conflicts where possible and his collaborative attitude. It was
apparent from the discussions that he was thoroughly aware of the initial apprehension which many people had on domination by Unilever and the possible consequences for their position.
Role of trust
The trust between the managers involved formed a good starting point for the talks. Trust was not only determined by the fact that they simply got on well together, but was also due to the positive experiences gained with the production agreement in the year previous to the talks on more intensive co-operation. With hindsight, this adjustment period was experienced as particularly important by Pierrot-Friola and Toni. Toni's trust also had a certain element of rationality, in that it was quite quickly clear that Lusso-Eldorado was not aiming at a takeover of the production capacity (on the contrary) and Unilever had no intention to become active in dairy.

Trust is not an objective fact, but a result of the behaviour of the parties involved. In other words: the initial trust must be reinforced by day-to-day practice. According to Pierrot-Lusso's management, the partners must try where possible to confirm and reinforce trust, and restrict formal interventions to a minimum. The Verwaltungsrat has delegated the majority of its powers to the management of the joint venture. This enables the management to operate with relatively great autonomy for Swiss standards. The Pierrot-Lusso management experiences the trust placed in them as a moral duty to look after the interests of the joint venture and both partners in their mutual relationship as well as possible. Up until now, trust has functioned in this way as a subtle, but effective co-ordination mechanism, as the following incident shows.

In the first six months of the co-operation, it was apparent that Pierrot-Lusso, as a result of disappointing market demand, would not reach the agreed sourcing target (± 5 percent less). In principle, it could have been proposed that Toni would be compensated (financially) for the difference, especially since Pierrot-Lusso was convinced that this did not involve a structural situation. However, in that case, there was a chance that Toni would doubt Unilever's real intentions and might possibly begin to dread a gradual downsizing of its production volume. This would very probably have strengthened the need for more direct management influence on Toni's side. Pierrot-Lusso decided, in consultation with Unilever, to honour the contractual obligations (trust as moral duty). This was done by transferring to the Toni factory a part of the Magnum White production for the Swiss market. Toni's trust was strengthened in this way, and the joint venture's autonomy preserved.

Reduction of resistance
As mentioned earlier, only a small number of managers was involved in the negotiations and the greatest possible secrecy was exercised. This changed, however, when the contract was signed. From that moment on, there was the greatest possible openness of communication with middle management and employees. They were actively involved in all sorts of work groups, with the task of putting the joint venture principles into effect. This occurred in the period between May '95 and December '95, thus before the joint venture was operational. An important objective of the work groups was increasing the organisation's commitment to the joint venture. All work groups had a mixed composition (employees of Pierrot-Friola as well as Lusso-Eldorado). The work groups reported to the interim management team. Fixed deadlines were adhered to, in order to guarantee progress. Rapid implementation was important, considering the start of the new season.

With regard to this process, a member of the board originally from Pierrot-Friola commented that it was his experience that more explicit attention could have been paid to the cultural alignment at middle management level. The top of both organisations had been involved in a lengthy process, in which people could gradually get used to the perspective of the co-operation. However, this did not apply to the rest of the organisation. The middle management were to a certain extent jumping on a moving train when they became part of the work groups. There the emphasis lay on the joint execution of section aspects, and less on the exchange of images back and forth.

This "phase difference" between the top, the middle management and the rest of the organisation is a regularly occurring problem with such integration processes. The top is usually very committed to the decision to co-operate, but it is occasionally forgotten that those informed about it for the first time later in the process, are not necessarily by definition also committed (also see the figure below).

Figure 7.8: Phase difference between the top and the rest of the organisation

Dynamic strategic fit
In 7.2.2 (page 196) a few notes were made with respect to the long term strategic fit. A challenge to the joint venture is also to guarantee the strategic fit in the future. It is clear that ToniLait in particular will have to make major efforts to reach the targets agreed on. For the moment, Unilever is clearly prepared to support ToniLait with its knowledge and know how. Nevertheless, it is out of the question that Unilever would increase this involvement if Toni were not to put the requisite cost reductions into practice. In spite of the fact that trust and human fit are deemed essential, the co-operation remains primarily a business consideration to Unilever. A consideration of which the outcome may change in course of time.
Conclusions with regard to organisational fit

At the time of the interviews, the joint venture had been operational for six months. This first phase was experienced as successful by the management of Pierrot-Lusso. As already stated, the implementation went well, and both partners have taken a significant step in the direction of realising their strategic objectives.
Complexity, management control and flexibility
The joint venture is restricted to marketing, sales and distribution. If the ice cream production had also been included, the *complexity* would have increased and the likelihood of conflict made greater. The more intensive integration of both organisations seemed a difficult task, but it did finally enable effective management of the joint operations and the realisation of economies of scale. In view of its bargaining position, Unilever had a dominant role in the joint venture. For the time being, formal *control* appears to play a subordinate role. The Pierrot-Lusso joint venture shows that trust and the moral obligation accompanying it, can be a very effective coordinating mechanism. The future will show whether the long term delivery contracts entered into will not put pressure on *flexibility*. This in the light of the possible deregulation of the Swiss market, and the increasing competition and internationalization in the ice cream market.
Core questions organisational fit

> *To what degree do organisational similarities and differences between the partners stimulate or hinder successful co-operation?*
> Pierrot-Friola and Lusso-Eldorado clearly had a different business paradigm, in view of their background. However, the influence of this on the alliance seems restricted. Presumably, the more intensive organisational integration played a role in this.

The fact is, if both marketing, sales and distribution organisations had continued to exist alongside each other, the differences would have also remained, with all the problems of alignment. Integrating both organisations was certainly tricky, but enabled the active management of differences. An advantage for Pierrot-Friola employees was that co-operation with Unilever offered interesting developmental potential, they did not posses in a small scale organisation like Pierrot-Friola.

Do the partners have a shared vision on the alliance design?
Throughout the negotiations, there clearly a common vision of the alliance design. Consider, for instance, the common doubt around a 50/50 construction and the wish to exclude the production. In the preceding, it was apparent that this was motivated by differing circumstances. Detailed interpretation demanded several difficult discussions. Continually having to seek for consensus made demands on the partners' commitment, but prevented a lot of problems at a later stage.

Are (potential) strategic conflicts overcome by the alliance design chosen?
As it happens, the strategic obstacles seem to have been overcome for the time being. Firstly, this concerned the possible reaction of the own wholesalers and secondly, the development of Toni's cost price level. This, however, does not alter the fact that the partners must take the alliance's risk profile expressly into account (see further).

Does the alliance design chosen enable partners to realise their strategy?
The objectives of the partners have already been realised to an important degree in the first year. Without investing in production facilities, Unilever secured local ice cream production, so that import duties are avoided. In addition, the brand position has been doubled by the joint venture. Pierrot-Lusso is the biggest player in the Swiss ice cream market. Through the joint venture, ToniLait has realised a guaranteed occupation of its production apparatus (against fixed volumes and prices), and Pierrot-Friola has gained entrance to the strategically essential international brands. The distribution networks are directly integrated, which has yielded considerable economies of scale. Up until now, however, the financial results have not improved, as a result of the integration costs incurred. Nevertheless, the partners expect the joint venture to form a good basis for improved results in the future.

To summarise, it may be concluded that the organisational fit between Pierrot-Friola and Lusso-Eldorado was good. This, and the way in which the joint venture has been prepared and implemented, has made an essential contribution to the success of the joint venture, according to the Pierrot-Lusso management. The question is whether the alliance will remain successful for both partners

in the future. The answer will be determined by the way in which the partners react to a number of internal and external developments, which in part may, in part will, occur. The most important are summarised in the table below.

Possible development	Likely impact	Additional remarks
European concentration of Unilever production	Cost price difference exceeds import fees and transportation costs	Prices in contract are lowered each year to reduce difference
Deregulation of Swiss ice cream market	Major motive for co-operation is lost and Toni has to compete with Unilever plants	Guaranteed volumes for the years to come
Shift in management and/or Verwaltungsrat Pierrot-Lusso	Commitment of people involved from start is lost, trust must be re- build and balance may be disturbed	Shifts are inevitable because of career development key people
Underperformance Pierrot-Lusso	Targets are not met and Toni or Verwaltungsrat may claim more influence	Commitment and trust are necessary in start up period
Restructuring of Toni production too slow	Toni will operate with increasing losses (prices are lowered each year)	Restructuring is only solution but requires investments and know how

Figure 7.9: Possible future development Pierrot-Lusso joint venture

On this basis, it must be established that a good foundation for co-operation has been laid down during the past year, but that this is no guarantee for the future. Partly due to the discrepancy in business paradigm and corporate strategy, the stability of the co-operation may come under pressure in the long term. The partners must be aware of this, and react in time to the developments cited. This will very probably make a renewed appeal to mutual commitment and trust.

7.3   Conclusions around external validity framework

The objective of this chapter is to obtain a first indication of the external
validity of the framework developed. In this connection, three questions
must be addressed. In the first place, the question whether the formation
and development of the Pierrot-Lusso alliance process can be explained in
the light of the framework. Closely connected to this, is the question whether
the framework is comprehensive. If both questions can answered positively,
then it may be presumed that the framework developed will also be valid in
new, comparable situations. The third question relevant in this context,
is whether the expansions of the framework on the basis of both the case
studies and the research into the implementation of strategic alliances,
have an added value with respect to the initial factors. These three questions
will be answered briefly in the following.

7.3.1   Formation and development of the alliance

Thorough preparation of the alliance negotiations and a detailed planning
of the implementation of the joint venture, were characteristic of the
Pierrot-Lusso joint venture. Perhaps partly due to this, a number of tense
moments were experienced during the negotiations, where the continuation
of the alliance was clearly in question. In analysing the joint venture with
the aid of the framework, it became clear that the drivers for co-operation
and potential problem areas, were identified relatively quickly. Because
of this, it was possible to perform an effective analysis of the formation
and development of the alliance, as well as potential future conflicts. This
was also apparent from the discussion both of the draft and the final report
with the Pierrot-Lusso management and the Unilever Executive Vice President
responsible. The analysis was judged comprehensive, and the conclusions were
endorsed to a great extent. Major adjustments of the content were not deemed
necessary on the basis of these discussions.

7.3.2   Framework comprehensiveness

The endeavour to create a generally applicable framework, means that
concessions must be made now and again. These particularly concern the balance
between generic criteria on the one hand, and specific, situation dependent
criteria on the other. In reality, this means that the framework can almost
never encompass the complex reality of a strategic alliance in its totality.
Each situation is unique, and has its own exceptions. Nonetheless it may
be concluded that the alliances researched turned out to be comparable with
respect to the issues playing a role. It is on this level that the
comprehensiveness of the framework must be judged.
The conclusion that the framework in its present form enabled an integral
and coherent evaluation of the alliance, would seem to be justified on the
grounds of the Pierrot-Lusso case study. It has been concluded on the basis
of the cases researched here, that there is no reason to doubt the
comprehensiveness of the framework at the moment. Naturally, this is in the
light of the comments made in previous paragraphs.

Combined with the fact, that it was established that the origin and development
of the joint venture could be satisfactorily explained,
this justifies the conclusion that the framework developed also seems valid
outside the research population.

7.3.3   Added value of framework expansions

The integration of the case study results in the theoretical framework, and the supplementary research into the implementation of alliances, have led to an improvement and enrichment of the framework. Firstly, this concerns the addition of new factors, enabling improved analysis of a particular alliance. Examples are: the reaction from the market, the partners' common vision on their environment, the risk profile of the alliance, and the degree to which the alliance design overcomes potential strategic problems.

Perhaps even more important than the expansion by new factors, is the fact that the case studies and the implementation research have enhanced the framework dynamic. The nature and complexity of alliance processes, means that fit cannot be viewed as a static, isolated fact, which does not change after the alliance has been formed. On the contrary, the case studies make clear that partners must be continually alert to possible shifts in the alliance equilibrium. The framework developed may serve as a guide line for the discussion, evaluation and if necessary adjustment of the alliance. This dynamic has been taken into account by also paying attention to potential conflicts in the framework, for example, and the degree to which these have been cleared. In this connection also see the risk factors of the Pierrot-Lusso joint venture, discussed on page 211.

By identifying, in Chapter 6, the actors and factors relevant to the implementation of alliances, the concern for this dynamic is further reinforced, and translated into concrete recommendations for companies contemplating entering into an alliance. On balance, it must therefore be concluded, that not only the external validity of the research results may be evaluated positively, but that the final framework does more justice to the complexity and dynamic inherent in strategic alliances.

Conclusions and recommendations
8.1   Introduction

In Business Administration, it is particularly important that academic research should not only lead to increased insight into specific subjects. Perhaps even more, it should also make a contribution to the solution of issues confronting managers in their everyday practice. Two points ought to be considered in the context of this chapter. In the first place, there are the scientific results of the research. These concern the added value of the research results for the field of strategic management, and Business Administration in general. Secondly, there are the practical results of the research. These mainly pertain to the added value of the framework developed here, for managers of companies contemplating entering into a strategic alliance. In fact, this involves the question whether or not the quality of the collective decision making process is improved by applying the framework developed. In this chapter, the scientific and practical contribution of this research will be treated in the light of seven questions, reproduced in the text box below.

Figure 8.1: Questions regarding scientific and practical results

Before answering these questions, two comments should be made. The integration of the case study results and the theoretical framework has already been gone into in 5.5 (page 160). Here, the cases are compared to each other and new factors, deemed to determine the strategic and organisational fit, have been identified on the basis of the case study results. In Chapter 7, the issue of (external) validity was discussed in the light of the Unilever case study. Neither of these points are therefore dealt with in more detail in the following.
8.2   Scientific results and framework developed

The scientific contribution of this research lies in a number of areas. First of all, a clear definition of strategic alliances has been developed. Secondly,

Scientific results
Have the research objectives been realised?
Which factors determine alliance success?
Was the chosen research method effective?
Does the research contribute to the insight into strategic alliances?
Can potential follow-up research be indicated?
Practical results
Does the framework offer added value in alliance processes?
Can potential partners be given practical recommendations?

insight into strategic alliances has been improved by the elaboration of the fit model, especially with respect to the mutual relationship between strategic and organisational aspects. Thirdly, the research method is of interest, due to the interchange between theory and practice, and the

developmental approach chosen.

8.2.1 Have the research objectives been realised?

Quite consciously, the original research design was focussed on the content aspects of strategic alliances. This is also apparent from the general research question, formulated in 1.3.3 (page 14):

Figure 8.2: Main research question

This is subsequently further delineated in Chapter 2, in which an emphasis on strategic and organisational fit is chosen with as observation that the relationship with cultural and human fit will be (unavoidably) discussed. The process aspects of strategic alliances have initially been excluded from the scope of the research (see
1.2.2). This is due to time considerations on the one hand, and more importantly due to scientific considerations on the other. The expectation existed that an integral approach, which incorporated all relevant aspects at one and the same time in their mutual relationship, would not be feasible, given the complexity of the alliance phenomenon.

In retrospect, it must be concluded that this focus turned out to be important, certainly in the initial phase. The literature study as well as the case studies were conducted in a focussed way due to this, which ultimately led to an elaboration of the concepts strategic and organisational fit. Because attention was also paid to the mutual relationship between the two, justice has been done to the integral character of strategic alliances. The case studies discussed, show that the degree of strategic and organisational fit directly influences alliance success. This means that when potential partners

> Supposing a limited number of companies plan to form a strategic alliance
> in order to realise their strategic objectives, what then are the
> most important factors to be considered throughout the
> collective decision-making process, to maximize the
> alliance's chance of success?

jointly conclude during the alliance negotiations, that both strategic as well as organisational fit exists between the two of them, it may be assumed a priori that the co-operation has a good chance of success. Thus, the original research objective has been realised.

Perhaps the most difficult phase in a PhD research is the delineation of the research area. The initial focus on content aspects increased the feasibility, but entailed the risk that the dynamic, inherent in alliances, would not be sufficiently incorporated. As in fact might have been expected in advance, however, it became increasingly clear during the empirical research that process aspects, such as trust and resistance to change for example, may have a fundamental influence on the success of alliances. Influences from the environment, but particularly from the own organisations will not infrequently put initial assumptions up for discussion. Due to the (conscious) emphasis on the content aspects, however, this dynamic still was not incorporated into the framework developed.

This observation ultimately led to the supplementary research into the implementation of strategic alliances, already extensively discussed in Chapter 6. Here, it was apparent that the framework already developed around strategic and organisational fit was a good point of departure. In summary, it may be concluded that, on the basis of the research results, an indication may not only be given of the chance of success of the alliance (the initial objective), but that recommendations may also be given with regard to the implementation of the alliance.

With respect to the cases researched it can be concluded that these are relatively intensive alliances. This, as a matter of fact, was not the case for the pilot case study and the alliances that have been interviewed for the purpose of the research into alliance implementation. The fact that relatively intensive alliances have been researched, might have had consequences for the interpretation of our research results. In section 2.2.3 it was noted that a joint venture is a specific alliance form, where the partners have an equity interest in a separate organisational entity. The question that has to be answered is whether our research results are also applicable to the broader domain of strategic alliances, in stead of the more narrow domain of joint ventures.

As the case study transcripts in Chapter 5 and 7 show, other collaboration projects are often started in the context of a joint venture. One may think in this connection of the new engine development of SWD, the engineering projects of DSM and GB and the production agreement (and additional technical support) that was concluded between Unilever and ToniLait. In addition to this, it must be noted that when partners decide to form a joint venture in stead of a non-equity relationship, they still participate in a collaborative relationship with all the dilemmas, alignment issues and potential conflicts that are generally connected with such a relationship. On the basis of these points it can therefore be concluded that our research results are, in principle, applicable to strategic alliances in general.

Two comments should be made in this connection. The first comment concerns the external validity. A consequence of case study research is that the external validity can not be fully guaranteed. For this reason only a first indication of the external validity has been obtained in Chapter 7. Nonetheless, the results of case study research must always be interpreted carefully, when applying them to a new situation. The second comment is closely connected to this and concerns the research objective and scope. Our objective was to develop a generic framework, applicable to the broader domain of strategic alliances. A direct consequence of this is that the final framework that has been developed, can not incorporate all aspects relevant in a specific situation. With our framework as a starting point and guidance, a tailor-made approach is to be advised under all circumstances, in order to arrive at a succesfull alliance.

8.2.2 Which factors determine alliance success?

The main result of this research is the framework regarding strategic and organisational fit. The added value of our framework is the elaboration of both concepts and the further explication of their mutual relation, as well as the relationship with concepts such as trust and cultural fit.

Strategic fit

Strategic fit is primarily concerned with the question whether there is a sufficient strategic basis for successful co-operation. Our research shows that if no strategic fit exists between partners, and there is no concrete prospect of improvement in this situation, co-operation is not desirable. Strategic fit is determined by a number of factors.

Firstly, there is the importance of the alliance. If the alliance does not have strategic importance for both partners, they will probably be insufficiently committed to making the necessary efforts and concessions for the alliance. Secondly, there is the compatibility of strategies and objectives. Closely connected to this, is the question whether the partners have a common vision of the developments in their environment, and the consequences of this for their own company. In the fourth place, strategic fit is determined by the degree of mutual dependency of the partners. The complementary balance of knowledge, resources, markets and products is particularly concerned here. Finally, a good strategic fit means that the alliance has added value
for the partners and/or their buyers, and is accepted by the market (buyers and governments). Prior to the final decision to co-operate, the partners must make a careful estimation of the degree of strategic fit, in the light of these factors. At the same time, potential (strategic) conflicts and the risks connected with the alliance must be considered
Organisational fit

A limited strategic fit does not mean by definition that co-operation is undesirable. Our research shows that the alliance design implemented may overcome potential strategic conflicts, so that the degree of strategic fit is strengthened in the long term. This does, however, make demands of the commitment and flexibility of the partners involved. Organisational fit is primarily concerned with the question whether the alliance design the partners intend is effective, given the alliance objectives and possible organisational differences between the partners.

In the first place, organisational fit is determined by the degree to which organisational similarities and differences either hinder op stimulate successful collaboration, or stimulate it. It is quite possible either for two dissimilar cultures to reinforce and complement each other within the context of an alliance, or for two comparable cultures to clash. In the second place, the organisational fit between alliance partners is determined by the degree to which they develop a shared vision on the alliance design. The structure of the alliance, the staffing of management positions, the way in which the alliance is managed and the division of profits and costs, are concerned here, among other things.

The third factor determining organisational fit, is the degree to which the intended alliance design enables the partners to overcome potential strategic conflicts. It was apparent in one of the alliances researched, that the risk of knowledge transfer regarding each partners' core technologies was effectively neutralised by the project organisation implemented.
Further, the partners should only co-operate on those activities where this clearly has added value. A more intensive alliance is quite often decided on than is strictly necessary. Focus, however, is essential. Finally, organisational fit is determined by the question whether or not the alliance design enables the partners to realise their alliance objectives. The factors

distinguished are summarised in the figure below.

Figure 8.3: Summary of the final framework around strategic and organisational fit

8.2.2   Was the chosen research method effective?

The interchange between theory and practice has increased the practical usefulness of the framework developed. Naturally, the literature study and the cases researched formed the most significant input. Nevertheless, the experience gained in consultancy projects concerning strategic alliances implicitly played a role too. In the first place,
this enlarged the frame of reference of the researcher. This experience enabled a relatively rapid analysis of the cases (distinction between main and side issues). At the same time, it turned out to be relevant to the integration of the case study results in the theoretical framework (evaluation of the practical relevance of factors).

With hindsight, the decision to distinguish between different types of case studies in the empirical research, may be judged as a correct one. In this connection, one may think in particular of the adjustment of the framework around organisational fit, which took place on the basis of the pilot case. This case study showed that the theoretical framework developed was indeed relevant in sub aspects, but did not yet sufficiently relate to the everyday practice of alliance processes.
If a quantitative research method had been chosen that was directed at testing hypotheses, formulated on the basis of the available literature, then this adjustment would probably not have occurred in the same substantial way. The formulated hypotheses would only have been rejected. The final case study is a first reaction to the criticism often made concerning the external validity of case study research.

Given the research research (theory development) and the nature and complexity of the research object, the research method chosen must be deemed effective (see also the next sub section). It may be generally concluded that Business Administration research benefits from empirical research and practical experience. This clarifies the sort of problems managers are confronted with in practice and the way these problems should be addressed scientifically, in order to develop generic solutions. Collaboration between universities and the business community, as in this research, is relevant for these reasons. It gives the researcher the practical experience, needed to enhance the practical value of the knowledge developed.

8.2.4   Does the research contribute to the insight in strategic alliances?

The added value of our research to the existing literature on strategic alliances, is determined by the perspective chosen in the first place. Where many authors have chosen the perspective of the individual partners, here the collective alignment is chosen as dominant perspective. Secondly, the added value is determined by recognising the dynamic to which the assumptions of the alliance are subject, and the integration of strategic and organisational factors. These points are discussed below.
Collective alignment perspective

Our research shows that entering into a strategic alliance demands a different attitude and operating style compared to a strategy based on direct competition. In strategic alliances, it is virtually pointless to aim at one-sided advantages at the cost of the partner, in that this will erode the foundations of the alliance. The attempt at a win-win situation appeared to be a success factor in all the alliances researched. A collaborative attitude and shared advantages are essential for this.

With the concept of fit, the thinking on strategic alliances gains substantial depth. The issue of collective alignment is made central, instead of the separate strategy formulation of the partners. In actual fact, by basing the framework on the concept of fit, another philosophy has been chosen. By not defining fit as equality, it became clear that diversity in the strategies and organisations of the partners does not have to be a problem in itself, as long as these are compatible.

Although fit within the literature is not a new concept, it must be noted that up until now no detailed elaboration has been given of the factors that determine strategic and organisational fit. A contribution of this research to the existing literature on strategic alliances lies herein.

Integration of strategic and organisational factors

One of the premises serving as starting point for this research, is that strategic and organisational factors should be considered in their mutual relationship, in order to enable the requisite integral evaluation an alliance. This premise turned out to be correct, with hindsight. Our research shows that the strategic assumptions and the alliance objectives of both partners have a direct influence on the alliance design chosen. The other way round is also true; the organisational (im)possibilities of the two partners may be reflected in the alliance's ambitions. If, for example, a great degree of resistance to co-operation is expected, then this may lead to the alliance being implemented less rapidly or on a smaller scale.

With the elaboration of the concept of fit, the mutual relationship between strategic and organisational factors is explicated. On the basis of the literature study as well as the empirical research, trust appeared to play an essential role in this connection. To a certain extent, trust is the lubrication of a strategic alliance. Trust increases openness in the negotiations, reduces the need for control and lessens the chance of opportunistic behaviour. Within the literature, trust is particularly related to the organisational design of the alliance. This research yielded a distinction between emotional and rational trust. The latter appears to be determined by the strategic pressure experienced by the partners. In this way, trust forges a link between strategic and organisational aspects.

Dynamic of alliances

The initial theoretical framework, recapitulated in 3.4 (page 79), was perhaps rather static in nature. The case studies in particular expanded insight into the dynamic of strategic alliances. The decision to co-operate signifies the end of an often intensive negotiation process, but at the same time the beginning of a perhaps even more difficult task. Our research shows that for a successful alliance, it is essential that the partners remain actively focussed on a good fit, also after the negotiations. As a result of changes in the environment and in the partners' organisations, the degree of fit may improve or deteriorate in each of the five areas differentiated. If fit

is considered a static factor, insufficient justice will be done to the dynamic of alliance processes.

In the first instance, the framework developed here was particularly directed at supporting decision making prior to the alliance. During the empirical research, however, it became clear that the framework also has added value after the formation of the alliance. It enables a quick evaluation of the alliance, on the basis of which deviations with respect to the initial premises may be identified.

Implementation aspects

It was apparent from the literature survey carried out by Spies and Zandbergen in the context of this research into the implementation of alliances, that implementation is an underexposed aspect within the alliance literature. Many articles pay attention to the importance of culture differences and trust, but there is relatively little indication given about the way in which the implementation of an alliance should be designed, and about the roles which may be differentiated in this connection. An initial elaboration of this is given in Chapter 6. The identification of different factors and the role they fulfil, has increased insight into the implementation of strategic alliances and the dynamic pertaining to them. This is a contribution to the existing literature. Strategic and organisational fit as well as trust between the partners, also appeared to play a role in the implementation of strategic alliances. This further explicates the relationship between strategic and organisational factors.

8.2.5   Can possible follow-up research be indicated?

In the foregoing, the scientific contribution of this research has been gone into. It is apparent that insight into the functioning of alliances has been increased by the elaboration of the concept of fit. Nevertheless, it is not claimed that the phenomenon of strategic alliance has now been completely charted. On the contrary, the potential for follow-up research in the field of strategic alliances is legion. To mention every relevant possibility in this connection would be going too far. Discussion is restricted here to the most important areas that came to the fore during our research.

An obvious possibility for follow-up research concerns the testing of the hypotheses that have been derived from the theoretical framework developed (see 5.5, page 170). For example, this could take place using a large scale questionnaire to companies involved in a strategic alliance. The immediate question to be posed, however, is to what extent such research would increase insight into the functioning of alliances, other than not rejecting the hypotheses underlying the framework, which are already assumed to have external validity.

A second question in this connection, is whether a complex phenomenon like the formation, implementation and management of strategic alliances should be researched in this way at all. The mutual dependencies and the dynamic are such that the practical relevance of quantitative research in this areas may be doubted.

The content aspects of strategic alliances are covered to a significant extent by the framework developed here around fit. As already mentioned earlier, the scope of the research has been gradually broadened to include process aspects. These, however, have clearly been researched less profoundly than

the content aspects. Follow-up research would therefore be useful in this area. An initial step is taken with the implementation framework discussed in Chapter 6, but a further and more profound elaboration of this might further increase the practical applicability. Follow-up research might be directed at the way in which
cultural differences may be identified and managed, and a more detailed elaboration of the different roles.

Perhaps the most interesting area for follow-up research concerns the management of strategic alliances. The case studies carried out in this research show that the alliance manager's operating style, and the way he manages the alliance, are of considerable importance to the development of the alliance. A number of general characteristics of a good agent of change are already named in 6.3.6 (page 186). Follow-up research may expand, adjust and translate these into an effective operating style for alliance managers.

8.3   Practical recommendations to alliance partners

A demand made of the framework to be developed is that it should be of practical use and enhance the quality of the decision making process of the (potential) alliance partners (see 1.3.4, page 14). After all, the whole point of Business Administration's existence lies in its contribution to practical problems. First, the added value of the framework in alliance processes is explored in the following. Based on a general planning of alliance processes, it will subsequently be discussed at what stage the different elements of the framework should be taken into account.

8.3.1   Does the framework offer added value in alliance processes?

Given the diversity and complexity of the alliance issue, the development of the ideal alliance design has not been attempted in this research. This is almost by definition impossible. Every alliance situation has different issues for which a tailormade solution must be found. What has been done in this research, is to identify the generic characteristics of strategic alliances, that appear to be effective in practice. This ultimately led to the framework around strategic alliances, once again summarised in 8.2.2 (page 218). The basic idea behind this framework is that successful co-operation is only possible if there is a sufficient degree of fit between the partners in each of the areas differentiated (strategic, organisational, cultural, human and operational). The case studies show that misfit in one of these areas may have a negative influence on the succes of the alliance. It is also true the other way round, that a good fit usually means that the alliance may be implemented relatively quickly and will yield good results.

Perhaps one of the greatest pitfalls of alliance processes, is that collaboration becomes a goal in itself. In such cases, the essential question the partners must ask themselves and each other is generally overlooked: is there, strategically speaking, a sufficient basis for the alliance and, if so, to what degree should the partners co-operate? The framework developed in our research objectifies the quite often difficult process of collective strategy formulation, negotiating, organisational elaboration, re-negotiation and implementation. With the help of the framework, structure may be brought into the alliance negotiations, without doubting the legitimacy of the perceptions and intentions of the partners.

The framework developed enables the potential partners to:
explicate the discussion on the strategic potential of the alliance;
identify potential problem areas linked to the alliance;
evaluate the feasibility of the intended alliance design;
recognise pitfalls that may arise during the implementation;
evaluate the degree of fit during the co-operation.

The different factors distinguished in the framework will not be treated here separately once again (see 8.2.2). Ultimately, alliance processes are not about partial analysis, but precisely about the integral alliance evaluation of the potential and feasibility. The way in which this may be done in practice, will be discussed in the following sub-paragraph.

8.3.2   Can potential partners be given practical recommendations?

In general, the attention of the partners will shift during the alliance process from primarily strategic to more organisational aspects, and in the

end to the implementation of the alliance. See also in this context the discussion in 3.4 (page 79). This means that the relative importance of the different sections of the framework developed will differ phase by phase throughout the process. Broadly speaking, ten general steps or actions may be identified on the basis of the case studies, which the partners implicitly or explicitly (must) take. These are reproduced in the text box below.

Figure 8.4: Necessary actions for a well prepared alliance

These ten actions are illustrated in the following, where it will indicated for each step which section of the framework is significant in what way. Prior to this discussion, a comment should be made. Rather incorrectly, the ten actions defined here suggest a one-off linear process. In practice, alliance processes will have an iterative character, in which strategy formulation and organisational elaboration are sometimes parallel, and sometimes sequential. No fixed pattern is to be defined. Nevertheless, it may be concluded on the basis of our research, that the actions discussed below must be undertaken somewhere in this process, in order to let the establishment and implementation of the strategic alliance take place in a well-founded way.

1. Analyse the own strategic position
2. Identify and select potential partners
3. Initiate alliance talks and build relationship of trust
4. Determine strategic potential alliance
5. Translate strategic assumptions into alliance design
6. Elaborate alliance design
7. Evaluate alliance design
8. Define implementation plan
9. Implement alliance
10. Evaluate results

1.   Analyse the own strategic position

A company considering a strategic alliance should chart its initial strategic
position accurately before starting negotiations with anyone else. Simply
put: homework has to be done. This prevents undesirable decisions being taken
in the heat of the alliance negotiations, or irresponsibly great concessions
being made.

The main issue here, is whether co-operation is indeed the most suitable
means of tackling the strategic challenges with which the company is confronted.
Prior to the negotiations, Gist Brocades as well as DSM had separately decided
on a forward integration strategy. Co-operation was seen by both of them
as a serious strategic alternative. Stork Werkspoor had a clear vision too,
when searching for a strategic partner. Clarity on the own objectives prevents
the partners in an alliance taking steps that with hindsight either do not
boost competitive strength, or even worse, undermine it. The partners'
objectives are the starting point for the discussion on the strategic potential
of the alliance.

The second question which the partners must answer for themselves, involves
the preconditions that must be met by a potential alliance at any rate. Both
the case studies (the pilot case and the Pierrot Lusso joint venture) and
practical experience demonstrate that preconditions often pertain to the
amount of management control and, closely connected to that, the ownership
structure of the alliance. Preconditions, however, may also be concerned
with protecting core technologies, limiting co-operation to certain
activities, maintaining a direct relationship with customers or the brand
name used by the alliance. Clearly defined preconditions may already play
an important role in the initial phase of the alliance process. It enables
the partners to make a rapid initial analysis of the (im)possibilities of
co-operation (see step 3) and also to evaluate the final alliance design
critically in the light of the original premises (see step 7).

Thirdly, the partners' individual preparation is relevant to the desired
partner profile. Here, the most important characteristics which the potential
partner must possess are defined. The criteria used may concern obvious aspects
such as technologies, know how, products, markets, ownership structure and
financial performance, but also the strategy of the desired partner and the
way in which the partner is organised and managed. In other words, the factors
deemed to determine strategic and organisational fit, may already be taken
into account in the partner profile.

2.   Identify and select potential partners

On the basis of the partner profile, a selection of potential alliance partners may take place. This should result in a short list. It should be noted that the number of possible candidates in certain sectors may sometimes be small. Think, for example, of the ocean towage and salvage sector, in which Smit International and Wijsmuller are active. If there is a great number of candidates, then comparison of them in a structured way is to be recommended. Where possible, use should be made of information on the potential partners that is available within the own company.

Without denying the importance of a careful partner selection, it should be remarked that in practice, alliance negotiations are quite often the result of already existing (informal) contacts between the top of the two partners. On the one hand this is an advantage, on the other it may also be risk. The advantage is that people know each other already, and therefore know whom they are dealing with to a certain extent. The step to talks on co-operation is therefore usually smaller and less threatening. The fact that the top trusts one another, is also vitally important in later stages. The risk, however, is that the partners adopt an insufficiently critical attitude towards the actual potential of the alliance and the attractiveness of the partner, and "do not do enough homework". For these reasons, it is important to explicitly run through the steps 1 and 2 discussed previously, even when the alliance negotiations arise from informal contacts.

3.   Initiate talks and build a relationship based on trust

During the whole process, but especially in the initial phase, mutual trust between the partners is essential. On the basis of our research, it is clear that emotional trust is necessary for successful co-operation. Rational trust may have a positive influence, but rational trust alone will turn out to be insufficient in many cases. The first talks on collaboration will usually have the character of a reconnaissance. The emphasis lies on the exchange of experience and visions between both partners. It should be clear in these first negotiations whether or not the potential partners have a common vision of the developments in their environment and the way in which they intend to react to them (this is one of the factors determining strategic fit). In the Stork-Wärtsilä Diesel joint venture, for example, this proved to be the basis for the co-operation.

Aside from the exchange of visions, discussion of the preconditions the partners have concerning a possible alliance is to be recommended in this phase. In the pilot case, it was apparent that this was an essential step in the process. An explicit discussion on the preconditions of the potential partners partly reduced the mistrust of the real intentions of each, certainly in the initial phase. Discussing preconditions gets the hidden agendas on the table, to a certain extent. Naturally, this is only advisable if the potential partners communicate openly and honestly. Calling in an objective outsider may be worthwhile here. The general intentions and the preconditions of the potential partners are not infrequently laid down in a letter of intent. This underlines the commitment of the partners to the intended alliance. The reasons for taking such a formal step may, for that matter, also lie in the need for secrecy (in the case of a due diligence) and/or exclusivity.

4.   Determine strategic potential alliance

The fourth step of the alliance process is concerned with one question alone in fact: is there sufficient strategic fit between the potential partners to justify the alliance? After the exploratory talks on co-operation, the general intentions of the partners must be elaborated further and agreement must be reached on the scope and objectives of the alliance. In principle, it does not matter if the partners are co-operating for reasons of cost reduction, knowledge transfer or market development. As long as the alliance is of importance to the long term competitive positions of the potential partners. Only then will they be sufficiently committed to the alliance and be ready to adopt a flexible and collaborative attitude during the negotiations. The strategic potential of the alliance is particularly determined by the degree of strategic fit between the partners. For this step an explicit investigation of the factors determining strategic fit is thus recommended. Experiences shows that this structures and objectifies the discussion, and enables the potential partners to identify possible problem areas. The factors determining strategic fit are summarised in the figure below.

Figure 8.5: Core questions regarding strategic fit

If both companies score highly on each of these factors, then there is a good strategic basis for co-operation. A structurally low score is reason to doubt the strategic feasibility of the alliance, certainly if there is no prospect of improvement. In the case of a limited fit in sub aspects (a difference in strategic interest for example) the companies involved must jointly determine in what way this potential problem area may be overcome. The latter means that the organisational consequences of the alliance must be contemplated already.

5.   Translate strategic assumption into alliance design

The strategic assumptions of the alliance have direct consequences for the alliance design. If the strategic fit between the potential partners is relatively good, an intensive organisational integration will usually turn out to be possible. On the one hand, this is due to the good strategic basis this gives the alliance, and on the other due to the usually greater commitment of the partners in such a situation. In the case of a limited strategic fit, organisational integration will usually have to be limited, unless the strategic fit can be improved in the long term. This was the case in the SWD joint venture of Stork Werkspoor and Wärtsilä. See further the figure below, which was also discussed in 5.5 (page 170).

Figure 8.6: Impact of strategic and organisational fit on the decision to co-operate

Our research showed that the potential partners also have to make an accurate estimation of three aspects (also see the summarised framework in 8.2.2, page 218). First of all, the potential areas of strategic conflict possibly connected to the alliance. Even if the alliance objectives are perfectly compatible, it is still possible that (potential) problem areas exist in sub aspects. For example, one may think of the SmitWijs joint venture in this connection, where the salvage activities of the two partners could have led to conflicts. Potential conflicts may sometimes be overcome by the alliance design, or by mutual agreements between the managers

involved. If this does not appear possible, then the potential partners must ask themselves whether co-operation is really advisable. This depends on the risks one is prepared to take, in relationship to the strategic interest that the alliance represents.

Secondly, the managers involved must make an explicit estimation of the risks connected to the alliance. These may be both external and internal risks. In connection with external risks, one may think of the reaction of the market (do buyers, competitors and governments accept the joining of forces?), but also the risk of the alliance ending. The premature termination of the alliance may signify a major loss of time for the partners, for both alliances in the area of product development as well as those in the area of marketing and distribution. The alliance may also entail internal risks. One may think in this connection of the risk of knowledge transfer, which played an important role in the Chemferm joint venture, or the implementation risks of the alliance. If the alliance represents a major strategic interest for the companies involved and the need for co-operation is great, then people will generally be prepared to take greater risks. Naturally, the potential partners have to be conscious of these risks and minimalise them in the ultimate alliance design, where possible.

A third element playing a role in translating the strategic assumptions into the alliance design, is its (time) dynamic. On the basis of this research it was concluded that fit is dynamic. A good fit at the beginning is no guarantee of success. This pertains to the previously mentioned risks. A limited strategic fit when starting the alliance on the other hand, does not by definition signify that co-operation is not advisable. It is quite possible that the partners are capable of finding an alliance strategy and design that will strengthen strategic fit in the long term. Ultimately, this turned out to be the case in the alliance between Stork Werkspoor and Wärtsilä Diesel, although this was not explicitly intended in the first instance. In practice it is apparent that such an alliance strategy places extraordinarily high demands on the commitment of the partners, and generally only delivers results in the long term. The "internal selling" of an alliance with a low strategic fit, will usually turn out to be more difficult than for one with a strategic basis that is clearly recognisable to the lower echelons in both organisations. On the basis of the partners' strategic assumptions, the risk profile and the dynamic of the alliance, the partners must define the top structure of the alliance. Here, they must not step into operational details too quickly, for these generally distract from the real issues being dealt with. Naturally, this does not get round the fact that these do have to be dealt with in a later phase. In the first instance the partners have to concentrate on a clear delineation of the alliance activities, the degree of integration (a separate organisation or not), the relative interest they obtain in the alliance, the staffing of management positions (and possibly the Board of Supervisory Directors)
and the division of costs and profits. These basic premises may be written down in a starting memo, which forms the basis for the subsequent steps to be taken.

In fact a first evaluation of the degree of organisational fit is concerned here. It is apparent on the basis of our research that the degree of organisational fit gives a good indication of the (expected) effectiveness of the ultimate alliance design. In answer to the question about which success

factors may be differentiated in their alliance, every company indicated the alliance design chosen. With the exception naturally of the pilot case, where negotiations failed because the partners could reach no agreement of intent on the alliance design. At the same time, it was apparent from the case studies that the practical realisation of a good organisational fit quite often entails greater effort, and makes greater demands on the commitment of the partners than the realisation of strategic fit.

6.   Elaborate alliance design

After agreement has been reached between the partners on the alliance objectives and design, these must be elaborated further. Operational consequences are involved here. These are concerned with the following areas:
alignment of activities, (information) systems, distribution networks, etcetera;
interface with the market;
relations with the two partners;
tasks, responsibilities and authorities;
daily management of the alliance;
strategic planning cycle and financial reporting system;
performance indicators for the alliance;
etcetera.

In general the top management alone of the partners will be involved, certainly in the initial phase of the negotiating process[16]. Dependent on the nature and intensity of the intended alliance, it may be important in this phase to involve (a part) of the middle management. They generally have a clear picture of the practical implications of the alliance, arising out of their everyday practice. This is relevant to the further elaboration of the alliance. An additional advantage is that closer involvement of the middle management generally increases their commitment to the alliance.

In practice, however, it may occur that the partners refrain from this for reasons of confidentiality. This was the case in the Pierrot-Lusso joint venture of Unilever and ToniLait, where the top management wished to be absolutely sure before announcing the alliance. Subsequently, a project organisation was set up, in which employees of Lusso-Eldorado and Pierrot-Friola elaborated the operational consequences of the joint venture collectively. In this way, the requisite input of middle management was guaranteed, while secrecy was maintained in the initial phase. In this case, the organisational elaboration and implementation of the alliance were parallel to a certain extent, which once again underlines the fact that alliance processes often do not have a linear course.

7. Evaluate alliance design

During the negotiations, the partners will not infrequently have to make concessions with regard to their initial assumptions or preconditions. Concessions which are perhaps sometimes partly made out of a certain trepidation about delaying the process, but which may also be the result of new insights arising during the negotiations. Due to not quite compatible alliance objectives or culture differences present, for example, the partners may decide for a less intensive alliance design than was originally attempted. It should be noted that it was apparent in a number of consultancy projects that potential alliance partners occasionally have the tendency to choose a more intensive alliance design than is strictly necessary (also see in this connection section 4.3.6 (page 101) of the pilot case). The question is whether or not, as a result of consciously or unconsciously made concessions, the ultimate alliance design still fits the intentions and original assumptions of the partners to a sufficient degree.

With an eye to the discussion above, we recommend that the final alliance design developed is critically tested once more against the original strategic assumptions and preconditions of the partners, as well as against the criteria for organisational fit defined in this research. Of course these evaluation criteria should have already been used as a guideline for the elaboration of the alliance design anyway. The following questions should be answered when evaluating the degree of organisational fit.

Figure 8.7: Core questions regarding organisational fit

At the same time, the partners should evaluate in how far the intended alliance

---

[16]If the alliance is formed by a large multi-national, then the division or business unit management concerned will normally speaking conduct negotiations, whether in co-operation with a member of the Board of Directors or not.

design meets the additional aspects defined in this research: do they retain sufficient management control, is strategic and organisational flexibility sufficiently guaranteed, and is the
complexity of the alliance restricted sufficiently to enable effective co-ordination? A final decision to co-operate can only then be taken when the partners have collectively come to the conclusion that the organisational preconditions for successful co-operation have been met (and naturally that sufficient strategic fit exists). The evaluation of the degree of organisational fit will also furnish indications for the implementation process of the alliance, in that potential conflicts are identified. One may think in this connection for example, of the organisational differences and similarities between partners.

8.   Define implementation plan

Normally speaking, the importance of an implementation plan will increase as the partners decide to integrate more intensively in the context of the alliance. The fact is that this will usually be accompanied by greater changes and meet resistance sooner, than if both organisations should continue to operate quite separately. Our research shows that a clear and realistic implementation plan normally increases the alliance's chance of success.

A first step in defining the implementation plan is analysing the most important changes as a result of the alliance, and identifying possible resistance to the co-operation within the partners' organisations. This gives direction to the phasing and tempo of the implementation. When the alliance entails major changes and is expected to meet greater resistance, a rapid implementation will not be feasible, normally speaking. A gradual approach should then be favoured, in which much attention is paid to communicating the reasons and the importance of the alliance, as well as managing resistance. A direct pressure on the continuity of the company, however, may be reason enough to decide on rapid implementation. Nevertheless, in that case it may be assumed that a compelling need for change is recognised by the people involved, which generally reduces resistance to change.

Those who are responsible for the actual implementation of the alliance should be known beforehand. It is recommended that the alliance's agents of change are involved in the elaboration of the implementation plan. For they are ultimately responsible for realising the objectives defined in this plan. Their commitment to the plan is therefore crucial. When selecting agents of change, the partners must be prepared to assign their best people. For this, they should take into account the behavioural characteristics identified in 6.3.6 (page 186) for successful agents of change.

The following step is the phasing of the implementation process and the struc- turing of the project organisation. Dependent on the specific situation, it may be decided for example to incorporate an information phase, in which employees, customers and other relevant parties receive information on the alliance. Subsequently, a more detailed elaboration of the operational consequences of the alliance can take place in work groups, after which the actual implementation will begin.

A transparent project organisation increases the manageability of the process. In many cases, a steering committee will be chosen, consisting of the sponsors of both partners, to which the agents of change of the alliance report. The

agent of change may in turn manage the work
groups, who elaborate sub aspects. Within the project organisation
responsibilities and authorities must be defined in an unequivocal way, in
order to prevent misunderstandings. After the broad phasing, the concrete
action plans must be defined. It should be determined per phase what actions
are necessary to realise the desired change, and who is responsible for it.

The research into the implementation of strategic alliances shows that open
and timely communication of the objectives and consequences of the alliance
is essential. In this connection, the phase difference generally existing
between the top of the two partners, who have been involved from the start,
and the rest of the organisation was gone into in 7.2.3 (page 208). Normally,
the top is informed and committed when the decision to co-operate is taken.
This is not necessarily so, however, for the rest of the organisation. The
communication plan that the partners formulate prior to the actual
implementation has as objective to catch up as much as possible. In addition
to the internal communication, this plan must indicate when and in what way
external communication with customers, suppliers, government and interest
groups, etcetera, will take place. A good example of this is the detailed
communication plan set up by Lusso-Eldorado and Pierrot-Friola. This plan
had also taken into account the order in which specific groups were informed
and the content of the information. This reduces the chance of unwanted
reactions as much as possible.

Clear milestones have to be placed both for the action plan and the communication
plan. It is important to plan the lead time of the different phases as
realistically as possible. Too loose a planning will usually take the requisite
pressure off the process, but too ambitious a planning will lead to frustration
over not meeting the stated objectives over and over again.

In the foregoing, eight actions were defined which are necessary for arriving
at a well-founded implementation plan. The basic thought, also backed up
by the case studies and the research into the implementation of alliances,
is that good preparation is half the work. The actions discussed are summarised
once again in the figure below.

> Analyse most important changes
> Identify possible resistance
> Assign agents of change
> Phase implementation process
> Structure project organisation
> Define actions
> Formulate communication plan
> Place mile stones

Figure 8.8: Necessary actions when elaborating implementation
plan

9.   Implement alliance

The way in which the alliance is implemented partly determines the final
success. The partners may be able to determine beforehand whether the strategic
and organisational fit is good, but ultimately this does have to be realised.
Practical experience shows that such processes may be complex and demanding,
even when they are well prepared. As has been discussed in 6.3.4 (page 184),
the development of a generic phasing of alliance processes is not desirable.
For this reason, emphasis has lain in our research on the identification
of the actors influencing the course of the implementation and the factors
upon which management must focus for successful development (apart from the
phasing and structuring).

It is apparent among other things, that mutual trust between the sponsors
and their commitment to the alliance is essential. They have to communicate
openly and be ready to invest not only money and time, but also assign their
best people to the alliance. The operating style of the agent of change may
be of decisive significance for the course of the alliance. Illustrative
in this connection is the SWD joint venture and the alliance between Unilever
and ToniLait. The agent of change ought to be relationship orientated, show
understanding of cultural differences and make these discussible and
frequently communicate with the operational levels as well as the sponsors
about the objectives and progress of the implementation. In addition to trust
and strategic and organisational fit, cultural fit between the partners and
the resilience of both organisations plays a role during the implementation.
Refer to Chapter 5, for a more extensive discussion of the actors and factors
significant for the implementation of alliances.

During the implementation, progress must be regularly evaluated in the light
of the actions and milestones mentioned. Possible divergences must, if
necessary, be translated into an adjustment of the implementation plan and
the milestones linked to it. Naturally, to guarantee a timely implementation,
this must be prevented as much as possible.
10.   Evaluate results

After an often intensive period of negotiation, decision making, preparation
and implementation, the alliance will have to live up to the expected potential.
Certainly not all alliances will deliver the results as quickly for both
partners as the Chemferm joint venture did for Gist Brocades and DSM. The
initial results of the SWD joint venture were plain disappointing, for instance,
although Smit and Wijsmuller obtained good results with SmitWijs' ocean towage
activities, they were confronted with an unequal division of the number of
salvage jobs gained through SmitWijs.
If the alliance results do not meet the stated objectives, then this should
be discussed by the partners in time, even when this is plainly the fault
of one of the two. For continuing negative results reduce the partners'
commitment and thus weaken the foundations of the alliance. Although
persistence may be important in reaching the desired results, the partners
will have to be prepared to hold their original assumptions up to the light
critically, if the results give a reason to this end. This actually happened
in the alliance between Stork
Werkspoor and Wärtsilä Diesel, where after the coming of the new director
of the joint venture, a reorientation of the strategy and organisation of
the alliance took place. Practical experience shows that the contracts closed

in such processes quite often have a subordinate role. According to a number of managers interviewed in the context of our research, contracts are necessary in that they force one to talk through the details of the alliance. It was commented with regard to possible conflicts within the alliance, that the partners should not try to ascertain what consequences certain incidents have for the alliance. Although they ought to indicate in the contract which procedure is to be used in the case of conflicts between the partners.

A regular evaluation of the results of the alliance, however, may prevent many conflicts. Normally, it is the sponsors, whether or not through the alliances' Board of Supervisory Directors, who are responsible for the evaluation of the results. The objectives and milestones stated for the alliance should be looked at first here. After all, these are indicative of the degree of goal realisation for the alliance. The question is, however, whether an evaluation of the degree of goal realisation offers sufficient grip for an effective management of the alliance by the partners. Dormant conflicts will not be discovered in this way, while these may have a substantial influence upon the future results of the alliance.

A more integral evaluation of the alliance is therefore to be recommended. The framework around strategic and organisational fit developed during our research, may fulfill a useful role in this process. After all, the degree of fit ultimately determines the effectiveness of the alliance. During the evaluation of the alliance, the partners must thus not only determine whether the objectives and budgets have been reached, but also judge whether there is still sufficient fit present, in every area, to also guarantee successful co-operation in the future. The framework therefore does not only have added value for decision making prior to the alliance, but emphatically for the management, evaluation and adjustment of the alliance too. The steps above are summarised in the figure on the following page. The aspect emphasised by the management in each phase is indicated here: strategic fit, organisational fit and implementation. See in this connection also the discussion at the end of Chapter 3. The most important result of each step is reproduced in italics. This forms the starting point for the subsequent phases.

Figure 8.9: Summary practical recommendations

8.4   To conclude

It may be concluded in summary that the objectives of the research have been realised. These are objectives which during the research have even been broadened to include the process aspects of strategic alliances. Partly due to the chosen research method, the research results are practically useful and relevant to every company contemplating entering into a strategic alliance, or who has already been co-operating for some time. The implicit reciprocity between theory and practice and the integral approach of the alliance issue, have turned out to be essential here. When establishing and managing a strategic alliance, the insights and recommendations uncovered in this way by the research, in the end may make the difference between fit and failure!

Nederlandse samenvatting

Strategische allianties vormen inmiddels een structureel element binnen hedendaagse economische structuren. Ondanks de sterke toename van het aantal allianties, blijken deze in de praktijk echter niet zelden minder succesvol dan de betrokken partners op voorhand hadden verwacht. Deze twee constateringen vormden de directe aanleiding voor ons onderzoek naar strategische allianties.

Doelstelling onderzoek

De doelstelling van dit onderzoek was het ontwikkelen van een praktisch bruikbaar raamwerk dat de besluitvorming van ondernemingen inzake een strategische alliantie structureert en objectiveert, en daarmee de kwaliteit van de besluitvorming vergroot. Een essentiële veronderstelling hierbij was dat de strategische en organisatorische aspecten van een strategische alliantie nauw gerelateerd zijn. Binnen de literatuur bestond onduidelijkheid over de vraag wat nu eigenlijk een strategische alliantie is. Een aanvullende doelstelling betrof daarom het geven van een eenduidige definitie van strategische allianties (zie onderstaande figuur).

Definitie strategische allianties

Een strategische alliantie is een contractuele, tijdelijke relatie tussen een beperkt aantal zelfstandig blijvende ondernemingen, gericht op het reduceren van de onzekerheid omtrent het bereiken van de strategische doelstellingen van de partners (waarvoor de partners wederzijds afhankelijk zijn), door middel van het coördineren dan wel gezamenlijk uitvoeren van één of enkele activiteiten van de ondernemingen. Hierbij is elk van de partners in staat het management c.q. beleid van de alliantie wezenlijk te beïnvloeden. De partners zijn financieel betrokken, zij het niet per definitie middels aandelenparticipatie, en delen in de kosten, opbrengsten en risico's van de strategische alliantie.

Fasering onderzoek

Het empirisch onderzoek is gestart met een pilot case. Deze leverde met name nieuwe inzichten op rond de organisatorische aspecten van strategische allianties. Vervolgens zijn de allianties van Smit Internationale en Wijsmuller, Stork Werkspoor en het Finse Wärtsilä Diesel, en DSM en Gist Brocades onderzocht. Het raamwerk, dat op basis van literatuurstudie en de pilot was ontwikkeld, is met deze case studies verder bijgesteld, genuanceerd en uitgebreid. De cases maakten tevens duidelijk dat de implementatie-aspecten van allianties onderbelicht bleven. Dit was overigens een direct gevolg van de bewuste focus op de inhoudelijk aspecten, waartoe in eerste instantie was besloten. Mede hierom is een aanvullend onderzoek verricht naar de factoren die van belang zijn bij de implementatie van strategische allianties en de rol van de actoren die in dit proces kunnen worden onderscheiden. Het empirisch onderzoek is afgerond met de alliantie tussen Unilever en de Zwitserse coöperatie ToniLait. Op basis van de laatste case studie is een eerste indicatie van de externe validiteit verkregen.

Het fit model

De basisveronderstelling die ten grondslag heeft gelegen aan het uiteindelijke raamwerk is dat succesvolle samenwerking vraagt om een voldoende mate van fit op een vijftal gebieden (zie onderstaande figuur). Fit betekent hier nadrukkelijk niet per definitie gelijkheid. Het is goed mogelijk dat ondernemingen met verschillende doelstellingen of organisatieculturen, toch succesvol samenwerken.

De nadruk heeft in dit onderzoek gelegen op de uitwerking van strategische en organisatorische fit, waarbij de raakvlakken met de overige fits ook nadrukkelijk aan de orde zijn gesteld. Zo bleek het vertrouwen tussen partners, hetgeen op het eerste gezicht primair betrekking heeft op persoonlijke fit, mede te worden bepaald door de mate van strategische fit, en van grote invloed te zijn op de organisatorische vormgeving van de samenwerking.

Strategische fit

Bij strategische fit gaat het primair om de vraag of er strategisch gezien voldoende basis bestaat voor succesvolle samenwerking. Ons onderzoek maakt duidelijk dat wanneer er geen strategische fit bestaat tussen partners, en er ook geen concreet uitzicht bestaat op een verbetering van deze situatie, samenwerking niet wenselijk is. De mate van strategische fit wordt door een aantal factoren bepaald.

Ten eerste het belang van de alliantie. Indien de samenwerking niet van strategisch belang is voor beide partners zullen zij waarschijnlijk onvoldoende gecommitteerd zijn om de voor de alliantie noodzakelijke inspanningen te doen. Ten tweede de verenigbaarheid van strategieën en doelstellingen. Dit heeft betrekking op zowel het niveau van alliantie- als ook dat van ondernemingsdoelstellingen. Nauw hiermee verbonden is de vraag of de partners een gemeenschappelijke visie hebben op de ontwikkelingen in hun omgeving en de consequenties hiervan voor hun eigen onderneming. Strategische fit wordt ten vierde bepaald door de mate van wederzijdse afhankelijkheid tussen de partners. Hierbij gaat het met name om de complementariteit in kennis, resources, markten en produkten. Tot slot geldt dat een goede strategische fit betekent dat de alliantie daadwerkelijk toegevoegde waarde heeft voor de partners en/of hun afnemers en door de markt (afnemers en overheden) wordt geaccepteerd.

Voorafgaand aan het definitieve besluit om te gaan samenwerken moeten de partners, aan de hand van deze factoren, een zorgvuldige inschatting maken van de mate van strategische fit. Hierbij moeten tevens de potentiële (strategische) knelpunten en de risico's die aan de alliantie zijn verbonden in beschouwing worden genomen[17].

Organisatorische fit

Een beperkte strategische fit betekent niet per definitie dat samenwerking onwenselijk is. Ons onderzoek laat zien dat de samenwerkingsvorm die wordt geïmplementeerd mogelijke strategische knelpunten kan ondervangen, waardoor de mate van strategische fit op termijn wordt versterkt. Dit stelt echter eisen aan het commitment en de flexibiliteit van de betrokken partners. Bij organisatorische fit gaat het in essentie om de vraag of de samenwerkingsvorm die de partners voor ogen hebben effectief is, gegeven de oorspronkelijke alliantiedoelstellingen en eventuele organisatorische verschillen tussen de partners.
Het realiseren (en in stand houden) van een goede organisatorische fit blijkt in de praktijk veel lastiger dan het realiseren van strategische fit. Juist bij de organisatorische vormgeving kunnen individuele posities in het geding komen (het machtsvraagstuk) en worden verschillen in structuur, stijl van opereren en cultuur manifest. Op basis van de case studies kan worden geconcludeerd dat organisatorische fit een noodzakelijke randvoorwaarde is voor succesvolle samenwerking. Strategische fit moet worden gezien als een

---

[17]De praktische aanbevelingen die op basis van ons onderzoek kunnen worden gegeven aan ondernemingen die overwegen een alliantie aan te gaan, dan wel reeds samenwerken, worden besproken in hoofdstuk 8. Hier wordt onder andere aangegeven op welke wijze het raamwerk rond strategische en organisatorische fit kan worden toegepast gedurende alliantieprocessen.

indicatie voor het potentieel van de alliantie, organisatorische fit als een indicatie voor de praktische haalbaarheid. De resultaten van de case studies worden in de onderstaande figuur samengevat.

Organisatorische fit wordt ten eerste bepaald door de mate waarin organisatorische overeenkomsten en verschillen een succesvolle samenwerking belemmeren, dan wel stimuleren. Het is goed mogelijk dat twee verschillende culturen elkaar juist aanvullen en versterken binnen de context van een alliantie, dan wel dat twee vergelijkbare culturen botsen. De organisatorische fit tussen samenwerkingspartners wordt ten tweede bepaald door de mate waarin deze een gedeelde visie ontwikkelen op de vormgeving van de samenwerking. Hierbij gaat het onder andere om de structuur van de samenwerking, de bezetting van management posities, de wijze waarop de samenwerking wordt aangestuurd en de verdeling van opbrengsten en kosten. De derde factor, die bepalend is voor organisatorische fit, is de mate waarin de beoogde samenwerkingsvorm eventuele strategische knelpunten ondervangt. Zo bleek bij een van de onderzochte allianties het risico van kennistransfer op het gebied van de kerntechnologieën van beide partners op effectieve wijze te zijn geneutraliseerd door de geïmplementeerde projectorganisatie. Verder moeten de partners alleen samenwerken op die activiteiten waar dit ook echt toegevoegde waarde heeft. Niet zelden wordt tot een verdergaande samenwerking besloten dan strikt gezien noodzakelijk is. Focus is echter essentieel. Organisatorische fit wordt tot slot bepaald door de vraag of de beoogde samenwerkingsvorm de partners in staat stelt om hun alliantiedoelstellingen te realiseren.

Implementatie van strategische allianties

De wijze waarop een strategische alliantie wordt geïmplementeerd kan van doorslaggevend belang blijken voor het uiteindelijke succes. Niet zelden stuiten strategische allianties op grote weerstand en blijken cultuurverschillen in de praktijk niet of nauwelijks te overbruggen. Een aanvullend onderzoek naar de implementatie van allianties maakte duidelijk dat de bij de alliantie betrokken managers zich terdege bewust moeten zijn van de rol die zij vervullen in het implementatieproces. Op grond van ons onderzoek zijn drie rollen (of actoren) onderscheiden.

Ten eerste de sponsors van de samenwerking. Zij bepalen welke inspanning de partners bereid zijn te leveren voor de samenwerking en zijn eindverantwoordelijk voor de alliantie. De aandacht van de sponsors zal zich met name richten op de strategische uitgangspunten en consequenties van de samenwerking. Vertrouwen tussen de sponsors is een voorwaarde voor een succesvol implementatieproces. De sponsors moeten, ook na het besluit om te gaan samenwerken, betrokken blijven bij de samenwerking, bijvoorbeeld via de Raad van Commissarissen. Hun lange termijn commitment en betrokkenheid zal juist in de latere fasen van de samenwerking van doorslaggevend belang kunnen blijken.

De tweede rol die kan worden onderscheiden is die van de trekker. De trekker wordt door de sponsor belast met de dagelijkse leiding van de alliantie en legt hierover verantwoording af aan de sponsor. De trekker richt zich primair op het realiseren van de noodzakelijke organisatorische afstemming en het managen van mogelijke cultuurverschillen en weerstanden tegen de alliantie. Gelet op de complexiteit van alliantieprocessen is het van belang dat de sponsors bereid zijn om hun beste mensen in te zetten.

De derde actor die van directe invloed kan zijn op het verloop van het implementatieproces is de coach of consultant. Dit kan zowel een extern adviseur als een (intern) vertrouwenspersoon zijn, die vanuit zijn ervaring met alliantieprocessen de partners met raad en daad terzijde staat. Juist bij alliantieprocessen waar onderdelen van twee ondernemingen moeten samenwerken, of soms zelfs worden geïntegreerd, kan de betrokkenheid van een objectieve en onafhankelijke buitenstaander essentieel blijken.

Dynamiek van fit

Een belangrijke conclusie van het empirisch onderzoek betrof de dynamiek van strategische allianties. Fit, zowel strategische als organisatorische, is dynamisch. Veranderingen in de omgeving van de alliantie, of bij de partners, kunnen een directe weerslag hebben op de oorspronkelijke uitgangspunten van de alliantie. De betrokken partners moeten zich hiervan terdege bewust zijn, omdat de feitelijke basis voor samenwerking ongemerkt kan eroderen. Hier ligt ook een toegevoegde waarde van het ontwikkelde raamwerk. Naast het faciliteren van de besluitvorming, stelt het de partners tevens in staat om gedurende de samenwerking te beoordelen of de alliantie nog voldoet aan de randvoorwaarden voor succesvolle samenwerking. Het in hier gepresenteerde raamwerk maakt daarmee een actieve sturing op fit mogelijk.

Mits de partners een open houding hebben en bereid zijn om indien nodig de oorspronkelijke uitgangspunten nogmaals kritisch tegen het licht te houden, kan dit het verschil betekenen tussen fit of falen.

Literature
Literature that has been consulted

Abravanel, R. and D. Ernst, 'Alliance and acquisition strategies for European national champions, in: The McKinsey Quarterly, vol. 2, 1992, p. 44-62.

Aken, J. van, H. van den Hooff en L. Hop, 'Een ontwerpbenadering voor het vormen van R&D-allianties', in: Holland Management Review, nr 46, 1996, p. 64 - 72.

Ansoff, H.I., Corporate strategy; an analytic approach to business policy for growth and expansion, New York, McGraw Hill, 1965.

Ansoff, H.I., Implanting strategic management, 2nd edition, Prentice Hall, London, 1990.

Arrow, K., The limits of organisation, Norton, New York, 1974

Baird, I. and H. Thomas, 'Toward a contingency model of strategische risk taking', Academy of Management Review, 10, 1985, p. 230-243.

Bell, J.H.J., Joint or single venturing?: an eclectic approach to foreign entry mode choice, Tilburg University, Tilburg, 1996.

Berg, S.V. and J.M. Hoekman, 'Entrepreneurship over the product life cycle: joint venture strategies in the Netherlands', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Bilderbeek, J., S. Brinkman en A.C.J. de Leeuw, 'Polybedrijfskundig zakboekje', Koninklijke PBNA, Arnhem, 1992.

Bleeke, J. and D. Ernst, 'The way to win in cross-border alliances' in: The McKinsey Quarterly, vol. 1, 1992, p. 113-133.

Bleeke, J. and D. Ernst, ' Is your strategic alliance really a sale?', in: Harvard Business Review, January - February 1995, p. 97 - 105.

Bontje, J.C.B. en M. Tigchelaar, 'Vergroot de flexibiliteit van uw onderneming', in: Holland Management Review, no 37, 1993, p. 47 - 57.

Brouthers, K.D., L.E. Brouthers and T.J. Wilkinson, 'Strategic alliances; choose your partners, in: Long Range Planning, vol 28, june 1995, p. 18 - 25.

Buckley, P.J. and M. Casson, 'A theory of co-operation in international business', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Cauley de la Sierra, M., Managing global alliances, key steps for successful collaboration, Addison-Wesley, Wokingham, 1994.

Ciborra, C., 'Alliances as learning experiments', in: Mytelka, L.K., Strategische partnerships and the world economy, 1991.

Commandeur, H.R., E.P.H. de Jonge en P.A. Moerman, 'De keuze van de meest geschikte coalitievorm (I)', in: B&id, maart 1990, p. 4-14.

Commandeur, H.R., E.P.H. de Jonge en P.A. Moerman, 'De keuze van de meest geschikte coalitievorm (II)', in: B&id, mei 1990, p. 4-9.

Commandeur, H.R. en G.J. den Hartog, 'Voor- en nadelen van strategische samenwerking' in: ESB, juli 1991.

Contractor, F.J. and P. Lorange, 'Why should firms cooperate?', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Dam, R.F. van en Ph.R. Limvers, 'Synergie bij fusie en overnames', in: Harvard Holland Review, no. 22, 1990, p. 62-67.

Devlin, G. en M. Bleackley, 'Strategische alliances: Guidelines for succes', in: Long Range Planning, oktober 1988.

Douma, M.U., 'Strategische allianties: samen voorbij aan concurrentie?!',

in: Bedrijfskundig Vakblad, nr 961, februari 1996, p. 7 - 12.

Douma, M.U., 'Samen werken aan fit', in: Manager's Clout, nr 1, september 1995, p. 10 - 15.

Douma, M.U., Strategische samenwerking; fit of falen', in: Holland Management Review, winter 1994/1995, p. 42 - 50.

Douma, M.U., W. Luimes, 'Strategie van een uitbesteder', hoofdstuk 4 in: Toeleveren en uitbesteden, Managementreeks Kluwer, december 1992.

Douma, M.U., 'Strategische samenwerking; handleiding voor consultants', University of Twente/Coopers & Lybrand Dijker Van Dien, 1992.

Douma, M.U., 'Participations and alliances in the telecommunications industry', Interne publicatie, Coopers & Lybrand Management Consultants, april 1992.

Douma, S.W., 'Op weg naar een economische organisatietheorie: de transactiekostenbenadering', in: Maandblad voor accountancy en bedrijfshuishoudkunde, januari 1988, p. 2-11.

Doz, Y.L., 'Technology partnerships between larger and smaller firms; some critical issues', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Flanagan, A. and M. Marcus, 'Airline alliances, the secrets of a successful liaison', in: The Avmark Aviation Economist, vol. 10 no 1, p. 20-23.

Friedman, R.A., Trust, understanding and control, Academy of Management paper, Miami, 1991

Gates, S., 'Strategische alliances, guidelines for succesful management', discussion paper European council on corporate strategy.

Ghemawat, P. Commitment; the dynamic of strategy, The Free Press, New York, 1991.

Grant, R.M., 'The resource-based theory of competitive advantage; implications for strategy formulation', in: California Management Review, spring 1991, p. 114-135.

Hagedoorn, J. and J. Schakenraad, Alliances and partnerships in biotechnology and information technologies, Ministerie Economische Zaken, Den Haag, 1990.

Hamel, G. 'Competition for competence and inter-partner learning within international strategische alliances', in: Strategic Management Journal, vol. 12, 1991, p. 83-103.

Hamel, G, Y.L. Doz en C.K. Prahalad, 'Collaborate with your competitor - and win', in: Harvard Business Review, January - February 1989, p. 133 - 139.

Hamel, G. and C.K. Prahalad, 'Strategic intent', in: Harvard Business Review, May-June 1989, p. 63-76.

Harrigan, K.R., Managing for joint venture success, Lexington Books, Lexington, 1988.

Harrigan, K.R., 'Strategische alliances and partner asymmetries', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Hartog, G.J. en H.R. Commandeur, Strategische samenwerking: onvermijdbaar gereedschap, Centrum voor bedrijfseconomisch onderzoek, Rotterdam, 1990, Interne publicatie.

Hergert, M. and D. Morris, 'Trends in international collaborative agreements', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Hill, W.L. and G.R. Jones, Strategic Management, an integrated approach, Houghton Mifflin Company, Boston, 1989.

Hilten, H.W. van, Joint ventures; enkele facetten van de joint business venture, proefschrift, Kluwer, Deventer, 1968.

Hoekman, J.M., The role of the joint venture in the strategy of the corporation, Amsterdam, 1984, proefschrift.

Huyzer, S.E., Strategische samenwerking, Coopers & Lybrand Dijker Van Dien/Samsom BedrijfsInformatie, Alphen a/d Rijn, 1990.

Huyzer, S.E. en J. Moëd, Strategische samenwerking; de praktijk in Nederland, Coopers & Lybrand Dijker Van Dien/Samsom BedrijfsInformatie, Alphen a/d Rijn, 1991.

Huyzer, S.E., W. Luimes en M.G.M. Spitholt, 'Strategische samenwerking; een mogelijk marketingmodel', in: Tijdschrift voor marketing, juni 1992, p. 24-34.

Idenburg, P.J., 'Four types of strategy development', in: Long Range Planning, no 6, 1993, p. 132 - 137.

Jagersma, P.K. en J. Bell, 'Internationale joint ventures, de 'strategische behavior'-benadering', in: Maandblad voor Accountancy en Bedrijfshuishoudkunde, juli/augustus 1992.

Jansen, P. en G. Putman, 'De culturele agenda: de onderhandelingen tussen Fokker en Dasa', in: Harvard Holland Review, no. 33, 1992, p. 116-119.

Jarillo, J.C., 'On strategische networks', in: Strategische management journal, vol. 9, 1986, p. 31-41.

Jarillo, J.C. and H.H. Stevenson, 'Cooperative strategies, the payoffs and the pitfalls', in: Long Range Planning, vol 24, 1991, p 64-70.

Jemison, D.B. en S.B. Sitkin, 'De overname: een proces met problemen', in: Harvard Holland Review, winter 1986, p. 45-54.

Jones, G.R. and C.W.L. Hill, 'Transaction cost analysis of strategy-structure choice', Strategische Management Journal, 9, 1988, p. 159-172.

Jong, H.W. de, Dynamische markttheorie, Stenfert Kroese, Leiden, 1985.

Kanter, R.M., 'Collaborative advantage', in: Harvard Business Review, July/August 1994, p. 96 - 108.

Killing, J.P., 'Understanding alliances: the role of task and organizational complexity', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Kleinknecht, A.H., J.O.N. Reijnen and J.J. Verweij, Samenwerking bij R&D, Stichting voor Economisch Onderzoek der Universiteit van Amsterdam, Amsterdam, 1991.

Kogut, B. 'Joint ventures: theoretical and empirical perspectives', in: Strategische management journal, 9(4), 1988, p. 319-322.

Kogut, B, 'A study of the life cycle of joint ventures', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Lammers, C.J., 'Organisaties vergelijkerwijs', Het Spectrum, Wijnegem, 1987.

Leeuwen, C. van, Sturen op cultuur vergroot de slaagkans van integratieprocessen, intern rapport Coopers & Lybrand, november 1993.

Lei, D. and J.W. Slocum jr., 'Global strategy, competence building and strategische alliances', in: California Management Review, fall 1992, p. 81-97.

Lei, D., 'Offensive and defensive uses of alliances' in: Long Range Planning, vol. 26, no 4, p. 11-15.

Lewis, J.D., Partnerships for profit, Structuring and managing strategic alliances, The Free Press, New York, 1990.

Lombriser, R., Impact of general manager leadership behavior on success of discontinuous strategische change in 30 Swiss business firms, US International University, San Diego, july 1992, summary of dissertation.

Lorange, P., J. Roos and P.S. Bronn, 'Building successful strategische alliances', in: Long Range Planning, 1992.

Lorenzoni, G. and C. Baden-Fuller, 'Creating a strategic center to manage a web of partners', in: California Management Review, vol 37, no 3, spring 1995, p. 146 - 163.

Luimes, W. en M.G.M. Spitholt, 'Synergie, bedrijfscultuur en verzelfstandiging van concernonderdelen', in: Bedrijfskunde, jaargang 63, 1991/4, p. 408-421.

Luimes, W. en M.G.M. Spitholt, 'Fit-model toegepast bij samenwerkingsprocessen', in: Bedrijfskundig vakblad, september 1993, p. 14-17.

Luimes, W. en M.G.M. Spitholt, Verzelfstandiging van concernonderdelen, een onderzoek naar de meetbaarheid van cultural fit, human fit en synergie, Universiteit Twente, 1993.

Lyles, M.A., 'Learning among joint venture sophisticated firms', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Maljers, F.A., 'Strategische allianties; over LAT-relaties in het bedrijfsleven', in: Bedrijfskunde, nr 3, 1995,
p. 56 - 65.

Merkelbach, P.M.P.J., Strategische samenwerking, Erasmus Universiteit,

Rotterdam, november 1992, inaugurele rede.

Miles, R.E. and C.C. Snow, 'Fit, failure and the hall of fame', in: California Management Review, spring 1984, p. 10-28.

Mody, A., 'Learning through alliances', World bank discussion paper, Washington, September 1990.

Murray, E.A. and J.F. Mahon, 'Strategische alliances, gateway to New Europe?', in: Long Range Planning, vol. 26, no 4, p. 11-15.

Nadler, D.A., 'Concepts for the management of organizational change', discussion paper Columbia University.

Niederkofler, M., 'The evolution of strategische alliances: opportunities for managerial influence', in: Journal of Business Venturing, vol. 6, nr. 4, juli 1991, p. 237-257.

ODR, Human resilience to change, brochure from: Conner, D.R., Managing at the speed of Change, Random House, 1993

Ohmae, K., 'The global logic of strategische alliances', in: Harvard Business Review, March-April 1989, p. 143-154.

Oliver, C., 'The determinant of interorganizational relationships: integration and future directions', Academy of Manegement Review, 16, 1990, p. 241-265.

Ouchi, W.G., 'Markets, bureaucracies and clans', in: Administrative Science Quarterly, vol. 25, 1980, p. 129-141.

Perlmutter, H.V. and D.H. Heenan, 'Cooperate to compete globally', in: Harvard Business Review, March-April 1986, p. 136-152.

Porter, M.E., Competitive advantage, The Free Press, New York, 1985.

Porter, M.E., 'Van concurrentievoordeel naar ondernemingsstrategie', in: Harvard Holland Review, no. 14, 1988, p. 13-30.

Powell, W.W., 'Neither markets nor hierarchy: network forms of organization', in: Research in organizational behaviour, vol 12, 1990, p. 295-336.

Prahalad, C.K. and G. Hamel, 'The core competence of the corporation', in: Harvard Business Review, May-June 1990, p. 71-91.

Quinn, R.E. and K. Cameron, 'Organizational life cycles and shifting criteria of effectiveness', in: Management Science, vol 29, no 1, 1983, p. 33-51.

Quinn, R.E. J. Rohrbaugh, 'A spatial model of effectiveness criteria' in: Management Science, vol 29, no 3, 1983, p. 363-377.

Reich, R.B. and E.D. Mankin, 'Joint ventures with Japan give away our future', in: Harvard Business Review, March-April 1986, p. 78-86.

Ring, P.S. and A.H. van de Ven, 'Structuring cooperative relationships between organizations', in: Strategische Management Journal, vol. 13, 1992, p. 483-498.

Robert, M., 'The do's and don'ts of strategische alliances', in: The journal of business strategy, march/april 1992, p. 50-53.

Root, F.R., 'Some taxonomies of international cooperative arrangements', in: F.J. Contractor and P. Lorange, Cooperative strategies in international business, Lexington Books, Lexington, 1988.

Sanders, G.J.E.M., 'Werken met organisatieculturen bij fusies en overnames', in: Holland Management Review, nr 23, zomer 1990, p. 32 - 38.

Schreuder, H. en A. van Witteloostuijn, 'Strategische allianties: concurrentie en samenwerking', in: Maandblad voor accountancy en bedrijfshuishoudkunde, december 1990, p. 605-613.

Schuler, R.S. et al, 'Human Resource Management bij een internationale joint venture', in: Bedrijfskunde, jaargang 66, 1994, nr 3.

Simon, H.A., Administrative behavior, The Free Press, New York, 1976.

Sopers, J.M.M., Turnaround management, Stenfert Kroese, Leiden/Antwerpen, 1992.

Spies, J.D.J. and J.H. Zandbergen, Succesvol implementeren van strategische allianties, Erasmus Universiteit Rotterdam / Coopers & Lybrand, november 1996.

Spitholt, M.G.M., 'De toegevoegde waarde van het concernverband', Interne notitie promotieonderzoek, Universiteit Twente, 1991.

Stafford, E.R., 'Using co-operative strategies to make alliances work', in: Long Range Planning, vol 27, no 3, 1994, p. 64 - 74.

Stiles, J., 'Strategic alliances, making them work', in: Long Range Planning, vol 27, no 4, 1994, p. 133 - 137.

Taucher, G., 'Beyond alliances', in: IMEDE Perspectives for managers, 1, 1988.

Thorelli, H.B., 'Networks: Between markets and hierarchies', in: Strategische Management Journal, 7, 1986, p. 37-51.

Turpin, D., 'Strategische alliances with japanese firms: myths and realities', in: Long Range Planning, vol. 26, no 4, p. 11-15.

Verschuren, P., De probleemstelling voor een onderzoek, Het Spectrum, Utrecht, 1992.

Walker, R. and A. Tank, Making alliances work, Business International, London, 1990.

Weimer, J. en M.J. Van Riemsdijk, 'A new magical lamp to rub?; the multiple constituency approach, a potentially useful framework for research on the organisational effectiveness construct', paper presented at the WESWA congress, University of Twente, 1994.

Williamson, O.E., The economic institutions of capitalism, The Free Press, New York, 1985.

Yin, R.K., Case study research, design and methods, Sage, Newbury Park, 1988.

Zucker, L.G., 'Production of trust, institutional sources of economic structure', in: Research in organisational behaviour, 8, 1986, p. 53 - 112.

Appendices

1 Questionnaire applied in expert interviews main research

The questionnaire has been filled in by the following persons.

Coopers & Lybrand Management Consultants
- drs F. Bentlage   director Total Quality Management
- ir D.J.B. van der Leest   partner, Organisation Structure and Control
- ir F. Pigeaud   director, Marketing
- dr ir E. van der Weegen   associate director, Logistics

Others
- prof. drs H.H. van Londen partner, Boston Consulting Group

- dr ir W. Luimes and   at the time both researchers University of Twente
  dr ir M.G.M. Spitholt   (disengagement of Business Units)

These people have been actively involved as a consultant in alliance and merger processes and change processes in general, or have worked as a researcher in this field. Luimes and Spitholt jointly filled in the questionnaire.

Alliance strategy

1.   Alliance offer more strategic and organisational / operational flexibility than
autonomous development and merger / aquisition.[18]

        Answer may be given per cell of   *autonomou*   *merger*
        the table   *s*

        + agree
        0 neutral
        - disagree
        * Answers may be given per   *strategic*
        cell of the table.

        + agree
        0 neutral
        - disgree

                                     operationa
                                     l

2.   The chance of success of an defensive alliance   smaller   greater
(compared to an offensive alliance) is 1 2 3 4 5 6

3.   By dividing 100 points the readiness to co-operate   - R&D
                                                   : ....
per activity can be indicated*   - production   : ....
                                            - sales and marketing   : ....
* (more points = greater readiness)   Total   :100

4.   Decision making around strategic alliance should be   agree   disagree
fully dealt with by the topmanagement, considering the   1 2 3 4   5   6
strategic importance and confidentiallity.

5.   When the continuity of both partners is put under   agree   disagree
pressure, they will trust each other more easily.   1 2 3 4 5 6

6.   Chance of success

(a)   When the individual objectives of the partners   smaller   larger
        differ, the chance of success is ...   1 2 3 4 5 6

---

[18]Question 1 appeared to be difficult to answer, because of the format. In addition, it was remarked that that answer is very much dependent on the specific situation.

(b)   When the input of the partners differs, or is
         complentary, the chance of success is ...   1 2 3 4 5 6

(c)   When the importance of the alliance to the individual
         partners differs, the chance of success is ...   1 2 3 4   5   6

7.   A large difference in bargaining power will lead   agree
                                                  disagree
to a less stable alliance.   1 2 3 4 5 6

8.   By dividing 100 points over the following four fits,   - Strategic fit   : ....
the relative importance of each fit may be indicated*. - Cultural / human fit   : ....
                                                       - Operational fit   : ....
* (more points = greater importance)   - Organisational fit   : ....
                                           Total   : 100

9.   When forming the alliance the managers responsible   agree   disagree
define clear objectives, with a clear time horizon.   1 2 3 4 5 6

Organisational design alliance

10.   Managers will try to obtain as much control   agree   disagree
in the alliance as possible, even at the cost of their partner.   1   2   3   4 5 6

11.   Managers initially often will strive for a more intensive   agree   disagree
co-operation (and integration), than strictly speaking necessary.   1   2   3 4 5 6

12.   Top management usually lack the necessary insight in   agree   disagree
the operational and organisational consequences of the alliance   1   2   3   4 5 6
to incorporate these sufficiently in their decision making.

13.   An R&D alliance has a larger chance of failing than   agree   disagree
a marketing alliance.   1 2 3 4 5 6

14.   When the partners do not trust each other, the readiness   agree   disagree
to concede (strategic and or operational) will be relatively lower.   1   2 3 4 5 6

15.   The nature of the companies' activities may (partly)   agree   disagree
determine cultural differences.   1 2 3 4 5 6

16.   The organisational design of the alliance (partly) determines   agree   disagree
the degree of flexibility the partners may maintain.   1 2 3 4 5   6

17.   Divide 100 points to indicate the main driver for the
organisational complexity of the alliance*
                                  -    Nature alliance activities

                                             : ....
                                             -   Decision making procedures implemented
                    : ....
                                             -   Number of people involved
                    : ....
                                             -   Intensity alliance (degree of integration)
                                             : ....
* more points = more important   Total   : 100

Alliance process

18.   Involving the line managers responsible in the decision   agree
                                                         disagree
making process is a necessary condition for alliance success.   1   2   3
              4   5 6

19.   When the alliance partners trust each other, the chance   agree
                                            disagree
of succes is larger.   1 2 3 4 5 6

20.   Co-operation is a first step towards further or full   agree
                                            disagree
integration.   1 2 3 4 5 6

21.   The fact that the partner remains a competitor means that
        agree   disagree
alliance partners always must beware of opportunistic   1 2 3 4   5   6
behaviour of their partner.

22.   The advantages of the alliance must be evenly divided at   agree
                                            disagree
any moment in time.   1 2 3 4 5 6

Termination alliance

23.   The partners will normally end the alliance when the need
        agree   disagree
to co-operate has disappeared.   1 2 3 4 5 6

24.   When the alliance involves activities closer to the market
        lower   higher
(e.g. marketing), the failure risk is 1 2 3 4 5 6

25.   Divide 100 points to indicate the relative importance of
the factors which may cause alliance failure*
                        - vague objectives   : ....
                        - no adjustment to changing circumstances
        : ....
                        - cultural or personal problems
        : ....
                        - weak management of the alliance
        : ....
                        - hidden agendas   : ....
                          Total   : 100
* (more points = greater importance)

26.   Cultural misfit is sometimes used as a socially accepted   agree
                                            disagree
excuse to turn back decision that, strategically, had been wrong.   1
        2   3 4 5 6

27.   The quantitative advantages of an alliance often cannot be
        agree   disagree
determined in an easy way.   1 2 3 4 5 6

28.   Managers often make too little arrangements on possible   agree

disagree
conflicts and/or the termination of the alliance.   1 2 3 4 5 6

2 Questionnaire results expert interviews main research

The answers to the questions are listed in the table below. The last column contains the averages (when relevant). As mentioned before, the first question appeared to be difficult to answer, so an average is not calculated here.

Questions	R1	R2	R3	R4	R5	R6	aver	
1,0 Flexibility								
0								
a Strategic flex. alliance > autonomous	2	2		1	0	1		1 = agree
								2 = disagree
								0 = neutral
								/
								/
b Org. flex. alliance > autonomous	1	2		1	0	2		
c Strategic flex. alliance > merger	1	0			0	1		
d Org. flex. alliance > merger	1	1			0	2		
2 Chance success defensive alliance	6	3,5	5	3,5	3,5	2	3,9	1 = smaller
3,0 Readiness to co-operate								
0								
- R&D	50	50	30	40	50	50	45,0	divide 100
- Produktie	40	20	40	20	40	35	32,5	"
- Verkoop	10	30	30	40	10	15	22,5	"
4 Decision making must be done by top	2	6	5	1	6	5	4,2	1 = agree
5 Trust is higher when pressure on continuity	5	5	5	3	1	6	4,2	"
6a Chance success when objectives differ	3	3,5	3,5	5	6		4,2	1 = smaller
b Chance success when input complementary	6	5	5	5	6	5	5,3	"
c Chance success when importance differs	2	1	1	2	1	2	1,5	"
7 Difference in barg. power reduces stability	1	1	1	2	1	5	1,8	1 = agree
8,0 Relative importance fits								
0								
- Strategic	80	40	30	20	50	40	43,3	divide 100
- Cultural / human	20	30	40	30	10	10	23,3	"
- Operational	0	25	20	25	10	25	17,5	"
- Organisational	0	5	10	25	30	25	15,8	"
9 Managers define clear objectives	5	3	2		6	5	4,2	1 = agree
10 Managers strive for max management control	3	3	2	3	4	6	3,5	"
11 Managers strive for further integration	5	5	6	3	2	6	4,5	1 = agree
12 Top does not oversee operational aspects	3	1	3,5	2	2	6	2,9	"
13 Chance failure R&D alliance > marketing alliance	6	6	3,5	5	6	6	5,4	"
14 When mistrust readiness to concede is lower	1	1	1	1	5	1	1,7	"
15 Nature activities partly determines cult difference	3,5	2	1	2	1	1	1,8	"
16 Alliance design partly determines flexibility	1	5	1	1	1	1	1,7	"
17, Organisational complexity								
00								
- Activities	30	40	20	30	50	25	32,5	divide 100
- Procedures	70	20	10	40	25	25	31,7	"
- Number of people	0	15	40	20	0	25	16,7	"
- Degree integration	0	25	30	10	25	25	19,2	"

Questions	R1	R2	R3	R4	R5	R6	aver	
18 Line involvement is precondition to success	1	1	2	1	1	1	1,2	1 = agree
19 When there is trust, chance success is higher	1	1	1	1	1	1	1,0	"
20 Co-operation is first step to full integration	3	2	5	2	4	6	3,7	"
21 Partners must beware of opportunistic behaviour	3	1	2	2	5	2	2,5	"
22 Advantages must be evenly divided	3	2	2	1	2	2	2,0	"
23 When reason disappears, alliance must be ended	2	4	5	5	4	3	3,8	"
24 Failure risk when activities closer to market	6	3,5	5	5	6	3,5	4,8	1 = smaller
25, `Factors which may cause alliance` 00 `failure`								
- vague objectives	60	15	20	20	50	25	31,7	divide 100
- no adjustment	0	15	15	0	5	25	10,0	"
- culture	20	30	30	30	5	5	20,0	"
- management	10	30	20	20	20	15	19,2	"
- hidden agendas	10	10	15	30	20	30	19,2	"
26 Cultural misfit as excuse for strategic mistakes	3,5	5	2	5	1	1	2,9	1 = agree
27 Quantitative advantages are difficult to measure	5	2	5	2	1	1	2,7	"
28 Managers make little arrangements on termination	2	5	3	2	1	2	2,5	"

3 Managers and experts interviewed in implementation research

Experts

drs. F. van Hengel consultant Coopers & Lybrand Management Consultants

drs. P.L.R.M. van Hooft partner Coopers & Lybrand Management Consultants

S.E. Huyzer consultant, author of two books on strategic alliances

drs. M.E. Straub senior consultant Coopers & Lybrand Management Consultants

dhr. E.J. Schekkerman RA partner Coopers & Lybrand Management Consultants

drs. A.F.P. Wassenberg Erasmus University Rotterdam

Alliance Actors

G. Ardesch director Noordelijke Media Groep, the alliance between Koninklijke Boom Pers and Noordelijke Dagblad Combinatie

A.C.J. Blij director Toorank

M.C. Boom director Koninklijke Boom Pers

mr. drs. H.P.Th. Coebergh product manager NS Cargo, closely involved with the alliance

with European Rail Shutle, Nedlloyd, P&O and Sealand

P. Doorenbos head business support company ING Bank and co-ordinator of the alliance with MKB-Nederland

ing. J.R.H. Grossouw business unit manager Rietschoten Houwens, and co-ordinator of the alliance with Elten Systems.

drs. A.J. Huige board member COSUN

ing. E. Klijn manager of the alliance between Paques and Nuon

drs. C. van Leeuwen head personnel department OCE Nederland, closely involved in the merger of the printerdivisions of Siemens and OCE

drs. P.H. van Leeuwen head financial engineering ING

prof. F.A. Maljers former chairman Unilever, involved in several strategic alliances

J.H.J. Pâques director Paques

ir. G.H. de Raaff director Unifine, the alliance between COSUN and Deli Universal

L.J. van Rij director Hofland-Deltaflex

J. Schoen director Hooge Huys, closely involved in the alliance with GOV

M. Smit   director Centauer and co-ordinator of the
                           alliance with Toorank
ir. J. Sukkel   director operating company of NUON
H.W.E. van de Velde   director Noordelijke Dagblad Combinatie and
                           Hazewinkel Pers
drs. ir. J.M.M. van de Winkel   financial director Deli Universal
R.O.S. Zaal   director Elten Systems, and co-ordinator of the
                           alliance with Rietschoten Houwen

4 List of figures

Figures chapter 4

Figure 4.1: Market structure Web and Mask
Figure 4.2: Strategic fit between Web and Mask
Figure 4.3: Success factors Web and Mask
Figure 4.4: Centralisation vs decentralisation Web and Mask
Figure 4.5: New definition of organisational fit
Figure 4.6: Factors determining organisational fit, based on pilot case
Figure 4.7: Issues to be addressed in alliance design
Figure 4.8: Core questions regarding organisational fit, based on the pilot case
Figure 4.9: Summary adjusted framework around organisational fit
Figure 4.10: Phasing alliance process Web and Mask
Figure 4.11: Final options Web and Mask

Figures chapter 5

Figure 5.1: Criteria applied for case selection
Figure 5.2: Potentially interesting alliances
Figure 5.4: Shipbuilding production 1982 - 1991 per region
Figure 5.5: Development of the SWD engine portfolio
Figure 5.6: Strategic fit between Stork Werkspoor and Wärtsilä Diesel
Figure 5.7: Organisation structure Wärtsilä Diesel Group beginning 1995
Figure 5.8: Implementation of network companies and knowledge centres
Figure 5.9: Additional question organisational fit
Figure 5.10: Alliances and mergers/acquisitions in Smit's and Wijsmuller's market
Figure 5.11: Strategic fit between Smit Internationale and Wijsmuller
Figure 5.12: Criteria for dividing salvage jobs
Figure 5.13: Strategic dilemma Gist Brocades and DSM
Figure 5.14: Strategic fit between DSM and Gist Brocades
Figure 5.15: Impact of the Chemferm joint venture on competitors and buyers
Figure 5.16: Project organisation Chemferm
Figure 5.17: Summary case study results: strategic and organisational fit
Figure 5.18: Summary core questions regarding strategic fit
Figure 5.19: Nature and degree of strategic fit
Figure 5.20: Summary framework around strategic fit
Figure 5.21: Impact of organisational (mis)fit on alliance
Figure 5.22: Summary framework around organisational fit
Figure 5.23: Impact of strategic and organisational fit on decision to co-operate

Figures chapter 6

Figure 6.1: Research method
Figure 6.2: Relevant aspects of alliance implementation (based on literature study)
Figure 6.3: Initial framework around alliance implementation
Figure 6.4: Final framework around alliance implementation
Figure 6.5: Approaches to culture management in strategic alliances
Figure 6.6: Negative reaction to change
Figure 6.7: Resistance inducing and change motivating sequence

Figures chapter 7

Figure 7.1: Phasing of the Pierrot-Lusso alliance process
Figure 7.2: Alliance objectives Lusso-Eldorado and Pierrot-Friola
Figure 7.3: Mutual dependency Lusso and Pierrot
Figure 7.4: Strategy towards wholesalers
Figure 7.5: Strategic fit between Lusso-Eldorado and Pierrot-Friola
Figure 7.6: Alliance design Pierrot-Lusso
Figure 7.7: Framework around alliance implementation
Figure 7.8: Phase difference between the top and the rest of the organisation
Figure 7.9: Possible future development Pierrot-Lusso joint venture

Figures chapter 8

Figure 8.1: Questions regarding scientific and practical results
Figure 8.2: Main research question
Figure 8.3: Summary of the final framework around strategic and organisational fit
Figure 8.4: Necessary actions for a well prepared alliance
Figure 8.5: Core questions regarding strategic fit
Figure 8.6: Impact of strategic and organisational fit on the decision to co-operate
Figure 8.7: Core questions regarding organisational fit
Figure 8.8: Necessary actions when elaborating implementation plan
Figure 8.9: Summary practical recommendations