Staff Paper

Strategic Alliances:
Creating Long Term Success

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Abstract

Given today's increasingly competitive environment, firms in every industry are searching for new ways to increase their competitive advantage. Many firms have realized that, due to a variety of different reasons (e.g., fast-paced technological advances), significant performance improvements cannot be achieved alone. As such, the traditional response of performance enhancement through acquisition is no longer the only option. Strategic alliances are a new alternative that enable partnering firms to combine their individual strengths while compensating for their internal resource scarcities without making the investment required for actual ownership. While interest in alliances is growing, firms are often unsure how to build and maintain successful alliances. This research examines alliances between manufacturers and their suppliers in the food and health/personal care industries to determine what factors lead to successful, long term alliances.

37 pages

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STRATEGIC ALLIANCES:
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INTRODUCTION

Given the dramatic increase in attention paid to relationships between buyers and their suppliers in recent years, perhaps no single issue has drawn greater academic and industry attention than the topic of strategic alliances. Such attention is difficult to dispute given the recent proliferation of articles and special journal issues dedicated to the subject. Research in 1995 revealed that alliances are growing at a rate of twenty-five percent annually and that as many as 20,000 alliances were formed in the U.S. between 1988 and 1992.[1] IBM alone is reported to have formed over 400 domestic and international alliances.[2]

While contemporary interest in alliances is certainly significant, the "reported success rates for interfirm ventures are low."[3] In fact, seventy percent of joint ventures have failed to meet partner expectations or have been terminated.[4] In spite of the high failure rate, these arrangements are often necessary in today's global environment because firms lack the resources (e.g., skills, technology, capital, market access) to achieve a sustainable competitive advantage on their own.[5] Further, alliances offer the means to obtain the benefits of vertical integration without the investment in physical and human resources associated with actual ownership.[6]

Why is the success rate so low for alliances when the potential benefits are so large? Why do so many alliances seem to fail? Recent research suggests that failure occurs because "most companies adopt a 'seat of the pants' style in their approach to joint management, and learn lessons the hard way."[7] Additional research has provided evidence of this haphazard approach, showing that in the U.S. only one in five companies has guidelines for maintaining alliances, although many managers believe such guidelines would be valuable.[8] In other words, firms recognize the need to develop alliances, but once implemented, these same firms do not fully understand how to manage or maintain these relationships. In particular, the transition from an adversarial to a cooperative relationship is difficult for many managers; the changes in mindset, culture and behavior can be overwhelming. Yet, without these changes, the alliance is nothing more than a conventional, often adversarial, relationship under a new name.

The largest barrier to alliance success is organizational (e.g., culture and re-engineering the business process) rather than technical and financial. Thus, the greatest cost to alliance development is in "people" costs that arise from both partners modifying traditional habits and beliefs, while adopting new ways of conducting business. At the same time, firms recognize that a cooperative relationship is not a sufficient condition for a successful alliance. Performance must be enhanced and specific goals must be achieved in order for the firm to acknowledge that the transition to an alliance was worthwhile. As such, alliance success is not solely determined by interpersonal attributes, but must also include enhanced performance. In this sense, performance and "people skills" interact to determine the viability and success of an alliance.

RESEARCH DESIGN: HOW THE STUDY WAS CONDUCTED

The research examined alliance practice in the (1) food and (2) health and personal care industries in North America to identify how firms are managing the alliance process to support a long term orientation. These industries were chosen based on their current involvement in alliance activity. For example, alliances are playing a critical role in the success of Efficient Consumer Response (ECR) in the food industry. The overall goal of ECR is enhanced performance through supply chain integration. The ECR agenda specifically addresses issues of partnership effectiveness, information sharing, performance measurement and change management. Manufacturers in the health and personal care industry also serve retailers in the food industry that expect ECR performance levels. As such, the health and personal care industry is also intently focused on supply chain integration through partnership arrangements.

Alliances between manufacturers and their material suppliers were the focus of this research. An alliance was defined as *"a long term relationship where participants cooperate and willingly modify their business practices to improve joint performance."* The research design was unique in that *both partners* in an alliance were studied. The buyers at each manufacturer were asked to complete an extensive questionnaire by focusing on a specific supplier relationship of their choice. The buyers were also asked to provide a contact name and address for their counterpart at the chosen supplier. The suppliers were then mailed an identical questionnaire to complete. Because these alliance relationships were "self-selected" by the buyers, they were likely to be the most successful relationships the buyers are responsible for, and therefore the research focused on the "best-of-best" in alliance practice.

The research design provided the ability to compare perceptions between manufacturers and material suppliers. Specifically, it offered a unique opportunity to determine where key similarities (and differences) in perceptions exist that may cause an alliance to succeed (or fail). For example, buyers and suppliers may have different beliefs concerning the importance of trust in the development of an alliance. If one partner feels a high level of trust is critical while the other partner feels trust is less important, the alliance may never be considered successful.

Forty-one buying firms participated in the research: twenty-two primarily operate in the food industry and nineteen primarily operate in the health and personal care industry. The companies included Fortune 500 companies, Fortune 100 companies and several smaller companies as well. One hundred and four questionnaires were mailed to buyers at the forty-one firms (some buying firms contributed multiple participants). Ninety-seven completed questionnaires were received, providing a 93% response rate. The buying firm participants' titles ranged from Buyer, Purchasing Agent, Director of Purchasing to Vice President of Purchasing.

Ninety-six buyers provided a supplier contact name and address for their alliance counterpart. The one buyer who did not provide a contact person was eliminated from the sample. Ninety-six supplier questionnaires were mailed to sixty-three supplying firms (some firms contributed multiple participants).

Ninety-two completed supplier questionnaires were returned, providing a 96% response rate. The four buyer questionnaires, where no matched supplier questionnaire was returned, were eliminated from the sample. Thus, ninety-two complete alliance "pairs" (where both the buyer and supplier completed a questionnaire) provide the data for this report. The supplier participants' titles ranged from Sales Manager, Account Manager, Sales Representative, General Manager, Vice President to President. Table 1 highlights the industries the suppliers were in and the products they provide the alliance.

Table 1
Product/Industry Scope for Supplier Firms

Product/Industry Type	No. of Alliances	Percent of Supplier Sample
Packaging Supplies/Processes	57	62.0
Food Products and Additives	10	10.9
Chemicals	8	8.7
Equipment, Repair and Supplies	8	8.7
Consumer Finished Goods	4	4.3
Third Party Services	4	4.3
Diesel Fuel and Gas	1	1.1
Total	**92**	**100.0%**

The respondents were primarily male (85%) with 13% being female (the remaining 2% of respondents did not indicate gender). The participants had been in their current positions over a large range of years. Table 2 highlights the employment characteristics of the respondents.

The majority of alliances in the research evolved from existing business relationships. The average length of time the firms had been in a business relationship was 14.46 years (buyers' response) and/or 16.79 years (suppliers' response). There is closer agreement between the two perspectives regarding the average length of time the firms have been in the alliance with their partner. Buyers reported the length of the alliance at 6.17 years and suppliers at 6.18 years. In terms of actual alliance development, the mean score (i.e., the average score) for buyers was 5.34 and for suppliers was 5.48 (where "1 = in initial development" and "7 = well developed").

Table 2
Experience Level of Research Participants:
Number of Years in Current Position

Number of Years in Position	No. of Buyer Participants	No. of Supplier Participants
Less than 5 years	52	62
6-10 years	27	22
11-15 years	10	4
16-20 years	1	3
over 20 years	1	1
Total	**91***	**92**

* One participant did not respond

RESEARCH RESULTS

Each of the following sections addresses an important topic of alliance practice. The sections are: (1) Alliance Goals; (2) Performance Achievements; (3) Alliance Success Factors; (4) Contractual Issues; and (5) Long Term Orientation. Each section is structured around key questions drawn from the research, with a focus on the relevancy to alliance management issues.

ALLIANCE GOALS

As previously mentioned, firms are only willing to form alliances given that some enhanced performance is achieved. The foundation for assessing performance improvement is the identification and selection of alliance goals. Participants were asked to indicate the top five goals (from a list of twenty-one goals) that motivated their firms to form the alliance (see Appendix A for a complete list of the twenty-one goals). There were noticeable differences in the top five goals for buying and supplying firms as shown in Table 3.

Table 3
Alliance Goals:
Top Five Goals that Motivated Alliance Formation

Buying Firm Goals	**Supplying Firm Goals**
Reduce Cost	Increase Customer Satisfaction
Improve Quality	Increase Sales Volume
Increase Customer Satisfaction	Enhanced Market Position
Improve Profit	Improve Profit
Increase Speed to Market/Leverage Capital*	Defend Current Market Position

* Two responses were tied for fifth

Lessons Learned

In reviewing these goals, it is not surprising that only two of the top five buyer and supplier goals match: Increase Customer Satisfaction and Improve Profit. The remaining goals address very different priorities. For example, the supplier goals relate to achieving a better market position through increased customer satisfaction and sales volume. On the other hand, the buyer goals focus more on improving internal aspects of the buying firms' performance such as increasing profitability, reducing cost and improving quality.

The alliance literature often discusses the need for common goals in order for the alliance to be successful. However, partners with the exact same goals are difficult to find as shown in Table 3. The partners will more typically have differing goals. The differences are attributed to the position the partner plays in the alliance as either the *seller of goods* or the *buyer of goods.* When in the selling position, it is only logical to assume that the goals will be sales-driven (e.g., increasing sales volume, enhancing/defending current market position). In the buying position, the goals focus on controlling the material budget (e.g., reduced costs) and enhancing internal performance (e.g., improved quality, increased customer satisfaction).

Given that goals may differ, does this mean that alliances can not be successful? Rather than expect goals to be the same, it is more important for goals to be complementary so both partners can achieve their individual goals while enhancing overall supply chain performance. For example, if the buyers find that the alliance has improved quality and reduced cost, the supplier will see increased sales volume; both firms gain and a “win-win” solution is achieved.

ALLIANCE PERFORMANCE

Another important portion of the survey addressed the extent to which the identified goals had been achieved. Participants were asked to examine the aforementioned list of twenty-one goals and indicate which goals had actually been achieved by the alliance. Table 4 illustrates the results of this question. For both buyers and suppliers, most of the top five goals that motivated their firms to enter into the alliance were actually achieved. For buyers and suppliers, the only top five goal that was not achieved was improved profit. However, buyers reported that they achieved reductions in inventory and suppliers reported that they achieved reductions in cost. Interestingly, neither of these items was a top five goal for buyers or suppliers.

Table 4
Alliance Performance:
Top Five Performance Achievements

Buying Firm Achievements	Supplying Firm Achievements
Reduced Cost	Increased Customer Satisfaction
Improved Quality	Increased Sales Volume
Increased Customer Satisfaction	Enhanced Market Position
Reduced Inventory/Increase Speed to Market*	Reduced Cost
Leverage Capital	Defend Market Position

* Two responses were tied for fourth

A number of factors contribute to the fact that improved profitability was not a top five achievement. First, many firms face highly competitive markets that mandate price stability or reductions rather than allow for increased profits. Second, many firms lack the ability to identify costs by individual relationships in order to determine if alliance-specific profit has increased. Third, significant investments in alliance assets (e.g., technology, personnel) may hinder short term profitability. It should be noted, however, that both buyers and suppliers listed improved profit as one of the top ten achieved goals (buyers ranked it sixth and suppliers ranked it eighth).

Table 5 illustrates participants' evaluation of alliance success. On a scale of 1 to 7 (where "1 = unsuccessful" and "7 = successful"), the mean response for buyers was 5.66 and the mean response for suppliers was 5.95. To better understand this information, Table 5 provides the frequency of responses. While there is no significantly statistical difference in the mean responses, suppliers tended to rate the alliances as more successful than did buyers. Eighty-one of the 90 reported buyer responses (90%) and 87 of the 91 reported supplier responses (96%) were greater than neutral (five or above). These results provide further support that the research examined best-in-class alliances.

Table 5
Alliance Performance:
Degree of Success

Rating of Success	Buyer Response (No. – Percent)	Supplier Response (No. – Percent)
1 - unsuccessful	3 -- 3.3	1 -- 1.1
2	1 -- 1.1	0 – 0
3	3 -- 3.3	0 – 0
4 - neutral	2 -- 2.2	3 -- 3.3
5	19 -- 21.1	23 -- 25.3
6	42 -- 46.7	35 -- 38.5
7 - successful	20 -- 22.2	29 -- 31.9
Total Responding	**90 (mean = 5.66)**	**91 (mean = 5.95)**

The survey instrument also addressed whether the participants believed that the enhanced performance was worth the required costs involved. Table 6 illustrates responses to questions that addressed relationship costs and benefits.

Table 6
Alliance Performance:
Relationship Costs and Benefits

Question	Buyers' Mean Response	Suppliers' Mean Response
The benefits of the alliance have exceeded the costs in terms of physical resource investment.............................	5.03	5.25
The benefits of the alliance have exceeded the costs in terms of human resource investment…....………………	5.01	5.11
The alliance has been more beneficial than a typical non-alliance relationship………………………..........…..…	5.81	5.97
The total cost of doing business with the partner firm has been reduced due to the alliance*………………..............	5.23	4.51
The alliance is profitable for my firm*……………….....	5.78	5.46
The alliance is providing mutual benefit for both firms....	5.71	5.83

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Lessons Learned

Buyers and suppliers agreed that the benefits of an alliance surpass the physical and human resource investment required and strongly agreed that alliances are more beneficial than non-alliance relationships. Further, both partners feel the alliance has provided mutual benefit.

Two statistically significant differences are evident in buyer and supplier perspectives with respect to the issue of alliance benefits and costs. First, buyers show a stronger agreement than suppliers that the alliance has reduced the total cost of doing business with the partner firm. The suppliers' response to this question is closer to neutral. This difference is due in part to the buyers' focus on achieving financial goals such as cost reduction, inventory reduction, leveraging capital and increased quality. Supplier attention focused less on achieving financial goals and more on maintaining and/or improving their position as a viable competitor by increasing customer satisfaction, increasing sales volume and enhancing/defending their market position.

Second, in terms of alliance profitability for their firm, buyers more strongly agreed with this statement than did suppliers. The difference is consistent with buyers ranking improved profit sixth in overall goal achievement while suppliers ranked improved profit eighth. Given the goal of enhancing and defending their market position, suppliers may be very willing to forego short-term profitability concerns in order to build sales volume and "lock in" satisfied customers.

ALLIANCE SUCCESS FACTORS

Consistent with the stated purpose of this research, a significant component of the survey addressed factors that contribute to alliance success. Thus, respondents were asked to examine a list of eighteen factors that may influence the success of an alliance, and, then, to list the five most important factors (see Appendix B for a complete list of the eighteen factors). Buyers and suppliers agreed with respect to the top five success factors; although they appeared in slightly different order. Table 7 illustrates both buyer and supplier responses. Each of the five success factors will be examined in-depth.

Table 7
Alliance Success Factors:
Top Five Factors that Influence Success

Buyer Response	**Supplier Response**
Trust	Senior Management Support
Senior Management Support	Trust
Ability to Meet Performance Expectations	Ability to Meet Performance Expectations
Clear Goals	Partner Compatibility
Partner Compatibility	Clear Goals

TRUST

Trust must exist in an alliance since each party depends on the other to satisfy mutual, rather than self-serving, goals. Trust must be present for partners to share critical information needed to manage the alliance. While executives and managers typically note that they know when high levels of trust do or do not exist in a relationship, defining and measuring trust can be problematic. This research examined trust from two distinct perspectives: character-based trust and competence-based trust.[9] *Character-based trust* is the qualitative characteristics of behavior inherent in partners' strategic philosophies and cultures; *competence-based trust* is the specific operating behaviors and day-to-day performance. Participants answered questions addressing three topics: (1) the extent of trust in the alliance; (2) the sources and value of character-based trust; and (3) the sources and value of competence-based trust.

First, buyer and supplier perspectives were extremely consistent with respect to trust. It was obvious from the responses that these alliances exhibited a high degree of trust. One question in particular demonstrates this condition. Participants were asked to rate the alliance on a scale where "1 = untrustworthy" and "7 = trustworthy." The mean response for buyers was 6.23 and for suppliers was 6.21. Given that the academic and practitioner literature suggest that trust is a critical factor for successful alliances, this result offers another indication that the alliances studied were, in fact, best practice alliance relationships.

Participants then assessed their alliances with regard to character-based and competence-based trust. Prior research has suggested that these two types of trust are valuable for several reasons. First, there is clarification between trusting what a firm says it believes and trusting what a firm actually does. Second, although character-based issues (such as integrity and honesty) may be the glue binding partners together, competent performance is critical to successful long term alliances.[10]

Character-based Trust

There are five sources of character-based trust: (1) *integrity* -- the partner's level of honesty and principles; (2) *identification of motives* -- the partner's true strategic intentions; (3) *consistency of behavior* -- the reliability and predictability of the partner's actions under different situations; (4) *openness* -- the partner's willingness to be honest about problems; and (5) *discreteness* -- the partner's willingness to maintain confidentiality of strategic plans and key information.[11]

Buyer and supplier perspectives relating to character-based trust are illustrated in Table 8.

Specifically, participants were asked to "Describe the partner firm with respect to the following characteristics." The scale for these questions ranged from "1 = strongly agree" to "7 = strongly disagree." Again, rather than provide the mean response scores, the results in Table 8 reflect the percentage of respondents that strongly agreed with each question (a response of 7). This format provides better understanding because for the vast majority of questions, no participant provided a response less than "4," indicating a high degree of agreement with each question. Further, there were no statistically significant differences between the mean responses of buyers and suppliers.

Table 8
Sources of Character-Based Trust:
Assessing the Strength of Response

Source of Trust	**Buyer Response (Percent)***	**Supplier Response (Percent)***
High Integrity	99	95
Very Honest	99	95
High Moral Character	100	95
Communicates Motives	78	80
Always Keeps Promises	96	93
Predictable Behavior	93	84
Very Open	93	84
Discusses Problems	93	89
Keeps Confidential Information	90	85

* Percent of respondents that strongly agree the following characteristics exist in the partner firm.

Two primary issues are evident in Table 8. First, both buyers and suppliers strongly indicate that there is a high degree of character-based trust in the alliances. If a weakness exists with respect to such trust, it involves the communication of motives from both the buyers and suppliers' perspectives. In other words, both buyers and suppliers feel that their partner is not always clear with respect to communicating their true strategic intentions for the alliance.

Second, suppliers' mean responses are lower on most measures than their buyer counterparts. In particular, suppliers indicate a lower percentage of strong agreement concerning buyers' predictability of behavior and openness. A disparity also exists, to a lesser degree, regarding the ability to keep strategic information confidential and assessments of moral character. This is perhaps an indication of suppliers "sensing" their vulnerability or substitutability in the supply chain. It is important to stress that the mean responses from buyers and suppliers on these questions were not statistically different. However, a greater percentage of buyers strongly agree with these statements than do suppliers.

Lessons Learned

These results suggest that both parties may improve in this area, although it appears that buyers in particular can learn from this information. Buyers may need to: (1) more clearly communicate their motives to suppliers; (2) exhibit greater predictability of behavior; (3) become more open about the strategic direction of the alliance; (4) discuss problems more readily; and (5) exhibit a greater commitment to upholding confidential information. Suppliers can also improve character-based trust by communicating their strategic intentions more clearly to buyers.

Competence-based Trust

There are four sources of competence-based trust: (1) *specific competence* -- specialized operational knowledge and skills; (2) *interpersonal competence* -- individuals' ability to effectively perform their responsibilities and work well with others; (3) *competence in business sense* -- a broad experience base beyond a specific area of expertise; and (4) *judgment* -- decision making ability.[12]

Buyer and supplier perspectives relating to competence-based trust are illustrated in Table 9. Specifically, participants were asked to "Describe the partner firm with respect to the following characteristics." The scale for these questions ranged from "1 = strongly disagree" to "7 = strongly agree." Again, rather than providing the mean response scores, Table 9 reflects the percentage of respondents that strongly agreed with each question. It should be noted that competence-based trust is concerned with behavior at both the partner firm/corporate level as well as at the individual/key personnel level. Again, it is important to stress that the mean responses from buyers and suppliers were not statistically different.

Table 9
Sources of Competence-Based Trust:
Assessing the Strength of Response

Source of Trust	Buyer Response (Percent)*	Supplier Response (Percent)*
Partner Firm is Competent	98	95
Partner Firm Exhibits Good Business Sense	93	84
Partner Firm uses Common Sense	96	90
Partner Firm is Solution-Oriented	90	78
Partner Firm uses its Best Judgment	92	86
Personnel Understand the Alliance	92	92
Personnel are Knowledgeable	94	95
Personnel have Strong Interpersonal Skills	93	96

* Percent of respondents that strongly agree the following characteristics exist in the partner firm.

Two primary issues are evident in Table 9. First, similar to character-based trust, buyers and suppliers strongly agreed that a high level of competence-based trust exists in the alliances. Second, where differences are present, suppliers tend to feel less strong about sources of trust than do buyers. From the suppliers' perspective, the primary issue of contention concerns the buying firms' solution-orientation. This suggests that when problems arise, the buying firm expects the supplier to solve the problems alone. Therefore, an important area for alliance improvement concerns partners' commitment to jointly examine business processes to identify solutions. Suppliers' responses suggest that this responsibility may be unequally shared.

Suppliers' responses also indicate a somewhat lower level of satisfaction with the buying firms' use of good business sense, common sense and best judgment. These responses are focused on assessments at the firm/corporate level, not the individual level. The results suggest suppliers are reluctant to trust the ability of the buying firm's corporate hierarchy to make the best decisions concerning the alliance. For example, a corporate-level decision in the buying firm might mandate global sourcing for all parts and components. If the alliance partner is a domestic supplier for the product, the mandate may not only significantly hurt the suppliers' business volume, but may also terminate the alliance. One can see where a supplier may question the business sense and judgment of such a mandate.

Lessons Learned

These results suggest that buying firms in particular can improve alliances by becoming more directly involved in solving alliance problems. Such involvement may require increased commitments of time and personnel or simply greater awareness of group effort. Overall, these alliances are remarkably consistent in their assessment of the existence and strength of trust.

SENIOR MANAGEMENT SUPPORT

Senior management support provides both encouragement and resources (e.g., personnel, time, travel, technology, physical plant) to individuals directly involved in alliance activity. Senior management support was examined in both strategic and operational areas of the alliances. *Strategic* refers to decisions and actions that affect each partner's long term goals and direction. *Operational* refers to decisions and actions that affect each partners' short term planning and day-to-day operating performance. Participants answered questions concerning two issues: (1) strategic and operational organizational responsibility; and (2) the impact of senior management on decision-making in the alliance.

Participants indicated whether the responsibility for strategic development is at the proper level of management in their firm and the partner's firm. The question was repeated for the responsibility for day-to-day operations. Table 10 provides the results of these questions.

Table 10
Senior Management Support:
Level of Strategic and Operational Responsibility

Question	Buyers' Mean Response	Suppliers' Mean Response
Strategic Development at my Firm*	5.41	5.98
Strategic Development at Partner Firm	5.75	5.74
Day-to-Day Operations at my Firm*	5.78	6.16
Day-to-Day Operations at Partner Firm	5.79	5.84

*The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Several issues are evident in Table 10. First, both parties agree to a considerable extent that the responsibility for the alliance is at the proper level of management in both their firm and in the partner's firm. This provides evidence that senior management has planned, directed and supported the proper allocation of responsibility with respect to long term and short term issues.

Second, there was remarkable consistency of responses regarding strategic and operational responsibility *within the partner firm*. Buyer and supplier mean responses were extremely similar concerning strategic (5.75 and 5.74) and operational (5.79 and 5.84) responsibility. However, there were statistically significant differences of opinion between buyers and suppliers regarding strategic and operational responsibility *within their own firm*.

Suppliers were much more emphatic about their internal responsibility for alliance development both strategically (5.98 to 5.41) and operationally (6.16 to 5.78) compared to buyers' assessment of their own internal responsibility. This issue highlights an important potential source of conflict. One potential explanation for the disparity is that the consequences of alliance failure for a supplier is more serious in light of the increasing competitive pressures.

Respondents were also asked if changes in corporate leadership at either firm would negatively affect the alliance. Buyers' mean response to this question was 3.79 and suppliers' mean response was 3.62 (where "1 = strongly disagree" and "7 = strongly agree"). These responses reflect a negative to neutral response. If senior management was highly involved in or supportive of the alliances, the mean response would be expected to be much higher (i.e., any change in corporate leadership would have a significantly negative impact on the alliance). In another sense, these responses may suggest that the alliance has evolved "beyond the person" and have become successful on their own accord. In other words, the key contacts in the alliance may not need (or want) further senior management involvement.

As it is, participant responses indicate that senior management is not directly involved with the alliance. In other words, a gap may exist between senior management encouraging alliance development, but not always committing the necessary resources to carry out those plans. The gap may be explained by firms' efforts to "do more with less." The impact of corporate "down-sizing" can be frustrating for alliance managers. This research included telephone contact with participants, and no topic generated more discussion that the difficulty of managing business under significant time pressures.

Lessons Learned

Opportunities to improve alliances through enhanced senior management support exist and apply equally to buying and supplying firms. The differences in perception regarding which party is responsible for strategic and operational development can be addressed through better communication and joint decision-making. Whether this improved communication requires more formal meetings, improved technology and/or increased site visits is alliance-specific. It is more difficult to generalize about the potential lack of support and impact on the alliance by senior management. It could reflect how well the alliance is being managed in spite of top-level attention; conversely, it could reflect a tremendous opportunity that is being missed. Perhaps more importantly, participants clearly demonstrated that senior management support is a strong factor in a successful alliance. It would be worthwhile for alliance participants to determine whether enhanced senior management support is necessary for long term success.

ABILITY TO MEET PERFORMANCE EXPECTATIONS

Ability to meet performance expectations concerns the execution and evaluation of alliance goals as well as the individual partner's goals which gets to the core of an alliance's rationale: improve each firm's competitive position in the market. Three distinct issues are involved: (1) does performance occur as promised? (2) how is performance evaluated? and (3) to what degree has performance distinguished the alliance from conventional market arrangements?

The first issue was addressed when participants agreed that the alliances' day-to-day responsibilities were being carried out. Participants were asked "My firm has carried out its day-to-day responsibilities with respect to the alliance." The question was repeated with respect to the partner firm. The responses (Table 11) illustrate that the supplier firm's performance was rated higher by both groups; the ratings revealed statistically significant differences. While some of this perceptual difference can be attributed to the role of the supplier maintaining a high level of customer service, the apparent inequity signals a potential point of conflict.

In order to meet performance expectations, there must be access to, and exchange of, performance information. Participants agreed with the statement "Access to operational performance information is readily available to personnel who need it." On a scale where "1 = strongly disagree" and "7 = strongly agree," the buyers' mean response was 5.10 and the suppliers' mean response was 5.49 (the difference was statistically significant).

Table 11
Performance Expectations;
Extent of Alliance Responsibility

Question	Buyers' Mean Response	Suppliers' Mean Response
My firm has carried out its day-to-day responsibilities with respect to the alliance*.....…………………..….	5.32	5.79
The partner firm has carried out its day-to-day responsibilities with respect to the alliance*....……...	5.63	5.25

***** The buyer and supplier responses were statistically different from each other.

(Scale where 1 = strongly disagree and 7 = strongly agree)

Further support for the perspective that information exchange is effective is shown by very consistent responses to the statement "Information that could be used to improve alliance operations is not shared between my firm and the partner firm." On a scale where "1 = strongly disagree" and "7 = strongly agree," the buyers' mean response was 2.57 and the suppliers' mean response was 2.40. This indicates that the desire and ability to exchange information to improve the alliance is quite strong.

The second issue, the manner of performance evaluation, was addressed by a series of questions. The responses shown in Table 12 provide insight into how performance measures were created and how performance is evaluated.

Participants' assessment of how performance is measured and evaluated reflects what previous research has shown: considerable room for improvement exists regarding the use of well-defined (e.g., written) performance measurements.[13] In traditional market relationships, performance expectations are one-sided: buyers expected suppliers to meet a pre-determined quality (and often cost) standard. However, in an alliance, both partners have performance expectations to meet. As such, alliances that only reflect one party's performance have a potential conflict. By evaluating where suppliers and buyers create inefficiencies in the supply chain or fail to follow procedures should be examined to identify weaknesses in the alliance. From this, problems can be identified and solutions can be developed to improve the relationship and its overall performance.

Table 12
Performance Expectations:
Development and Use of Performance Measures

Question	Buyers' Mean Response	Suppliers' Mean Response
Performance measurement expectations for the alliance are provided in written form………………………………	3.60	3.84
Performance measures to guide the alliance were developed jointly by my firm and the partner firm………	3.80	4.24
My firm evaluates the partner firm's performance relative to the alliance………………………………………..…..	4.34	4.28
The partner firm evaluates my firm's performance relative to the alliance*****………………………………………….	3.97	5.15
My firm shares performance evaluations with the partner	4.96	4.48
The partner firm shares performance evaluations with my firm*……………………………………………………	3.82	4.73

***** The buyer and supplier responses were statistically different from each other.

(Scale where 1 = strongly disagree and 7 = strongly agree)

The third issue examines whether or not performance in an alliance is significantly better than in a non-alliance relationship. Alliances can be resource-intensive business relationships. If performance is not improved, it is difficult to justify an alliance's existence. Participants were given a list of sixteen specific performance measures and asked to rate the alliance's performance on these measures against a traditional "non-alliance" relationship. The measures and participant responses are displayed in Table 13.

Overall, participants agreed that the alliances in question were significantly better than a non-alliance relationship. This perception was true for almost every individual measure, although some mean scores were closer to neutral (a response of 4.00) than strong agreement. There were only two measures that generated statistically significant differences: Prompt Payment and Inventory Levels/Investment. The difference in opinion regarding Prompt Payment is interesting in that buyers felt their payment process is neither better nor worse than in traditional relationships. In other words, the payment process is standard for all types of supplier relationships. Yet, suppliers feel they receive payment faster in alliance relationships.

Table 13
Performance Expectations:
Comparison of Alliance and Non-Alliance Performance

Measure of Comparison	Buyers' Mean Response	Suppliers' Mean Response
Advanced Notice of Problems	5.37	5.26
Advanced Shipment Notification	4.47	4.86
Cost Reduction	5.56	5.29
Customer Service	5.64	5.60
Damage-Free Delivery	4.92	4.68
Fill Rate	4.15	3.57
Inventory Levels/Investment*	5.62	5.01
Inventory Turns	5.27	4.85
Invoice Accuracy	4.85	4.90
On-Time Delivery/Shipment	5.64	5.59
Order Completeness	5.35	4.98
Order Cycle Time	5.18	5.15
Price Competitiveness	5.54	5.22
Product Quality	5.27	5.04
Profitability	4.67	4.66
Prompt Payment*	4.07	4.91

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = significantly worse and 7 = significantly better than a non-alliance)

The statistically significant difference with respect to Inventory Levels/Investment is a very important issue for managerial attention. While both buyers and suppliers feel improvements in inventory are greater in alliance relationships, the buyers' mean response is statistically stronger than suppliers. This disparity can be explained in one of two ways based on the specific alliance situation. Buyers may view the alliance as providing an inventory management system much better than "the norm." However, suppliers may view that the inventory management system they provide (in both alliance and non-alliance relationships) is always good and thus represents "the norm." On the other hand, the disparity may illustrate situations where buyers have been able to significantly reduce internal inventory levels while partnering suppliers are "stuck" holding inventory in order to maintain high levels of customer service. If the latter explanation holds true, a significant opportunity exists to reduce total supply chain inventory rather than shifting inventory from one partner to another.

Lessons Learned

In summary, participant responses were consistent with the viewpoint that alliances perform better. Performance evaluation, and more specifically its definition and joint development, represents a significant learning opportunity for alliance firms. Although many good alliances are getting by on less than adequately defined performance procedures and evaluations, the key issue is “will developing these areas generate substantial business improvement?” Attention to performance procedures and evaluation can provide a valuable opportunity to improve (1) measures that did not generate strong distinctions between alliances and non-alliance relationships (e.g., Fill Rate, Profitability, etc.); and (2) overall performance by generating further enhancements across all measurement areas. In other words, more detailed, joint development *and* evaluation of performance would allow alliances to continue to operate significantly better than non-alliance relationships.

CLEAR GOALS

Clear goals was selected by participants as one of the five key success factors in alliances, suggesting the old adage that a goal must first be identified before it can be achieved. Alliance success requires the establishment and execution of clearly defined goals and, to achieve these goals, well-defined procedures must be clearly communicated to the managers involved with the alliance.[14] Participants were asked questions that addressed three issues concerned with alliance goals: (1) are well-defined procedures in place to guide the achievement of alliance goals? (2) do regular meetings occur to set, review and revise alliance goals and to ensure their consistency? and (3) to what extent have the goals, if they exist, been accomplished?

To address the first issue, buyers and suppliers were asked if "there are well-defined, written procedures to guide the alliance." On a scale where "1 = strongly disagree" and "7 = strongly agree," the buyers' mean response was 3.17 and the suppliers' mean response was 3.62, which indicates that such procedures are not in place. Additionally, Table 14 provides the results from a series of questions asking whether or not the firms have clear guidelines regarding alliance practices (as well as measuring their performance). A key point concerns the extent to which suppliers indicate that they have such guidelines in place compared to buyers. One potential explanation for this disparity may be that suppliers are more involved in using alliances as a "selling tool" to prospective customers. Given these objectives, suppliers have spent more time developing internal guidelines for conducting alliance practice.

Table 14
Goal Clarity:
Existence of Firm-Level Guidelines for Alliances

Issue	Buyers' Response (Yes/No)	Suppliers' Response (Yes/No)
Developing Alliances	28/64	49/43
Implementing Alliances	22/70	47/45
Monitoring Alliances	21/71	41/51
Maintaining Alliances	18/74	48/44
Dissolving Alliances	7/85	7/85
Measuring Alliance Performance	22/70	41/51

A second issue concerning goal management is the use of regular meetings specifically designed to assess the progress of alliance goals. Participants answered a series of questions to address the progress of both strategic (long term) and operational (short term or day-to-day) goals. The responses are displayed in Table 15.

While buyer and supplier opinions were almost identical in their agreement regarding the use of meetings to set and review goals and operational performance, room for improvement clearly exists. While contemporary business conditions restrict significant allocations of time (especially for more meetings!), the fact remains that regular attention to clarifying alliance goal-setting, monitoring and review is likely to lead to greater goal achievement. As such, this is an area that deserves more serious consideration and commitment.

Table 15
Goal Clarity:
Goal Assessment Procedures

Question	**Buyers' Mean Response**	**Suppliers' Mean Response**
Representatives from my firm and the partner firm meet regularly to set strategic goals for the alliance…	4.99	5.08
Representatives from my firm and the partner firm meet regularly to review the achievement of strategic goals for the alliance………………………………	4.99	4.95
Representatives from my firm and the partner firm meet regularly to review the alliance's operational performance…………..…………………………..…	5.27	5.27
My firm's goals and objectives regarding the alliance are consistent with those of the partner firm ……….	5.01	5.30

(Scale where 1 = strongly disagree and 7 = strongly agree)

A third issue of goal clarity concerns the degree to which goals have been accomplished. The assumption is that clearly defined goals are more likely to be accomplished. This is due to the fact that without goals, the alliance lacks direction and will not produce the desired results. Participants' responses to the questions addressing this issue are displayed in Table 16.

As shown in Table 16, buyers and suppliers agreed that their goals are being achieved. Additionally, they agreed that the time and effort spent to achieve these goals has been worthwhile. Interestingly, suppliers agreed much more strongly (to the point of being statistically significant) on all of these questions. This perspective may reflect a general industry condition where supplier firms are learning more from their involvement in alliances than buying firms, and therefore supplier satisfaction is greater. This point illustrates that although benefits may be uneven, suppliers are satisfied with their firm's goal achievement. Suppliers may also believe such investments are critical to survive in a rapidly consolidating marketplace.

Table 16
Goal Clarity:
Goal Achievement

Question	Buyers' Mean Response	Suppliers' Mean Response
The alliance is meeting my firm's long term strategic goals*……………………………………………...	5.49	5.95
The alliance is meeting the partner firm's long term strategic goals*……………………….…………………...	5.45	5.78
The alliance is meeting my firm's operational performance goals*….………………………...…..	5.33	5.66
The alliance is meeting the partner firm's operational performance goals*………………………………..	5.28	5.59
The time and effort my firm has spent to achieve the alliance's strategic goals have been worthwhile*……	5.77	6.26
The time and effort my firm has spent to achieve the alliance's operational goals have been worthwhile*....	5.66	6.21

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Lessons Learned

Overall, goal clarity represents an area for improvement. Both buyers and suppliers indicate that their goals are being achieved to some degree, and that the time and effort to accomplish them is worthwhile. If this is in fact true, why would increased attention to the goals through greater procedural definition and review meetings be required? The answer is that this attention would be pivotal to further increasing performance regarding difficult to achieve goals (such as profitability) and providing new problem solving opportunities.

PARTNER COMPATIBILITY

Partner compatibility refers to the ability to plan and work together in a productive, solution-oriented manner. Partner compatibility is specifically concerned with three issues: (1) assessment of operational philosophy and style; (2) cooperation and problem-solving ability; and (3) agreement on work practices, especially without exerting power.

First, participants were asked about operating philosophy and management styles. The responses in Table 17 illustrate that buyers and suppliers acknowledge similarity in operating philosophy, yet also recognize that management styles are not uniform across partner firms. Buyer and supplier responses are quite consistent regarding this issue. Moreover, buyers and suppliers indicated that despite some differences, the two firms work together as a team to improve the alliance, indicating mutual respect and commitment exists.

Table 17
Partner Compatibility:
Assessing Management Style and Philosophy

Question	**Buyers' Mean Response**	**Suppliers' Mean Response**
My firm and the partner firm have similar operating philosophies…………………………….…………….....	5.08	4.91
My firm and the partner firm have similar management styles……......…………………………...	4.34	4.18
My firm and the partner firm work as a team to improve the alliance….…………………………........…	5.65	5.86

(Scale where 1 = strongly disagree and 7 = strongly agree)

A second issue concerns the partner firm's ability to cooperate and be receptive to discussing and solving operational problems. Table 18 displays participant responses to questions addressing this topic. Buyers and suppliers strongly believe that their partners are receptive to new solutions that would improve day-to-day alliance performance. They also believe that their partners are very cooperative and willing to discuss operational problems. Moreover, partners are willing to take the corrective actions necessary to solve a problem, including accommodating special requests and displaying the flexibility required to meet unforeseen circumstances. To a statistically significant degree, buyers viewed suppliers as more willing in this respect than suppliers viewed their buyer counterparts. Given the suppliers' role in providing customer service, this result is not particularly surprising.

Table 18
Partner Compatibility:
Assessing Cooperation and Solution-Orientation

Question	Buyers' Mean Response	Suppliers' Mean Response
The partner firm is difficult to cooperate with on strategic issues…………………………………………………………	2.42	2.78
The partner firm is difficult to cooperate with on day-to-day issues*…………………..………………………………....	1.89	2.50
The partner firm is receptive to new solutions that will improve the strategic value of the alliance........……………	5.72	5.57
The partner firm is receptive to new solutions that will improve the alliance's day-to-day performance..…………..	5.74	5.71
The partner firm is irritated when my firm discusses problems that affect the alliance's strategic goals*...……...	2.55	3.05
The partner firm is irritated when my firm discusses problems that affect the alliance's operational performance*……………………………………………	2.33	2.93
During the past six months, there were significant disagreements between people in my firm and the partner firm………………………………………………………..	2.90	2.67
The partner firm implements corrective actions immediately when a problem arises*……………………...	5.46	4.77
The partner firm accommodates special requests from my firm*………………………………………………………	5.91	5.26
The partner firm readily adjusts to meet unforeseen situations*……………………………………………….	5.54	4.93

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

The third issue concerning Partner Compatibility examined the firm's perspective with respect to "getting work done" and the issue of utilizing power in the relationship. Table 19 illustrates participant responses to the relevant questions for this topic. When examining the way work is performed by the partner firm, the buyers' and suppliers' viewpoint was extremely consistent. Interestingly, when examining the way work is performed by their own firm, buyers acknowledged that there is less support for their efforts than for suppliers' efforts. This disparity was statistically significant. Again, these differences in perspective reflect the general portrayal of a somewhat more committed supplier firm.

Table 19
Partner Compatibility:
Work Methods and Philosophy

Question	Buyers' Mean Response	Suppliers' Mean Response
My firm and the partner firm agree with the way work is done by my firm*……………………………	4.67	5.33
My firm and the partner firm agree with the way work is done by the partner firm……….……………	4.87	4.96
The alliance is a way for the partner firm to have power over my firm*……………………………..….	2.40	3.12
The alliance is a way for my firm to have power over the partner firm……………………..………………..	2.92	2.57

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Consistent with the notion of best practice alliances as an alternative to more traditional adversarial relationships, neither buyers nor suppliers viewed the alliance as a way for their firm to exert power. This is critical to the alliance existing to serve both partners. It also establishes further evidence of a "win-win" approach to alliance management.

Lessons Learned

Overall, the buyers and suppliers involved in these alliances represent highly compatible partners. This is clearly one of the major strengths of the alliances in question. There is strong evidence of similar operating philosophies even though there was an acknowledgment of differences in management style. There is strong evidence to illustrate the high degree of respect and teamwork between alliance partners. Participant perspectives regarding alliance work practices are relatively consistent, although suppliers' performance appears to be more positively assessed by both parties. Finally, leveraging power to accomplish objectives is not a characteristic behavior in these alliances. In a broad sense, opportunities for improvement with respect to partner compatibility increased communication as addressed throughout this report.

ADDITIONAL KEY ISSUES

The majority of attention in this report has focused on alliance goals, benefits, and success factors. However, there are two additional alliance topic areas that typically generate significant interest from both industry practitioners and academics: contractual issues and long term partner orientation. Each of the topics is addressed in the following sections.

CONTRACTUAL ISSUES

The use of formal agreements (e.g., written contracts) and informal agreements (e.g., unwritten and/or verbal "handshake" agreements) are both used in alliances. In this research, the majority of alliances evolved from existing relationships that averaged approximately fifteen years in length providing a foundation for the alliance. Fifty percent of the alliances used a formal, written contract and the other fifty percent did not. Questions regarding contractual issues addressed two topics: (1) the importance of a formal, written contract for the alliance; and (2) the strategic and operational role of a formal, written contract (if one existed) on the alliance.

With regard to the importance of a formal, written contract, buyers and suppliers were very consistent in their opinions. On a scale where "1 = strongly disagree" and "7 = strongly agree," participants indicated that the alliances were managed through personal relationships (buyers' mean response was 4.97 and suppliers' mean response was 5.02) and mutual trust (buyers' mean response was 5.10 and suppliers' mean response was 5.21) rather than a written contract. These responses suggest clear, but not overwhelming support for, informal agreements. Additionally, when asked if "a successful alliance must be supported by a written contract," the buyers' mean response was 4.12 and the suppliers' mean response was 4.24 (on a scale where "1 = strongly disagree" and "7 = strongly agree"). This response essentially states "neither agree or disagree." In other words, the role of the written contract appears relatively incidental to buyers and suppliers in this study. This consistent, neutral response is not surprising given the high degree of success attributed to these alliances, as well as the average length of time of the relationships. Under less ideal circumstances, where the alliances are not viewed by one or both partners as successful, we would expect to see suppliers significantly more interested in written contracts than buyers. The operational and strategic role of a written contract is examined in Table 20. It is important to note that only the participants with a written contract provided responses to these questions.

First, although respondents to these questions do utilize written contracts in their alliances, both partners indicated that the contract was little more than a formality. Second, buyers and suppliers had statistically significant different perspectives regarding the role of the contract in detailing strategic goals. Buyers had no strong opinion either way, while suppliers stated that the contract did detail the alliances' strategic goals. Support for the role of the contract in detailing operational performance was much more evident. Buyer and supplier responses indicated that the contract detailed operational performance expectations and contained provisions for alliance termination. To a lesser extent, the contract contained provisions for reciprocity due to performance failure and served as a guide to monitoring the alliance.

Table 20
Contractual Issues:
The Role of an Existing Written Contract

Question	**Buyers' Mean Response**	**Suppliers' Mean Response**
Details strategic goals for the alliance*………..……	4.00	5.09
Details operational performance expectations for the alliance…………………………….………………	4.96	5.54
Contains provisions for reciprocity if performance fails……………………………………………..…	4.47	4.44
Is a guide for monitoring the alliance………………..	4.87	4.33
Is a formality that has little effect on the alliance.......	3.94	3.41
Contains provisions for terminating the alliance……	5.14	4.76

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Lessons Learned

In summary, whether a formal, written contract exists in an alliance is not particularly important to buyers or suppliers. When a contract does exist, the actual operational role of the contract suggests that it serves an important, definitive role – but the importance of personal relationships and mutual trust have a more prominent, valuable impact on alliance success.

LONG TERM ORIENTATION: LOYALTY, INVESTMENT AND RISK

Long term orientation refers to each partner's long term perspective, willingness to continue the relationship, and commitment to financial and human resource development. In essence, this topic examines the interrelationship between two difficult managerial issues: (1) partner long term perspective and investment; and (2) partner loyalty and switching costs.

First, it is clear that both firms are oriented toward long term relationships. This perspective is illustrated by the buyers' mean response of 6.02 and the suppliers' mean response of 6.74 to the question "maintaining a long term orientation with the partner firm is important to my firm" (on a scale where "1 = strongly disagree" and "7 = strongly agree"). The suppliers' mean response was stronger to a statistically significant degree. The responses in Table 21 more fully explore participants' perspectives on this issue. Table 21 also illustrates that suppliers are slightly more willing to "go the extra mile" with respect to making sacrifices and long term investments in the alliance than their buying counterparts. This difference is clearly illustrated by responses to the question "My firm is willing to make long term investments to continue the alliance." The buyers' mean response was 4.66 and the suppliers' mean response was 6.32 (on a scale where "1 = strongly disagree" and "7 = strongly agree").

While both buyers and suppliers exhibit a long term orientation, suppliers appear more loyal to the alliance concept than buyers do. Additionally, when asked "how long (in years) do you expect to continue supplying/buying this item/product class to/from the partner firm," the buyers' mean response was 11.41 years and the suppliers' mean response was 20.35 years, which was a statistically significant result. The difference is not problematic as buyers are certainly anticipating a long term relationship with the supplier. Concern would certainly be justified if buyers had indicated a plan to do business with the alliance partner for only a few more years. In this case, the suppliers may simply be more optimistic than their buying counterparts.

Table 21
Long Term Orientation:
Assessing Partner Commitment

Question	**Buyers' Mean Response**	**Suppliers' Mean Response**
My firm focuses on long term goals in this relationship*	5.42	6.26
My firm is only concerned with our outcomes in this relationship……………………..………………………	3.64	3.25
My firm expects to be working with the partner firm for a long time*…………………………………….………….…	5.88	6.67
Any concessions my firm makes to help the partner firm will even out in the long run..……………………….………...	5.36	5.55
My firm is willing to make sacrifices from time to time to help the partner firm*……………………………..…..….	4.92	6.13
My firm has a strong sense of loyalty to the partner firm*	5.23	6.37
My firm is willing to make long term investments to continue the alliance*…………………………………..…..	4.66	6.32

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

A final issue of long term orientation is addressed by the topic of loyalty, or propensity to switch partners. The impact such a change would have on a firm's business is also considered. Table 22 illustrates participants' responses to a number of questions dealing with this issue.

Given the opportunity to purchase a better product or a similar product at a lower price, buyers and suppliers were relatively consistent in agreeing that their partner would remain loyal. Switching business does appear more likely when a better product (rather than a lower price) is the determining issue. Many alliances (not just in the food and health and personal care industries) are struggling with the issues of price, cost reduction initiatives and long term loyalty. The decision not to switch partners due to a genuine fondness for working with that partner firm elicited a much more supportive response, particularly from suppliers.

Table 22
Long Term Orientation:
Assessing Partner Loyalty

Question	Buyers' Mean Response	Suppliers' Mean Response
If another company offered the partner firm a better product, it would switch business from my firm……...	3.86	3.57
If another company offered the partner a similar product at a lower price, it would switch business from my firm.	3.29	3.41
My firm would not switch partners because we genuinely like working with the partner firm*……..…...	4.85	5.89
If this alliance was terminated, my firm would suffer a significant loss*…………………………………….....	4.91	5.79
I could easily replace the partner firm with another customer*…………………………………………..….	2.85	1.80

***** The buyer and supplier responses were statistically different from each other.
(Scale where 1 = strongly disagree and 7 = strongly agree)

Lessons Learned

In summary, these alliances illustrate the characteristics that create viable long term orientation. The most troubling aspect of long term orientation concerns the apparent disparity between buyer and supplier loyalty to the long term nature of the alliance. This is consistent with the disparities throughout this report in that suppliers have been shown to be slightly more committed to the alliance in general. Again, this greater sense of commitment is primarily a function of their position as sellers of products in a highly competitive marketplace and not necessarily a function of uncommitted buyers.

CONCLUDING COMMENTS

Perhaps the most striking insight that can be drawn from this research concerns the illustration of how best practice alliances really work. An important foundation for this outcome is that successful alliance partners share many strong similarities regarding performance and relationships (e.g., "people skills"). Conventional wisdom dictates "win-win" arrangements, but an actionable framework of "win-win" rarely exists. What the alliances in this research demonstrate is that success results in a "relatively even but not an equal" exchange of benefits and resources between partners. This condition is best exemplified by the different goals that each partner brings to an alliance and the relative degree of improvement and achievement realized by each partner. Both partners "win," but they each win with regard to their own goals and on different terms. The key point is both partners agree on the characteristics and success factors that must be present for a mutually successful alliance to develop and be maintained.

A second insight is the acknowledgment that suppliers must recognize their dependence on their customers. While that dependence may affect a firm's alliance planning procedures, it is by no means a hindrance to successful alliances. Interestingly, this fact may explain the considerably advanced development of alliance guidelines which suppliers indicate that they possess relative to their buying partners. The position of dependency has forced suppliers to develop alliances as "selling tools" to provide a competitive advantage in today's marketplace.

Finally, considerable room for improvement exists, even for the firms represented in this best-practice alliance research. Significant opportunities for improving goal clarification, communication and performance evaluation exist. These areas may provide the key to finding additional productivity for alliances while realizing greater improvements in profitability.

APPENDIX A
GOALS WHICH MAY INFLUENCE A FIRM TO FORM AN ALLIANCE

Avoid/Share Risk

Defend Current Market Position

Enhance Market Position

Gain Access to Technology

Gain Domestic Market Access

Gain Global Market Access

Improve Leadtime

Improve On-Time Delivery

Improve Product Offering

Improve Profitability

Improve Quality

Improve Skills/Share Learning

Increase Customer Satisfaction

Increase Sales Volume

Increase Speed to Market

Leverage Capital

Match Competitor Reaction

Reduce Capacity Constraints

Reduce Cost

Reduce Inventory

Stabilize Supply/Demand

APPENDIX B
FACTORS WHICH MAY INFLUENCE ALLIANCE SUCCESS/FAILURE

Ability to Learn From Partner

Ability to Meet Performance Expectations

Accomplishment of Strategic Objectives

Clear Goals

Compatible Goals

Compatible Information Systems

Equivalent Human Resource Commitment

Equivalent Physical Resource Commitment

Lack of Financial Constraints

Leadership on our Part

Partner Compatibility

Senior Management Support

Sharing of Critical Information

Similar Organizational Culture

Technical Sophistication

Trust

Willingness to be Flexible

Written Agreement or Contract

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