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## WHAT CAN WE LEARN FROM A FAILURE OF ALLIANCES? A CASE STUDY BETWEEN DUTCH AND AMERICAN COMPANIES<sup>1</sup>

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### ABSTRACT

*Penelitian-penelitian terdahulu menunjukkan bahwa banyak strategik aliansi yang kandas di tengah jalan. Kendati aliansi tersebut diawali dengan komitmen yang tinggi dan diikuti dengan usaha yang berkesinambungan untuk menghasilkan aliansi yang sukses tapi tetap saja banyak aliansi yang terhenti di tengah jalan. Pertanyaan utama yang diajukan dalam riset ini adalah: Faktor-faktor penting apa sajakah yang perlu dipertimbangkan manajer untuk membentuk aliansi yang sukses? Dengan menggunakan kualitatif riset, penelitian ini berusaha menggali faktor-faktor penting tersebut. Studi kasus antara Avebe dan Noveon merupakan sebuah contoh aliansi internasional yang diwarnai dengan hubungan yang sangat harmonis antara wakil perusahaan di dalam aliansi tersebut, hampir tidak ada konflik di antara mereka dan kerjasama ini berhasil membuat produk yang sangat unggul di dunia pertekstilan. Anehnya, aliansi ini kandas setelah 4 tahun berjalan. Pelajaran berharga yang dapat kita petik dari kerjasama lintas budaya ini diharapkan dapat membantu para manajer dalam mengembangkan aliansi mereka.*

**Keywords:** *Strategic Alliances, Failure, Partner Contribution, Control, Conflict, Inter-dependency, Communication*

### INTRODUCTION

It is look like roller coaster, forming and managing complex international relationships place a great burden on the managers involved. The specific characteristics of ISAs (joint decision-making, constant bargaining, and clash of interests) make them unstable form of organizations. In a study that examined the fate of 880 alliances, Harrigan (1988) found that only 40% survived four years in existence and that fewer than 15% lasted longer than a decade. Other studies

highlight the fact that more than 50% of all alliances with shared management disappear or are completely reorganized within less than five years of their creation (Killing 1988). Bleeke and Ernst (1993) study demonstrates that more than two-thirds of all alliances encounter serious problems during their first two years in existence. This high mortality rate seems to confirm the most cautious, if not openly negative, opinions about the complexity of such relationships expressed by alliance managers. A need, therefore, exists for a more thorough and cohesive insight into the characteristics and dynamics of strategic alliances and their key success factors.

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The current literature on ISA's has paid considerable attention to either the very beginning of the venture (in the tradition of modal choices) and the ultimate end of the alliance, while the mid-life of ISAs has been left understudied (Doz 1996; Kandemir et al. 2002). The complexity and richness of ISAs as a unique type of co-operation rests on its cross-cultural and cross-organizational interactions. While focusing on only the opening and the closing games, current research has missed the most exciting and arguably the most challenging part of the story. One of the most promising research areas is to reveal the process by which ISA development unfolds and which offers insights into how to initiate and manage organizational changes on an ongoing basis (Tallman and Shankar 1994; Lee and Cavusgil 2006, Wahyuni et al. 2007).

Based on the case study of Avebe and Noveon alliance, we try to capture the process development of their partnership and most importantly we try to understand why this alliance has been collapsed. The most interesting aspect of this alliance is the acknowledgement by both companies of the excellent relationship they enjoyed during the partnership that resulted in a high-quality product in the dye printing market. Ironically, this alliance dissolved after four years of its cooperation and until now both parties are unsure about the reasons behind the alliance termination. Their partnership can be described in three stages: formation, operation and evaluation. The lesson we can learn from this case hopefully could help manager to better manage their alliance.

## RESEARCH METHODOLOGY

The research strategy we adopt in this study can be characterized as explorative, which favours a *case study* approach. According to Yin (1994), a case study is the investigation of a contemporary, empirical phenomenon within its real life context; when

the boundaries between a phenomenon and its context are not clearly evident; and in which multiple sources of evidence are used. Hartley (1994) stressed that the key feature of the case study approach is not method or data, but an understanding of the processes as they occur in their context. This type of case study research is particularly useful when the phenomenon under investigation is difficult to study outside its natural setting and also when the concepts and variables under study are difficult to quantify (Ghauri and Grønhaug 2005). An in-depth explorative research was thus considered most suitable to obtain insight into what goes on in a real life situation.

This study is based on qualitative data on ISAs between Avebe (Dutch company) – Noveon (US company). The selection of Dutch-American firms was partly due to the researchers' location in the Netherlands and the growing strength of business relationship between these two nations. According to the U.S. Commercial Service (2002), the Netherlands is the third largest foreign investor in America, and the U.S. is the largest foreign investor in the Netherlands; therefore an intensive study in this area is indeed necessary to gain an insight on how alliances between firms from these two countries have been developed. A second consideration concerning case selection is that those alliances have to be in operation for a considerable period of time, so that we can study the process of their development. The third criterion was that both alliance partners should come from the same industry and were competitors to capture the "strategic" nature of the alliance. The fourth criterion is that the companies participating in this research have to be willing to co-operate fully. We have to be able to interview their international partner face-to-face or via the telephone. A full access to both partners is indeed important in order to be able to obtain a balanced representation (Ghauri, 2004).

We interviewed managers from both companies who are involved in this alliance. All interviews are tape recorded. Most of the interviews took more than one hour and some of them lasted more than two hours. The face-to-face interviews were semi-structured and focused. In order to keep focus, we developed two semi-structured questionnaires: one for the Dutch company and one for the American partner. The questionnaire for the Noveon was particularly designed to crosscheck the answers given by the Avebe management, thereby increasing the reliability of the data (Ghauri, 2004).

## FINDINGS

### **AVEBE – NOVEON Background of Cooperation**

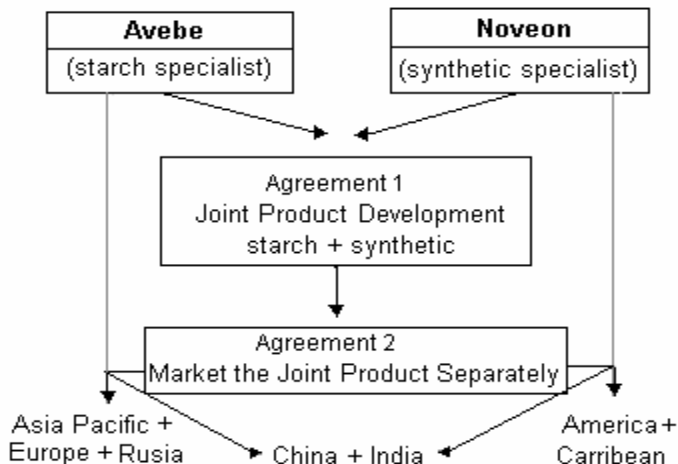
AVEBE is a Dutch company that plays a major role in the global marketing, production, and development of potato starch and starch specialties used in food, pharmaceuticals, textiles, paper, and adhesives. Avebe has been manufacturing starch-based thickeners for the textile printing industry and is acknowledged as one of the world's leading suppliers of starch-based thickeners.

Noveon Inc. (previously known as BF Goodrich) is a U.S. leading global producer and marketer of technologically advanced specialty chemicals for a broad range of consumer and industrial applications. In the textile industry, Noveon had the broadest line of textile chemicals for preparation, printing, dyeing and finishing. It was also acknowledged as the world's largest producer of acrylic acid for synthetic polymer. Their broad offering of textile ingredients improved fabric appearance, texture, durability, flame retardance and wrinkle resistance.

A strategic alliance between Avebe (the Netherlands) and Noveon (North America)

started on March 24, 1995 and was dissolved after four years of its cooperation. Their agreement related to joint product development and distribution of a high performance thickener for textile printing applications, based on a combination of Noveon's synthetic polymer and Avebe's modified starches. This partnership was a joint force between two companies, which have complementary knowledge, and markets. Noveon is the largest producer/distributor of synthetic polymer, marketed under the name of Carbopol® resins that has an outstanding position in the American market. With respect to Avebe, they have superior modified starch technology in thickening applications, marketed under the trade name Solvitose®. Avebe has an excellent infrastructure in the Far East and Europe but lacks one in the American printing market.

This alliance aimed for the joint development of a new high-performance thickener (of compound) based on combinations of Noveon's Carbopol resins and one or more of Avebe's Solvitose modified starch products for textile printing application. By combining these two superiorities in technology both companies aimed to achieve some synergies. One of the advantages is a high quality of printing with better color value, brighter colors and smoother prints. Soon after they invented the joint product, both companies signed the marketing agreement and divided the world market into two major markets. Noveon would market the product in America and Caribbean, and Avebe would become responsible for the marketing effort in Europe, Asia Pacific and Russia. Figure 1 describes the scope and the sequence of agreements pertaining to this alliance.



**Figure 1.** The Sequence Agreement of Avebe-Noveon Alliance

## 1. Formation Phase

### *Initial Agreement on Partner Contribution*

The agreement for the entire cooperation developed step by step, started from joint product development and continued with marketing agreement of the product (see Figure 1). This alliance did not stipulate a limited period of partnership. Both parties intended to have a long-term relationship to develop a product that would enable them to satisfy their profit expectation.

Their alliance agreements were clear for both partners. There was no serious dispute that was raised during the partnership about differences of interpretation concerning those contracts. Even the Noveon management stated that in terms of formal documents, their alliance contract with Avebe was the one that was most tightly structured compared to their other partnerships (Noveon Marketing Director of Performance Coating, 16 May 2002).

## 2. Operational Phase

In the beginning of the operational phase, there was an excellent partnership between all managers involved in this alliance. Both

parties conceded that this alliance commenced under a strong trust and shared vision between the high-level management of Avebe and Noveon's Textile Division.

*This alliance was established under a strong vision and belief of our General Manager and the Avebe Managing Director. These two important people were envisioning an ability to make a cost competitive product by combining Avebe and Noveon expertise.*

*(Noveon Marketing Director of Performance Coating, 16 May 2002)*

During the product development, the Avebe Research Manager together with his Senior Scientist Printing had a highly motivated working relationship with the Noveon R&D Supervisor Textile. The exchange of expertise among these three was excellent. They worked at each other's laboratories, exchanged the samples and strived to find the best formula for their joint compound product. In the end, they successfully invented a high-quality product with an excellent color value and which gave smoother prints. Both parties were fully satisfied with the mutual relationship during

the product development and the great performance of the joint product.

*Our relationship in the joint product development was excellent. We were very open in sharing the knowledge concerning our product development. We did our best to create a high-quality product. When my partner in Noveon came over, I brought him to do some sightseeing in Holland. We had dinner at my place and spent a weekend together. Professionally and personally, we were close.*

*(Avebe Senior Scientist Printing, 9 July 2001)*

The American partner expressed his confidence in the product,

*Based on my experience and knowledge, I am really putting everything on my shoulders to make a statement that if we were going to work together again there is an opportunity to develop a product that can be a benchmark to the industry. Nobody can duplicate it. I am very confident about that. What we had done is a marvelous accomplishment but we were not finished with the project we undertook. As I mentioned before, my vision was to have a 5 to 10 million-dollar business on this product line but we never achieved this.*

*(Noveon Senior Regional Manager Asia Pacific Performance Coating, 16 May 2002)*

In the marketing stage, the situation turned out to be different. Originally, the Avebe Product Manager had actively exchanged information (via phone, email and regular meeting) with Noveon about the marketing issues and the strategy to launch the product in the marketplace. Their reciprocal communication gradually decreased during the introduction of the product in the market due to the following reason. *Firstly*, the sales of the joint product did not materialize. Both parties faced numerous problems in launching

the product in the marketplace. *Secondly*, the alliance team was dismantled during the marketing of the product. There was reorganization in both companies' management. The Avebe Product Manager who formerly had been in charge of the marketing campaign was relocated to a new business unit, whereas the Avebe Managing Director moved to another company. The momentum of the project drastically decreased after they left. During this transition period, the Avebe Research Manager, who later was promoted to be the R&D Director, took on the positions of Managing Director and Product Manager. He clearly held three functions at the end phase of the project.

*Besides a lack of success in the marketing activity, in Avebe there were two other aspects that made this project fail. First, our product manager left. She believed in the product, she pushed the market, and she left. Thus, we did not have the same pushing power anymore. Secondly, at that moment there was some tension between R&D and marketing people in Avebe. We could not talk easily with the marketing people.*

*(Avebe R&D Director, 17 April 2001)*

In the meantime, Noveon managers who were involved in this project also moved to different position. Soon after this reorganization, the commitment of both parties to the alliance was slowing down. From that point onwards, communication significantly decreased.

In March 1998, Noveon purchased Diamalt, one of the Avebe's competitors. This acquisition did speed up the alliance termination. The alliance contract that was clear in the beginning became blurred for both parties. Sharing market information was arduous because in the United States, there is an anti-trust law that does not allow companies to share market information and discuss pricing with competitors. Noveon and

Avebe started to have difficulties in the market because Diamalt and Avebe were selling the same starches in Europe and Asia. This situation ultimately impeded the success of the project because both companies no longer shared the marketing information.

*Once we bought Diamalt, our partner was looking at us differently than they had in the past. They looked at us as a competitor instead of their co-supplier and customer because we stopped buying their product. There was a changing perception of what each company was, as the company has indeed changed. What we did not do was to adapt the agreement to those changes. We tried to fit in the same agreement even though both companies evolved differently.*

*(Noveon Vice President of Technology,  
16 May 2002)*

A low degree of interdependency between the participating companies is another important aspect of this partnership. It is tenable that the acquisition of Diamalt has changed the position of both companies in the textile market. Noveon's business position, which formerly only operated in pigment printing, was extended to the natural printing thickeners. The degree of interdependencies between both companies significantly decreased because Noveon did not purchase natural starch from Avebe anymore. Since both companies had marketed the product separately, they did not have a strong coordination and obligation to bring the product together into the market. Moreover, the lack of success in sales had killed the focus. This alliance collapsed during the operational phase of their partnership.

*By acquiring Diamalt and by not having much success on what we set up in the alliance agreement, it took all the momentum out of this cooperation. There is nothing more for anybody to commit to more work. You know the customers were reluctant to take a high price*

*product, we were having a very little commercial success, and then we bought Diamalt. So, we cannot blame Diamalt for the break up of this alliance....it is certainly not bringing help. We close that chapter; we move on and then two years after that, it was quiet.*

*(Noveon Marketing Director of  
Performance Coating, 16 May 2002)*

In order to have a complete picture about what happened during the operational phase, below we analyze how partner contribution, control, conflict and communication take place in their alliance.

## 2.1. Partner Contribution

Partner contribution in this alliance was related to the procurement of raw materials, the sharing of technology, and the utilization of market expertise. It was agreed that each party should buy their partner's core product to make a mixture for their joint compound product. In terms of financial aspects, Avebe and Noveon did not have a joint budget for this project because each absorbed its own costs. They were compatible in terms of know-how and manpower. Noveon's know-how was completely different compared to Avebe's knowledge, which was more in starch technology. Noveon is a chemical corporation, therefore, its knowledge in synthetics was excellent but its know-how in natural starch was relatively weak, and vice versa for Avebe. In addition, both parties have a complementary market expertise. Avebe has a strong marketing power in Europe and the Far East, and Noveon has an outstanding position in the American market. Such complementary match in knowledge and market produced an equal degree of contribution in this alliance, which is illustrated by the following quotes,

*Partner contribution was fairly divided between us. Both parties were equally competent in terms of technology and the market. There was no imbalance in contribution. Noveon or Avebe were not*

*stronger in either of that area. It was pretty equal. We were talking in the same language. We both knew everything that needed to be known about how we should print, what was needed in the thickeners, how we should sell the product, etc. In my perspective, we were talking like pairs. I didn't see any strong disproportion here.*

*(Noveon Marketing Director of Performance Coating, 16 May 2002)*

Unfortunately, both companies have some difficulties in selling the product because of the high switching cost of the product. In Mexico, they did several printing trials that yielded really good results but the customers were unwilling to pay a significant increase in the price of this product, which was 200% higher than the average market price. In North America, there was a diminishing trend in the dye printing market because of the financial crisis in Asia. Since 1997, American industries abandoned apparel production and focused further on pigment printing. The growing apparel market was moved to Asia, where the cost of production was relatively cheaper than in America. Noveon had tried to sell this blend in China but they had to compete with alginate, which was derived from a natural product, seaweed. Unfortunately, the largest production of alginate was in China; hence it was difficult to enter this market because the competitor asked for a much lower price than what Noveon offered.

Regarding the expectation and the real contribution of their partner, one of the Avebe managers commented,

*When we talk about the development stage, I think there was no difference between the expectation and the real contribution they brought in this cooperation. The development of the product was excellent. In general, people at several levels worked very well together, we have a very high level of cooperation. The reason that it did not work out is that we*

*did not expect the problem in the market and the market did not expect the properties of our product. In the end, the market was not completely as expected. The knowledge of the market was not at the right level and the way each of us went to the market was not sufficient. We started quickly with too many problems instead of going carefully step by step. We believed in the product but the reality was that each factory and each fabric had a different handling. We had to be very careful and treat the customer one by one.*

*(Avebe R&D Director, 16 October 2001)*

A slightly different view was expressed by two Noveon managers,

*I don't think we met our expectation.....a different pattern took over the gap. We were envisioning an ability to make a good quality product with a compatible price for the market (even lower than the typical synthetic polymer). We didn't really achieve this expectation. We had a high performance product with a high price premium. There was a disconnection between vision and reality. It took a year to do the technical work and we realized that we did not reach the original vision. However, we were clear to each other that we were not compromising the original vision.*

*(Noveon Marketing Director of Performance Coating, 16 May 2002)*

The above quotations reflect unfulfilled expectations of both parties. Nevertheless, no one blamed the other for the dissolution of the alliance. The causes for the failure of the product were complex. Besides a number of marketing obstacles (such as the high price of the product, insufficient technical support at the level of mills, and so on), there were also unexpected changes in the business trend as a response to the Asian financial crisis in 1997.

## 2.2. Spill-over of Control

Since both companies came from the same industry, there is a possibility that they will compete to each other. Therefore this study is trying to see how spill over of control implemented in this alliance. Spill-over of control is co-related to a company's effort to protect its core competences and prevent it from being leaked to an alliance partner. At the beginning of the partnership no competition exists because the market Avebe and Noveon served was completely different and separate. In America, the market was more synthetic-oriented (Noveon expertise) compared to Europe, which was more starch-oriented (Avebe market area). Both companies had a dissimilar type of technology and different interest in business. Nevertheless, they were fully conscious of the fact that their partner could also become a competitor in the near future. Therefore to prevent their core competence leak to their direct competitor/alliance partner, both companies exercised three levels of protection:

1. *Avoid direct competition in the market.* They prevented competition in the market by signing an agreement to separate the market responsibilities. Noveon would concentrate on the American market and Avebe would be responsible for the Far East and European markets. Based on this agreement, they would not compete with each other. Even if one party would buy a company, which was a direct competitor of their partner, they did not allow competition on the product that they had developed together.
2. *Protection of the core competence from the partner.* Both parties did not disclose the composition of their own product to the other parties. Avebe did not know the ingredients in acrylate and likewise Noveon was unaware of the exact composition of Solvitose. It means that they could not simply break the alliance

and asks other companies to make starch or acrylate for them.

3. *Protection of their core competence from competitors.* In order to maintain their competitive advantages, Noveon and Avebe did not announce officially that they were working together and they did not apply to patent their joint product. In applying for a patent, they need to disclose the composition of their joint product that could cause them to lose their competitive advantage.

Furthermore, since the market has already acknowledged these two companies as the producer of synthetic polymer and natural starch, they decided to keep their brand identities by giving a different name to the joint product. Noveon used the name of Carbopol RHP and Avebe labeled it as Solvitose RX 60.

Those protections did not stimulate a conflict in this alliance because both partners had knowingly agreed to this arrangement. The only competition Avebe felt was the price competition at the beginning of the partnership. Although both partners did not know exactly how much their partners would buy, they already wanted to have a part of the profit immediately after selling their own product. A later commitment to split up the world into two exclusive markets indicated that they shielded their own position in those particular markets, which eventually decreased the degree of interdependency during the marketing stage.

*We expected a certain volume and price from both sides. We also divided the world between both of us. This was more a feeling of defending a position than saying that we were really together in the business.*

*(Avebe R&D Director, 9 July 2001)*

A few years after they had signed the alliance agreement, Noveon purchased a company called Freedom Chemical



Corporation that has plants all over the world, and one of its factories in Germany, namely Diamalt, was well known as one of Avebe's competitors. Although Noveon management strongly insisted that they did not intend to compete with Avebe and disrupt Avebe's position by purchasing one of the Avebe's competitors, still they could not avoid competition in the market.

*Before this alliance, Noveon never entered into the starch business. A few years after, we were making starch by ourselves through the acquisition of Diamalt. Avebe took that as a negative signal that we were competitors. In fact, we were trying not to compete with them but they thought we were competitors. The competition was turning to be more difficult than what we anticipated before. For instance, in polyesters, we found ourselves against Avebe. We have a similar agent and we were entering into the same market that in the end created a conflict of interest between us.*

*(Noveon Vice President of Technology, 16 May 2002)*

### 2.3. Conflict

This alliance can be characterized as having a low level of conflict. Throughout the years of operation, there were no major conflicts within the partnership. According to our respondents, there were three aspects that notably prevented a conflict:

1. Personal chemistry. There was an excellent relationship between Avebe's and Noveon's managers who were initially involved in the project.
2. The thrill of innovation. The sense of achievement that they created something marvelous gave strong energy to both parties to do their utmost in developing the new product. As a result, both companies were able to conduct an enormous number of trials in a very short period.

3. High speed of learning. Everyone was excited and believed in the product that somehow created a positive atmosphere in the alliance.

Those factors enabled the partners to get along very well in this alliance. Both partners believed and trusted each other. They talked in the same language that made cooperation smooth. As one of the Avebe managers commented,

*An important part of the cooperation is how does personality fit together. It is much more a human factor, which determines whether it is working or not.*

*(Avebe R&D Director, 9 July 2001)*

The only conflict that appeared in this alliance was an internal conflict in the Avebe group, particularly between the marketing and the technical group.

*At that moment there was some tension between sales and marketing. The previous Avebe structure had an Independent Sales Offices which obliged sales managers to report to the Sales Director and not to the Business Manager and that was the main problem in communication and cooperation. The customer's obstacles in implementing this new product accumulated in the sales office and were not directly disseminated to the Business Manager. In the end, the customer became impatient with the solutions they were given for the new product.*

*(Avebe R&D Director, 10 January 2002)*

This internal problem of communication in Avebe seemed to have an impact on the alliance. Customers became reluctant to continue using the product. Besides, some critical information was not distributed appropriately among the team members. Noveon did not know about the problem Avebe encountered in the market and vice versa.

Apart from the internal problem in Avebe, there was no conflict that occurred between Noveon and Avebe. Even after Noveon had purchased Diamalt (a direct competitor of Avebe), they asked Avebe's opinion whether there would be a conflict of interest that could impede their cooperation.

Nevertheless, some people at Avebe prophesied that the takeover of Diamalt could endanger the alliance relationship because Diamalt had the same knowledge and offered a cheaper starch compared to Avebe. Soon after Noveon bought Diamalt, they stopped purchasing Avebe's natural thickeners.

*Initially, there was no conflict between Avebe and Noveon. We got along very well together. We believed and trusted each other. The problem came when Noveon acquired Diamalt. Avebe did not anticipate that development. Diamalt was also buying a product from us but their price was lower than Avebe. In my opinion, Avebe should have played the game better. If we had handled it properly, I think it would not have become a problem.*

*(Former Avebe Product Manager, 8 September 2001)*

The presence of Diamalt eventually stimulated a conflict of interest in the alliance but it was not the main reason for the alliance termination because communication had already stopped at that time.

*It seems to be a loss of interest over time. Some of that may have been part of the taking over of Diamalt. I meant the lack of interest could have been associated to Diamalt's acquisition because they were not assured of what we were doing. We were trying to assure that we will not go into modification that Avebe was doing and we would continue to work with them but at the same time we were selling natural thickeners in the same market. They were getting a conflicted*

*message. Before, everything was working very well.*

*(Noveon Vice President of Technology, 12 July 2002)*

## 2.4. Communication

In the beginning of their collaboration, the communication was excellent and characterized by open exchange of information.

*The communication between us was excellent. Besides an official meeting at least two times a year, we also had intensive exchange information via phone, fax and email.*

*(Noveon Marketing Director of Performance Coating, 16 May 2002)*

Unfortunately, some people at Noveon and Avebe who were dedicated to this alliance moved to other positions/companies that eventually decreased the commitment of this project. The communication started to falter after they left and finally stopped after both companies faced failure in the market. As a result, Noveon and Avebe did not know precisely what problem each company encountered in their exclusive market.

*I saw there was a bit of an issue in communication that we were not being open with each other about what we were doing. I never knew what the Avebe marketing was doing. For example, if I know the problem, I can tell you the solution but if I don't know the problem how can I give you a solution? If I am not communicating, I don't know whether there is a technical problem or perhaps there is no technical problem. So, I don't know exactly what the cause of failure of the alliance is. Even today, I don't know why we discontinued and what the impression of Avebe about this was.*

*(Noveon Senior Regional Manager Asia Pacific, 16 May 2002)*

*It was not clear why this alliance terminated. It came from Noveon or Avebe. I even did not know whether Noveon marketed this product or not.*

*(Avebe Senior Scientist Printing, 9 July 2001)*

It was strange that both companies did not know the reason behind the alliance termination. The two quotations above show that no communication and interaction hampered the parties involved. The lack of communication not only led to ambiguity about the cause of failure of the alliance but also hampered the mutual understanding that should be nurtured between both parties.

It is also important to consider that the difference in culture between the Americans and the Dutch had an influence on how they viewed the business. Americans tend to be more aggressive in achieving their goals. This different attitude in business was one of the reasons why Noveon had given up sooner than Avebe. When they found that there was a diminishing trend in the American reactive printing market and the sale of the product did not fulfill their expectation, Noveon did not continue its effort to launch the product in the market.

*Americans tend to be aggressive, we want a rapid result and that is not always the same in another culture. I think Avebe wanted a result but they were willing to wait longer. We were expecting the result much faster than perhaps Avebe could or understood what we wanted. I don't think they understood the way American business operated and demanded the result. Avebe is more deliberate, more patient in what they are trying to achieve, while we are saying: "we need to get it done....let's go!"*

*(Noveon Vice President of Technology, 16 May 2002)*

Another communication problem that obviously appeared in this alliance was

associated with language. Although the Dutch managers involved in this alliance speak English fluently, their interpretation of American English might be different. They understood the words but how they used it in their country might be completely different.

*We talked to one another but talking was not necessarily communicating. We talked but perhaps the ideas did not go across. I think occasionally we were probably saying the same things and both of us interpreting differently. When they came back a month later with the question, then we knew that they didn't get what we were trying to say.*

*(Noveon Vice President of Technology, 16 May 2002)*

Therefore, it is important for managers to continuously be aware of the fact that the perception of a particular word can differ from one country to another. One word can have multiple meanings and our intonation reflects what we are introducing. When people learn English outside the native-speaking countries, they learn one meaning for the word and sometimes they do not understand the subtleties of the language. This situation could be a source of misunderstanding in cross-border partnerships.

### 3. Evaluation Phase

Noveon and Avebe admit that they had an excellent relationship during their partnership. Their joint product development resulted in a superior product for the reactive printing market. In this respect, they were successful in meeting their objectives to develop a superior product for the reactive dye printing market. Unfortunately this cooperation was less profitable than they expected. Both parties could not successfully sell the joint product in the marketplace,

*In general terms, we are satisfied with the relationship we had. Our partners were hardworking and honest people. There were no cultural differences that*

*could block the cooperation. In this respect, we are happy to work with them. On the other side, we are not fully satisfied that both companies suffered the same problem. They did not place enough attention on the marketing of the product. The commitment given to the project was not good enough.*

*(Former Avebe Managing Director  
Business Unit Technical Applications, 9  
August 2001)*

A slightly different evaluation was made by the American partner,

*In general, Noveon are not satisfied with the alliance. It started up with the best intention but it did not work. I don't think either one of us made any money from it. We expected that it would be a long-lasting relationship and it did not turn out to be like that. I think there is disappointment from both sides. I don't think we hate each other but indeed there is disappointment. I see it as a failure. During the alliance, I think the relationship was fine. We had an excellent personal relationship. If both parties intended to keep the contact, I think there is still a possibility to solidify the relationship.*

*(Noveon Vice President of Technology,  
16 May 2002)*

The two quotations above directly or indirectly express unsatisfactory feelings of both parties involved particularly on the sales performance of the product. Interestingly, there are no hard feelings between them; somehow both companies still hope to gain synergy together.

*Noveon was a good partner, the feeling is that they did not have the energy to fight for this product in the market. But also internal changes of responsibilities killed the focus.*

*(Avebe Business Manager Industrial  
Specialties, 9 July 2001)*

Similar sentiments were expressed by their American partner,

*The dissolution of this alliance does not mean that Avebe is a terrible company. I still believe that Avebe is a very good company. They have an excellent technology and they are probably some of the world's leaders in natural thickeners technology. I think they are still the right people to work with.*

*(Noveon Vice President of Technology  
May 16, 2002)*

Noveon management perceived that the failure of this alliance was not related to the company or people who worked for this project. There was a high level of mutual trust between people who were committed to this partnership. What they did not do was work hard enough to maintain it. Besides, a number of things changed, and unfortunately they did not move fast enough to follow the changes and adapt to those changes.

## ANALYSIS AND CONCLUSIONS

This case provides a pertinent example about how an alliance should deal with unexpected situations that may arise in their partnership. Avebe and Noveon were not only coerced to deal with the unpredictable response of the market but ought to manage the degree of competition that existed between both parties.

Noveon and Avebe evaluated this alliance as an unsuccessful alliance. Although the development of the product resulted in a superior product for the reactive printing market neither party has an excellent sales performance for this joint product. Both parties were undeniably disappointed. From the above case study, we may draw a conclusion about the causes of failure in this alliance (see Figure 4).

We may conclude that the unsuccessful sales performance of the product was the most dominant factor for the discontinuity of this

alliance, which point to unfulfilled expectations in this alliance. In addition, there was a lack of communication and commitment to this alliance so that both parties did not set any move to initiate a discussion about the failure of the product and find a mutual solution to make the product acceptable in the highly competitive market. It is important to note that there are ample products that failed in the first production but finally achieved a tremendous success after several adjustments by the producers. The possibility of success is always present if both parties maintain a high commitment to a project. Communication and commitment play an important role here. The suggestion of Buchel et al. (1998) that communication must perform four functions: the guidance function (instruction and feedback), the information function (reduction of uncertainty), the socialization function (communicating “we-feeling”), and the coordination function (harmonization,

clarification of dependencies) apparently did not eventuate in this alliance. Noveon never knew the outcome of the Avebe marketing campaign and vice versa. As a result, neither knew about the problems that the other party encountered in the market, which ultimately hampered mutual understanding in this partnership. The “we-feeling” decreased from time to time. This case also indicates the two important cultural differences that need to be taken into consideration when we deal with partners that are culturally and geographically different. In this respect, both parties need to be aware of the different styles of management and the ways subtleties in language affect communication.

On the top of that, managers have to be aware the importance of managing the degree of interdependency throughout the whole alliance relationship. This aspect literally evaporated after Noveon purchased Diamalt.

**Figure 4.** The causes of failure of the alliance: Two different perspectives

AVEBE	NOVEON
<i>Causes of Failure</i>	
<ul style="list-style-type: none"> <li>▪ Long development of the product</li> <li>▪ High switching cost</li> <li>▪ Marketing mistakes: no specialization of the sales, lack of coordination between sales and marketing, lack of preparation, lack of information to the customer, no technical support for the customer, no focus on the customer</li> <li>▪ Reorganization decreased the commitment to the project</li> </ul>	<ul style="list-style-type: none"> <li>▪ No strong value proposition</li> <li>▪ Long development of the product</li> <li>▪ Discouragement</li> <li>▪ The changing focus of business</li> <li>▪ Less focus on the customer</li> <li>▪ Reorganization decreased the commitment to the project</li> </ul>
<b>Lessons from Failure</b>	
<ol style="list-style-type: none"> <li>1. A good value proposition to the mills</li> <li>2. An excellent technical support in the marketplace</li> <li>3. Customer selection and marketing focus</li> <li>4. More focus on the end price of the product than their individual profit</li> <li>5. A high commitment to the project</li> <li>6. The binding energy in the alliance should be more than the chemistry of individuals involved</li> <li>7. An excellent communication and a solid teamwork</li> </ol>	

Finally, this case provides us an excellent example of the significant role of team management in an alliance. Katzenbach and Smith (1993) define successful team management as a team that always jointly develops clear goals and approaches by establishing communication that supports real-time problem solving and initiative. By surmounting obstacles together, people on teams build trust and confidence in each other's capabilities. As a result, teams can adjust their approach to new information and challenges with greater speed, accuracy, and effectiveness. This situation did not exist during the operational phase of this alliance. The high commitment that existed at the beginning of the partnership simply disappeared after a number of key players moved away. It is apparent that management was lacking in the team responsible for the alliance, which eventually led to misunderstanding and dissolution of this cooperation.

Summing up, we may conclude that the termination of this alliance was caused by the unfulfilled expectations of the companies, the lack of control in the alliance as a result of inadequate commitment to this project and poor communication. Besides, the low degree of interdependencies has apparently diminished the energy of the people to continue this alliance. Finally, insufficient team management added its toll and contributed to alliance discontinuity.

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