

## MASTER

### Alliance management at FIRM X realizing growth through collaboration

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Eindhoven, February 2013

**Alliance Management at FIRM X:  
Realizing growth through collaboration**

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in partial fulfilment of the requirements for the degree of

**Master of Science  
in Innovation Management**

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Pim de Morree, February 2013

## Management Summary

The FIRM X Group has set an ambitious growth target of doubling its sales in the next three to five years. In order to realize this target all FIRM X companies within the group focus on increasing their sales through internal growth and mergers & acquisitions (M&As). However, no attention is paid to the growth opportunities of alliances. At FIRM X B.V. Alkmaar (the company researched in this study) it is unknown how and what type of alliances can contribute to structural growth. Even if there is an understanding in how these alliances can help in realizing growth, there is little knowledge on how these alliances should be organized to be able to reap the full benefits that alliances have to offer. FIRM X has some prior experience with alliances, but during the operational phase of these alliances several problems arose which caused the alliances to either end prematurely or yield unsatisfactory results.

This research study focusses on an exploration of the alliance opportunities that can help FIRM X B.V. Alkmaar in reaching its growth target. It also studies how alliances should be organized to increase the success of these alliance opportunities. In order to help FIRM X in gaining insight in both aspects, the following main research question will be answered during this research:

*What type of alliances can help FIRM X in realizing growth, and how should FIRM X organize alliances in order to reap the full benefits?*

A literature review has been conducted focussed on building a conceptual model to guide the rest of the research. This conceptual model is based on different theoretical perspectives of academic literature. These theoretical perspectives include alliance capabilities, the alliance process, and success and fail factors of alliances. The conceptual model served as a basis for the analysis that has been conducted.

Analyses have been performed on the organizational strategy, the current alliance capabilities, and three case studies of alliances. The analysis of the organizational strategy resulted in alliance opportunities that support FIRM X' organizational strategy and therefore offer possibilities for future growth while fitting within FIRM X' strategy. The main opportunities were to be found in alliances focussed on (1) collaborative offering, (2) obtaining leads, (3) technology licensing and (4) joint R&D. The analysis of the current alliance capabilities showed that no formal alliance capabilities have been built over time; little experience is available, there are no formal processes that facilitate alliance learning, and no alliance function with tools, manuals, guidelines or structured processes is present. The few alliance initiatives that have been undertaken were primarily based on gut feeling and entrepreneurship of individual employees and therefore lack formal procedures. The analysis of the three case studies showed the factors that are most crucial in defining success or failure within FIRM X' alliances. These critical success factors are: trust and communication, high and middle level management support, clearly defined goals, and complementarity of the alliance partners. All of the findings of the analysis and the conclusions drawn from these were used as input for providing recommendations for FIRM X.

The recommendations (21 in total) are focussed on three main areas of improvement. The first improvement area is the creation of an organizational focus towards structural use of alliances in order to grasp the growth opportunities alliances have to offer. The second improvement area is the development of alliance capabilities to ensure that when alliances initiatives are undertaken, there are enough competencies to make sure the alliances have high chances of succeeding. The third area of improvement is focussed on the implementation of a structured alliance process which enables all the critical success factors to be included in the formation and management of alliances.

This study provides insight in the current alliance management at FIRM X and it provides recommendations for improvement. On the short term, these recommendations will result in more awareness of the opportunities of alliances, a more structured approach to form and manage alliances, and more know-how to support the (current) alliances in becoming successful. On the long term, these recommendations will result in alliances becoming more and more important for FIRM X while increasing the alliance successes by a continuously improving alliance function.

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## List of abbreviations

BU	Business Unit
CI	Customer Intimacy
FTE	Full-Time Employee
M&A	Mergers & Acquisitions
MRO	Maintenance, Repair and Overhaul
OEM	Original Equipment Manufacturer
OE	Operational Excellence
PL	Product Leadership



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## 1. Context of Research

This master thesis project investigates alliance management at FIRM X B.V. Alkmaar. In this first chapter a brief company description will be presented to gain insight in the company that is being researched. Subsequently, the problem definition is defined and the outline of this thesis is presented.

### 1.1 Company Profile

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### 1.2 Problem Context

In this section, the current problems of FIRM X regarding the use of alliances are discussed. The information is derived from orientation interviews with FIRM X' employees (see Appendix C). In succession of the problem context, the problem definition is presented. This problem definition is used as a basis for coming up with the research assignment, which will be discussed in the next section.

As described by Van Aken et al. (2007), business problems are choices of influential stakeholders in the context of a mess of opinions and value judgments. These business problems can be presented in a so-called problem mess. For business problems, it is expected that significant performance improvement is feasible within acceptable constraints on time and effort (Van Aken et al. 2007). Therefore, the current problems regarding alliances at FIRM X will be presented in a problem mess. First, the problems will be described in short based on the orientation interviews.

As indicated in the company description, FIRM X is pushed by FIRM A Holdings N.V. to expand rapidly in the near future. Porter Lynch (2001) describes three possible growth options: autonomous growth, mergers & acquisitions (M&As) and alliances. Since FIRM X is unable to grow autonomously as fast as needed, it needs to make use of the other two growth strategies as well. M&As are already a widely discussed and researched topic within the organization in contrast to growth through alliances. Since alliances carry less risk than M&A, are less costly, can provide quick entry into new markets, and are a good way to partner with potential acquisition candidates (Doz & Hamel, 1998), alliances might be able to help FIRM X in speeding up their growth. However, FIRM X has no expertise when it comes to alliances. The orientation interviews uncovered that FIRM X is primarily focussed on acquisitions and that the use of alliances has never been thoroughly researched. The interviews suggested that no knowledge is available within the organization on how the use of alliances can be beneficial. This means that no strategy on the use of alliances is available to guide alliance initiatives. The only alliances that have been set up in the past were based on employee's individual entrepreneurship. Some interviewees addressed that they had experienced that some of these alliances had a lot of potential, but that because of a lack of focus and know-how on alliances this potential was never sufficiently grasped. Subsequently, FIRM X does not know which alliances would be most beneficial. Alliances can come in many shapes and forms; they can differ widely on both form and strategy. The orientation interviews revealed that for this reason FIRM X has no insight into which alliances would be most beneficial for the organization to focus on.

As described above, in the past FIRM X has occasionally tried to work together with partners to form alliances. However, no structural approach towards the use of alliances is present. The few alliance

initiatives have ended prematurely and/or did not live up to the expectations. The orientation interviews within FIRM X revealed some causes for this problem. Within the organization, there is no alliance expertise available. It is unknown how alliances should be formed, managed, evaluated and what kind of instruments can be used to make alliances succeed. The combination of these factors results in poorly managed alliances which therefore do not reap the full benefits that alliances can offer. This in turn results in the fact that alliances have no significant business impact on the growth of FIRM X.

The orientation interviews also revealed some possible causes for the unsuccessful execution of individual alliances. Within alliances, there seemed to be diverting goals, a lack of communication and competition between the partners. This leads to a lack of trust within the alliance which in turn results in unsatisfactory results of the alliances.

The causes described above and the corresponding effects that were derived can be seen in the problem mess presented in Appendix B. The problem mess shows that there seem to be two main problems within FIRM X' alliances. The first problem is rather strategic: there is no insight in how alliances can help FIRM X in realizing growth. Therefore, there is no corporate focus on alliances and the alliances that are set up are mainly based on individual efforts of employees. The second problem is more operational, namely the lack of alliance management and coordination by an alliance department or a responsible employee. This has led to several problems because of which FIRM X does not reap the full benefits that alliances have to offer.

Now the causes and effects have been defined, the problem statement is derived. The problem statement is defined as follows:

*It is unknown which type of alliances can help FIRM X to realize future growth. It is also unknown how alliances should be organized to be able to reap the full benefits.*

The problem statement will guide the rest of the research since it serves as a basis for determining the research questions. The following section will describe the main research question and its sub questions for this research project as well as its corresponding deliverables.

### 1.3 Assignment

In succession of the problem definition, the research question and the sub research questions are defined. During the research project, these research questions form the basis and determine the directions of the rest of the research project. The answers to the questions will result in deliverables of the project. The deliverables will be presented in this section as well.

#### Main research question:

*What type of alliances can help FIRM X in realizing growth, and how should FIRM X organize alliances in order to reap the full benefits?*

#### Sub research questions:

- *In which ways can alliances help in realizing growth?*
- *What type of alliances fit within the organizational strategy of FIRM X?*
- *Which aspects are important in organizing successful strategic alliances?*
- *What factors determine success and failure of alliances, derived from both theory and practice?*

- *What are essential factors for increasing the success of strategic alliances within FIRM X?*

#### **Deliverables:**

The following deliverables are based on the research question and sub questions:

- *Uncover success and fail factors in organizing strategic alliances, based on both theory and practice;*
- *Provide an insight in how alliances can help FIRM X to realize growth;*
- *Provide an insight in how alliances are organized within FIRM X;*
- *Provide recommendations for critical success factors on the organization of alliances at FIRM X;*
- *Define a framework for a structured alliance management process.*

### **1.4 Outline of this thesis**

Based on the problem definition, the main research question and the corresponding sub research questions and deliverables have been defined in this chapter. The next chapter will discuss the research plan. The research plan shows what is to be researched, how the research will be performed and how the quality of the research is ensured. Subsequently, the Literature chapter will provide an overview of current academic literature on alliances. It discusses the use of alliances and provides insight in the organization of alliances. The Literature chapter is concluded with the presentation of a conceptual model that will guide the analysis of this research. This analysis is described in chapter 4. The final chapter, Conclusion & Discussions, will provide the conclusions and recommendations of this research. It will also reflect on the research questions and on the limitations of this study.

## 2 Research Plan

This chapter describes what subject will be researched, how this subject will be researched, and how the quality of the research is ensured. It therefore describes the project design, the problem solving framework, and the research methodology.

### 2.1 Conceptual project design

In Figure 1 the conceptual project design is shown. This design shows the subject of analysis, the theoretical perspectives that will be consulted and the deliverables. The subject of analysis is, as described in the problem statement, the alliance process at FIRM X. The theoretical perspectives that are of importance are: open innovation, alliance management, and alliance capabilities. The deliverables are (1) an insight in the organization of alliances at FIRM X, (2) an insight in the use of alliances to create growth at FIRM X, (3) success & fail factors in organizing alliances, (4) recommendations on organizing alliances, and (5) framework for alliance process.

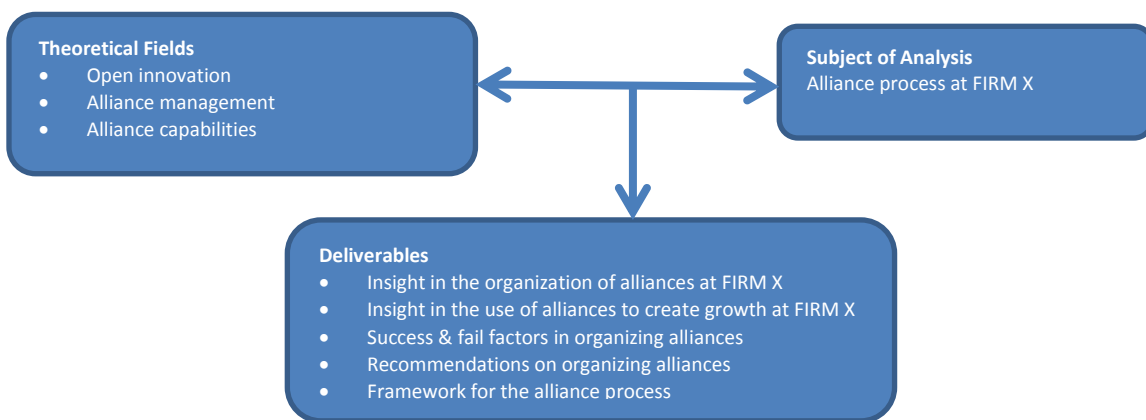


Figure 1 Conceptual Project Design

The conceptual project design presented above will be used to guide the rest of the master thesis project. The next section will describe the steps to be taken to move from a problem towards a solution design.

### 2.2 Problem-solving framework

This section describes the steps of the problem solving framework that are used during this master thesis project. Different aspects regarding this problem solving framework are discussed throughout this paragraph.

During this research a business problem solving model is used that is proposed by Van Aken et al (2004). It is design focused as well as theory based and aims to improve the performance of a business process, in this case the alliance process at FIRM X. According to Van Aken et al (2004) a full business problem solving project consists of three parts: *design, change & learning*.

The *design part* focusses on redesigning a business system by taking the following steps: problem definition, analysis & diagnosis, a redesign, a change plan for the redesign, and the development of organizational support for the redesign and change plan. The *change part* consists of the implementation of the redesign and changing of the routines and roles within the organization. The

*learning part* is the part in which the organization learns to work with the implemented redesign and also learns how the intended performance improvement is realized.

Because of the restraints in both time and organization of the project, a full approach that includes all three parts is not realistic. Therefore this graduation project will focus on just the design part.

This business problem solving project can be classified as a design science project, because it tries to develop valid knowledge that can be used to design solutions (Van Aken et al, 2004). The logic of the problem-solving cycle will be followed as advised by Van Aken et al. (2004). This problem-solving cycle is represented by the regulative cycle as shown in Figure 2. The regulative cycle is not entirely executed. The problem mess, problem definition, analysis & diagnosis, and design phases will be executed. However the intervention and evaluation are outside the scope of this project as explained earlier.

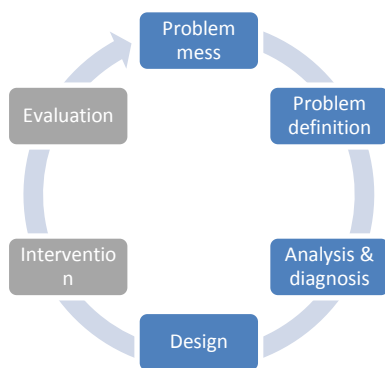


Figure 2 Problem Solving Framework (van Aken et al., 2004)

The problem mess and problem definition phase are important for identifying the problem and its corresponding causes and effects. It therefore determines whether a problem is real or merely a perception problem (a problem defined on inaccurate perceptions) or a target problem (a problem defined on unfeasible targets). This phase is critical since it drives the entire project. According to Van Aken et al (2004) the problem should be large enough to have a significant contribution to the performance of the company. On the other hand the problem should be small enough to make it solvable with the existing constraints of time and resources.

In the Analysis & Diagnosis phase, the problem defined previously will be further investigated by means of qualitative and/or quantitative research methods. This provides knowledge on the context and nature of the problem and as well serves as an important input for the design phase. The research methods to be used in the analysis and diagnosis are explained in more detail in the next section.

The design phase consists of providing solution directions that can (partly) solve the problem. According to Van Aken et al (2004) this step will take the project from a problem definition and analysis towards a solution design. The solution is defined by using the discussed solution concepts from the literature review and will be customized to the specific problem and organization. As discussed earlier, this study will not continue after the solution design phase.

## **2.3 Research methodology**

According to the design-oriented business problem solving approach of Van Aken et al (2004), after defining the problem and the problem solving process, the methodology for the analytical part of the research has to be defined. This methodology will be discussed in this section by first elaborating on the type of research and subsequently by elaborating on the quality of the research.

### **2.3.1 Type of research**

Literature distinguishes between qualitative and quantitative research methods (Van Aken et al, 2004). Both can be used to analyse the processes and problems of a business problem solving project. Qualitative methods refer to methods that try to discover the quality of things, such as the properties of objects, phenomena, situations, people, meanings and events. Quantitative methods refer to methods that try to discover the number or amounts of these qualities. In this master thesis project, the current alliance processes at FIRM X need to be analyzed to be able to recommend improvements. Since this is a matter of discovering the properties of objects, phenomena, situations, people, meanings and events, the study should be of a qualitative nature.

There are different qualitative research methods, such as interviews, focus groups, documentation, observation and diaries (Van Aken et al, 2004). Yin (2009) argues that when it concerns questions of 'why' and 'how' in an uncontrollable environment, the most appropriate research method is case study research. As this master thesis project aims to understand the 'why' and 'how' of the current organization of alliances at FIRM X, the case study method seems to be the most preferable. The case study method tries to clarify a decision or set of decisions: why they were taken, how they were implemented, and what is the result (Yin, 2009). This in-depth understanding of the alliance processes will advance the understanding in the problems and possible solutions at FIRM X. Another advantage of case study research is that the results are accepted more easily than other research methods (Verschuren & Doorewaard, 2007). This is due to the recognizable and everyday nature of the cases. Section 2.3.3 will elaborate on how the case study research should be conducted to achieve satisfactory results.

However, this research not only focuses on the organization of alliances at FIRM X. It also aims to discover which type of alliances can help FIRM X in realizing growth. Thus an in-depth understanding of FIRM X' organizational strategy is required to be able to discover the best alliance opportunities for FIRM X. This in-depth understanding will be created through data derived from in-depth interviews in combination with a focus group. The next will elaborate on the steps that will be taken for the collection of this data.

### **2.3.2 Organizational strategy analysis design**

As described above, the organizational strategy will be analyzed to gain insight in what type of alliances best suit the organizational strategy of FIRM X. The first step in gaining an in-depth understanding of the organizational strategy consists of conducting interviews with Business Unit Managers from the different BUs. The type of interviews will be discussed in more detail in section 2.3.5. In addition, company documents such as annual reports and policy plans will be used.

The next step is combining the information derived from the different interviews. This will lead to a preliminary analysis of the organizational strategy and the type of alliances that fit this strategy. These preliminary results will be discussed in a discussion session with a so-called focus group (see

section 2.3.5). This session is used to verify the results from the interviews, as well as to discuss the alliance opportunities in more detail. The various data sources used for the analysis of the organizational strategy will be discussed in more detail in section 2.3.5.

**2.3.3 Case study design**

This section will describe the methods and steps to be taken in the case study research. As a basis for the analysis, the book on case studies of Yin (2009) is used.

The first step to be taken is development of a research model that guides the analysis. When this is done, relevant and useful cases should be selected and in parallel the data collection procedure has to be designed. An important aspect of case study research is that multiple case analyses are preferred over a single case analysis. Multiple case analyses achieve more generalizable, more robust, more powerful and more highly accepted results than a single case analysis. Therefore, multiple cases should be elected to perform a more powerful research. Except for that, the differences in approach, routines and roles within the alliance projects at FIRM X differ widely, which makes it even more useful to investigate multiple cases in terms of the above described benefits.

When the first two steps are completed, the different case studies can be conducted after which the individual reports of these case studies can be written. Subsequently, general conclusions can be drawn and finally the cross-case report can be written. The different steps of the case study are shown graphically in Figure 3.

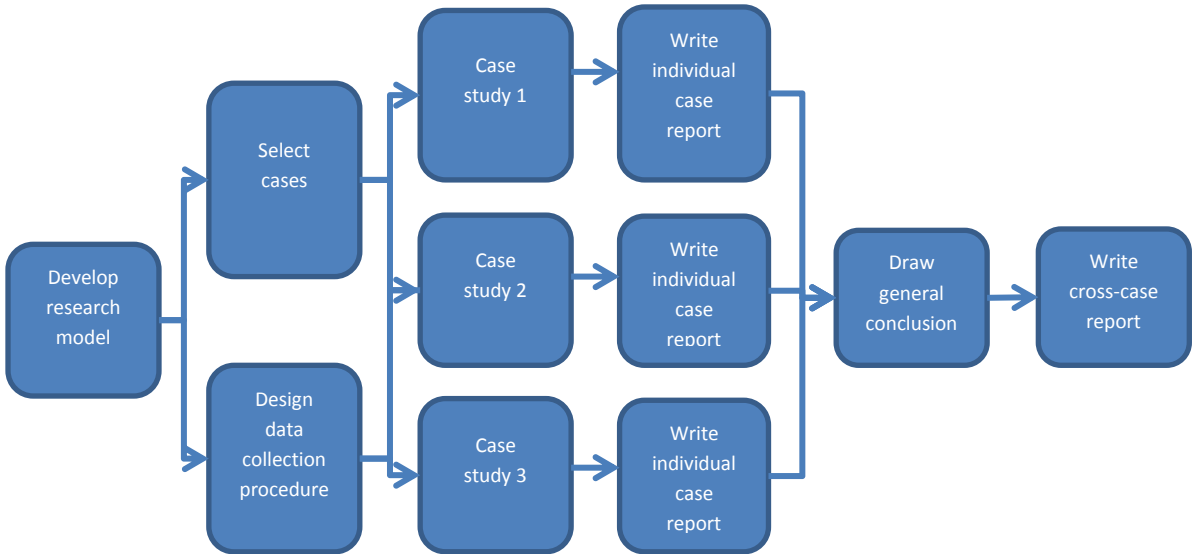


Figure 3 Case Study Approach

**2.3.4 Unit of analysis**

The unit of analysis is the type of object that is the focus of interest. In this master thesis project the main research question consists of two parts, namely: the type of alliances that can help FIRM X in realizing growth, and the organization of these alliances. For both aspects FIRM X Alkmaar is the company under investigation, but both focus on different aspects within the organization. For the first part (the type of alliances that can help FIRM X in realizing growth) focus is on analyzing FIRM X' organizational strategy, which is therefore a unit of analysis. For the second part (the organization of alliances), case studies are analysis is used to focus on the current organization of alliance at FIRM X



are investigated. The current organization of alliances at FIRM X is therefore the second unit of analysis.

### 2.3.5 Data sources

The different sources of data that will be used to conduct this qualitative research will be discussed below. The gathering of data through these sources will be discussed in more detail in the Analysis chapter.

#### Literature

Academic literature will be used to research the organization of alliances. The literature study will consist of collecting relevant studies on the subject of alliance management. Sources such as journals (both scientific and professional), books and conference readings will be used as input. The discussion and findings of this literature study are presented in the next chapter.

#### Interviews

Interviews are an important aspect of data gathering in this master thesis project. The interviews with the BU Managers will provide important insights in the organizational strategy and the way alliances fit within this strategy. The interviews with people involved in the alliance processes will provide important insights in the current alliance processes, routines and roles at FIRM X. For both semi-structured interviews will be used, since they include specific subjects and questions to be discussed but are flexible at the same time. This flexibility means that additional or elaborative questions and subjects can be brought up during the interview, depending on the answers of the interviewee. This is especially useful for the alliance processes, since there are no clearly defined routines and roles. Therefore the explorative nature of semi-structured interviews is helpful in this situation. Triangulation will be used by interviewing multiple persons to ensure a double check of the results.

#### Focus group

A focus group is a group of people that will be interviewed at the same time. An advantage of a focus group is that a group can provide more insight in the differences and similarities between the group members. In this study focus groups will be used in two ways: (1) to double check the results from the individual interviews on organizational strategy, and (2) to brainstorm, discuss and get feedback on the results of the individual interviews and on the potential of different alliance types.

#### Documentation

Company documents will be used as another source of data. For the analysis of the organizational strategy, this will be mainly annual reports and policy plans. For the case studies, existing documentation on the alliance projects within FIRM X will be used to verify and increase understanding of the current processes. This might be documentation such as contracts, e-mail conversations, protocols or records of the alliance processes. Documentation might add information that has been forgotten by the interviewees and it might add to the objectivity of the gathered information.

Now the units of analysis have been defined and the possible data sources have been discussed, the next section will focus on defining the case selection criteria.

### 2.3.6 Case selection

As discussed before, multiple cases are analyzed to create more generalizable, more robust, more powerful and higher accepted results than when a single case is analyzed. According to Yin (2009), cases should be selected that will most likely illuminate the research question. The criterion for the selection of cases was determined in consultation with FIRM X' stakeholders. Since FIRM X does not have much past experience with alliances, there were not many cases to choose from. The three cases selected for this research project are the following collaborations: (1) FIRM X-Firm B, (2) Firm C, and (3) FIRM X-FIRM D. These cases are based on the following criteria:

*One of the criteria was to include alliances with diverse goals. Since the study is focused on exploring the best ways for FIRM X to use alliances in the near future, the diversity was important for providing more insight in how various alliances can help in realizing the organizational strategy.*

*Furthermore it was important that enough current employees had information on the cases to make sure enough information was available to execute a proper case study. All three cases had at least three persons that were involved in the collaboration at some point.*

Because of a lack of alliance experience at FIRM X, there were not many possible cases to investigate for this research. Therefore it was decided only few case selection criteria were used (see above). The inability to choose the best cases from a wide variety of alliance initiatives is a limitation of this Master Thesis Project. However, it was decided that less strict selection criteria (and thus the use of three cases) would be beneficial compared to only one case study. This decision was based on the fact that three cases will provide a more complete insight in the current alliance processes and fail and success factors at FIRM X. Therefore it was decided to use less strict selection criteria which resulted in more cases to investigate.

### 2.3.7 Quality of research

This section will provide a discussion on assessing the quality of the research. Amongst other studies, Van Aken et al (2004) & Yin (2009) argue that the quality of the analysis is influenced by the reliability, controllability, construct validity, internal validity and external validity. Therefore, these quality criteria will be discussed below.

#### Controllability

To make research results controllable, the collection of data should be transparent. This means that it is possible to replicate the research and get the same results. This master thesis project is made controllable by presenting the respondents, relevant quotes, and the analysis. A list of the persons that were interviewed can be found in Appendix C, a list of relevant quotes is shown in Appendix E.

#### Reliability

To make a research reliable, the results should be independent to the characteristics of that particular study. This means that when the study is replicated by others, the study should yield the same or similar results. During this replication the researcher, instruments, respondents and situation might differ, nevertheless the results should be similar. To increase reliability of a study, *standardizing* by using explicit procedures for data collection, analysis and interpretation is suggested (Van Aken et al, 2004). For example a data collection model, multiple data sources, and selection

criteria can help in making studies more reliable. In this master thesis project, the previously explained triangulation, semi-structured interviews and different data sources increase the reliability of the study.

### Validity

Validity refers to the degree in which the research measures that which it intended to measure. Validity is divided into construct validity, internal validity, and external validity. *Construct validity* is the extent to which operational instruments measure the concepts they intend to measure. Thus the instrument that is used has to fit the meaning of the concept it tries to measure. To increase the construct validity, a conceptual model is derived from literature. In addition, triangulation and the use of multiple data sources increase construct validity. *Internal validity* of a research refers to the quality of the conclusions on the relationships of phenomena within the study. This means the extent to which the suggested relationships are adequate and complete. Therefore, empirical evidence is needed to create high internal validity. Within this exploratory study, internal validity can be increased by using multiple perspectives on cause and effect relationships. However, internal validity will not be high in exploratory research (Yin, 2009). *External validity* of a research refers to the generalizability of the results. If a study has high external validity, the conclusions derived from that study can be used in other situations as well. Since this master thesis project involves designing a solution for a specific business problem, its external validity is not very high. Yin (2009) suggests that external validity in case study research can be increased by including the use of theory, which is done in this master thesis project.

The Research Plan presented in this chapter guides this research and will be discussed in more detail in the analysis chapter. For the different parts of the analysis, the way data was collected will be described to increase transparency and controllability. First, the next chapter will discuss the literature review and the conceptual model that is derived from this review.

### **3 Literature & Conceptual Model**

This literature chapter bridges the gap between the research questions provided in the first chapter and the analysis that is presented in the following chapter. The goal of this chapter is to present a conceptual framework by reviewing current academic literature on relevant topics. In order to come up with this conceptual framework, at first the relevant research topics will be discussed. After the introduction of the relevant topics, a more detailed literature review related to research questions 1, 3, and 4 will be presented (section 3.3). These research questions have been described in the Research Proposal and are as follows: (1) “In which ways can alliances help in realizing growth?”, (3) “Which aspects are important in organizing successful alliances?”, and (4) “What factors determine success and failure of alliances?”. Thus, this literature chapter will provide a basis for answering these research questions as well as a conceptual framework. As mentioned, the chapter starts with an introduction in the definitions and processes of relevant research topics: section 3.1 will elaborate on Open Innovation and section 3.2 on Alliances.

#### **3.1 Open innovation**

To be able to completely understand alliances, a broader perspective is required. That is why this first section provides an insight in the Open Innovation paradigm. The definition, the core processes and why organizations shift towards open innovation are discussed below.

##### **3.1.1 Definition**

Alliances fit within the open innovation paradigm, a term coined by Chesbrough (2003). Open innovation, as opposed to closed innovation, is focussed on developing competencies by combining resources from both inside and outside an organization. Chesbrough (2003, p. xxiv) defined open innovation as “a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as firms look to advance their technology”. Firms look for companies that have knowledge, capabilities, people or other aspects that can help them in improving their business and thus be more successful compared to innovating just by themselves. The open innovation paradigm enthusiasts believe that the smartest people are not just inside an organization, that integrating another company’s intellectual property can be helpful, and that not all innovation has to be researched and developed within an organization Chesbrough (2003). The open innovation paradigm is opposing the closed innovation paradigm. Chesbrough (2003, p. xx) defines closed innovation as “a view that says successful innovation requires control. Companies must generate their own ideas and then develop, build, market, distribute, service, finance, and support them on their own. This paradigm counsels firms to be strongly self-reliant, because one cannot be sure of the quality, availability and capability of others’ ideas”. Within the closed innovation paradigm it is believed that an organization possesses all the smart people in its field, it should develop all its innovations inside, and that it should control its intellectual property so other companies cannot profit from its ideas.

The differences between the closed and open innovation paradigm are graphically shown in Figure 4. It emphasizes that within closed innovation the idea is to create everything from inside the company. Activities do not exceed the boundaries of the firm. As opposed to closed innovation, open innovation focuses on activities both inside and outside the boundaries of the company.

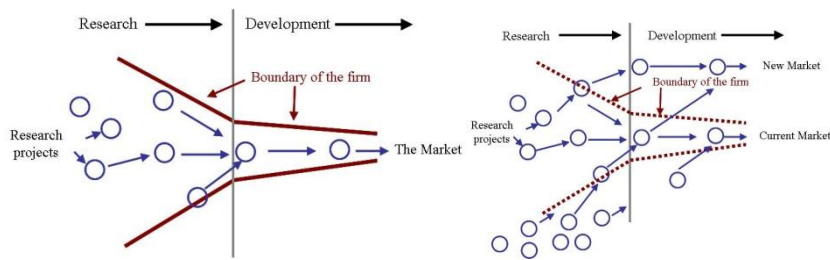


Figure 4 Closed Innovation vs Open Innovation

As described above, clear differences in principles between the two paradigms exist. The differences are summarized below in Table 1. In the next section, the core processes of the open innovation paradigm will be discussed to provide more insight in how the concept of open innovation can be implemented by companies.

Contrasting Principles of Closed and Open Innovation	
Closed Innovation Principles	Open Innovation Principles
The smart people in our field work for us	Not all the smart people work for us. We need to work with smart people inside and outside our company.
To profit from R&D, we must discover it, develop it, and ship it ourselves.	External R&D can create significant value; internal R&D is needed to claim some portion of that value.
If we discover it ourselves, we will get it to market first.	We don't have to originate the research to profit from.
The company that gets an innovation to market first will win.	Building a better business model is better than getting to market first.
If we create the most and the best ideas in the industry, we will win.	If we make the best use of internal and external ideas, we will win.
We should control our IP, so that our competitors don't profit from our ideas.	We should profit from others' use of our IP, and we should buy others' IP whenever it advances our own business model.

Table 1 Contrasting Principles of Closed and Open innovation

### 3.1.2 Core processes of open innovation

Gassmann & Enkel (2004) constructed an open innovation framework and distinguished three core processes: outside-in process, inside-out process and coupled process. The three different processes will be discussed in detail in this section. The framework that illustrates the three core processes of open innovation is shown in Figure 5.

The *outside-in process* tries to enlarge an organization's knowledge by acquiring external knowledge from sources like suppliers and customers. The knowledge of suppliers can provide buying firms with both 'operational' and 'strategic' benefits. Operational benefits may include the earlier identification of technical problems, fewer engineering change orders, or the availability of prototypes. Strategic benefits may include better utilisation of internal resources, access to new or supplementary product and process technologies, reduced technical and financial risks, improved product features, or shorter time-to-market. (Clark, 1989; Birou & Fawcett, 1994; Handfield et al., 1999; Dröge et al., 2000; Ragatz et al., 2002). The integration of customer knowledge may provide benefits such as exposing future demands, revealing future trends and developments, and using customers as co-creators of values (Pralhad & Ramaswamy, 2000; Gassmann & Enkel, 2004).

The *inside-out process* works the other way around. A company is earning a profit by sharing its knowledge with organizations outside its boundaries when ideas can be brought to market faster outside than inside the company. This is done to increase a company's profitability. Ways to

externalize knowledge include bringing ideas to market, out-licensing or selling a company's intellectual property, and multiplying technology through the use of different applications. (Hounshell & Smith, 1988; Haour, 1992; Gassmann & Enkel, 2004)

The *coupled process* is about combining the outside-in and the inside-out processes by working together with complementary partners. These partners can range from competitors, suppliers and customers to universities and research institutes. *Coupling* refers to integrating external knowledge and competencies and externalising own knowledge and competencies. Ways to do this are strategic alliances and joint ventures. Benefits of the coupled process include an increase in organizational learning, an increase in returns, and the ability to set industry standards. (Von Hippel, 1988; Hagedoorn, 1993; Hamel, 1991; Gassmann & Enkel, 2004)

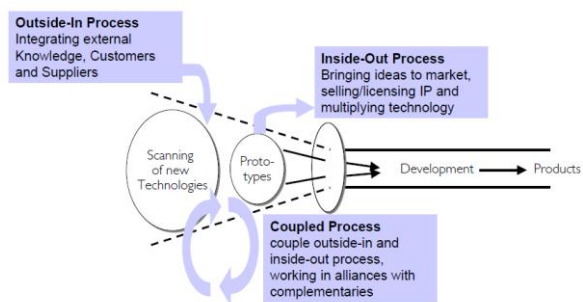


Figure 5 Archetypes of Open Innovation

These core processes are ways of making the shift from a closed innovation approach towards an open innovation approach. But what are the main reasons for the trend, described by Chesbrough (2003), that companies make the shift from closed towards open innovation? The next section will cover this and thus provides an insight in this paradigm shift.

### 3.1.3 Why open innovation?

The paradigm shift described by Chesbrough (2003) that describes a change from a closed innovation perspective towards an open innovation perspective. Multiple trends in today's market environment justify this shift. In the original open innovation study of Chesbrough (2003), he provides four trends. These trends, and additions from other studies, are discussed in this section.

- People are nowadays more and more mobile, which means that knowledge is transferred when employees leave companies. This mobility in combination with the fact that there are more smart people outside a company than inside a company creates an opportunity to gain competitive advantage. This can be done by acquiring knowledge from external sources (Chesbrough, 2003).
- The presence of private venture capital is growing. Venture capital specializes in creating new firms that commercialize external research and therefore converting them into growing, valuable companies (Chesbrough, 2003).
- Nowadays it is easier for knowledge to flow across organizational borders (Chesbrough, 2003).
- More knowledge is available on the market. Therefore not all knowledge has to be developed internally (Chesbrough, 2003).
- The increasing development speed and complexity in almost every market make it hard for companies to keep up. It is hard to develop all necessary knowledge, skills and capabilities inside an organization. Therefore collaborating with outside parties can accelerate a company's innovation (Hagedoorn, 1993; Duysters, 2001).

- Gassmann & Enkel (2004) provide some more reasons why companies are moving towards an open innovation approach. They argue that because innovation cycles become shorter, research and development costs increase and because of a lack of resources, companies are searching for new innovation strategies. This search for new innovation strategies is reinforced through (1) increasing globalisation of technologies, research and innovation, (2) new information and communication technologies, and (3) new organizational and business models' potential.

All these trends increase the use of open innovation and therefore explain the shift that Chesbrough (2003) described.

In the above sections we have presented an insight in the concept of open innovation, its core processes and the main trends that promote the use of it. Now the overarching paradigm of alliances has been discussed, the next step is to review the topic of alliances. Therefore, the next paragraph will elaborate on and discuss the definition, the application, and processes of alliances.

## 3.2 Alliances

In this section, alliances as an instrument of open innovation will be discussed. Therefore, the academic literature on alliances will be explored in further detail. By discussing the definition, application, and processes of alliances, a more thorough understanding needed for answering the research questions will be developed.

### 3.2.1 Definition

Alliances are a widely discussed subject within academic literature, which reflects the increasing spread and importance of alliances in business practice. Since there are different definitions used for alliances, the definition that will be used for this research is clarified in this section.

Duysters et al (2002) combined complementary definitions into one definition. Alliances are:

- voluntary, evolutionary and flexible organization forms (Osborn & Hagendoorn, 1997),
- between two or more organizations (Duysters, 2001a),
- to realize both collective and individual goals (Varadarajan & Cunningham, 1995),
- where products, service and technologies are exchanged (Gulati, 1998),
- while maintaining their corporate identities (Duysters, 2001).

The definition is displayed graphically in Figure 6. It shows the organizational forms of alliances associated with different levels of integration. Alliances can take the form of contract-based alliances, both unilateral and bilateral, as well as equity alliances, both minority equity alliances and joint ventures. The difference between contract-based alliances and equity alliances is that the latter involves two or more organizations to gain (partial) ownership of an existing or new company. On the one side of the spectrum, market transactions are not part of this definition and on the other side mergers and acquisitions are not included in this definition of alliances either.

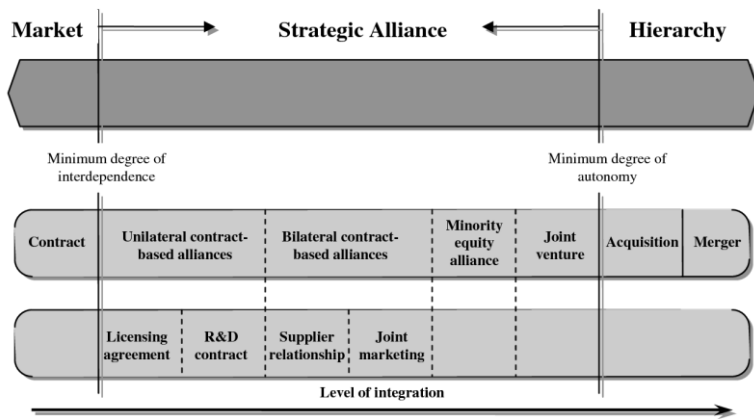


Figure 6 Levels of Partner Integration

Now the definition of alliances has been clarified, the next step is to understand why organizations are using alliances. In the last decades several studies (Doz & Hamel, 1998; Duysters, 2001; Duysters et al, 2002) have showed a rapid increase in the use of alliances. The next section will elaborate on this matter.

### 3.2.2 Why use alliances?

As discussed in the open innovation paragraph now, more than ever, there is a need for flexibility, development speed and external knowledge sources to create a competitive advantage. Alliances are a popular way to fulfil this need and therefore an important instrument of open innovation. There are several reasons why alliances are used to promote open innovation within an organization. The most important reasons are given below.

- Alliances create the possibility to transform core competencies by accessing new technologies, capabilities and insights from other organizations (Doz & Hamel, 1998);
- Alliances foster fast learning of new technologies and capabilities that can complement the internal development of organizations (Doz & Hamel, 1998);
- Through joint production and development time-to-market can be decreased (Doz & Hamel, 1998);
- Costs can be split with alliance partners to achieve a significant cost reduction (Doz & Hamel, 1998);
- Alliances create flexibility in trying new product and market combinations, without the high risks that long-term internal development and mergers & acquisitions entail (Duysters, 2001);
- Alliances offer the possibility to get to know an acquisition candidate and to reduce any information asymmetries (Duysters, 2001).

As can be seen, there are a lot of reasons that explain the trend that companies are moving more and more towards the use of alliances to try and increase their competitive advantage. But even though the use of alliances increases, the success rate of alliances is still very low. Alliances are known for coping with high failure rates. Different studies show a failure rate between 40% and 70% of all alliances (Duysters et al. 2004). To increase an understanding in why these failure rates of alliances are so high, studies investigated how alliances should be organized to make them successful and what factors determine success or failure. The next section will therefore provide an insight in these factors, which will help this study in understanding how to organize successful alliances.



### 3.3 The organization of alliances

Booz Allen & Hamilton (1998) showed that organizations that are successful in building alliances can have success rates up to 90%. The difference with the earlier mentioned success rates of 30% suggests that some firms are better able to manage their alliances than others. This 60% difference has led to an increasing number of researchers and managers studying how to organize alliances. This chapter will discuss how to organize alliances to create success as more alliance success will lead to more potential growth. A detailed analysis of the academic literature on the organization of alliances is presented and will be used as input for the conceptual model that will be derived at the end of this literature chapter.

This paragraph is split up into the two main ‘fields’ in alliance research. As HeimFirm X (2005) described, alliance research can be split up in two main research fields: traditional alliance research and alliance capability research. Traditional alliance research focuses on the specific alliance itself (“What factors within an alliance determine its success?”), while (the more recent) alliance capability research focuses on the capabilities of organizations to manage alliances (“What factors within organizations determine the success of its alliances?”). This is shown graphically in Figure 7. In order to address both fields, this chapter is divided into two paragraphs. The first paragraph describes the factors within an alliance that determine its success or failure, after which the concept of alliance capability will be addressed in the second paragraph.

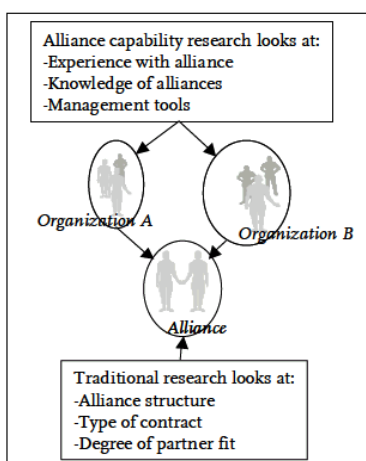


Figure 7 Alliance Research Fields (HeimFirm X, 2005)

#### 3.3.1 Success and failure of alliances

The range in failure rates are partly caused by a difference in the definition of alliance success. Different studies use different performance measures to determine the success of an alliance. Often alliance success is measured by examining the extent to which alliance objectives have been met (Geringer & Hebert, 1991; Das & Teng, 2000). Kale et al (2001) adopted a similar, but more extensive measure. They used a 7-point scale to rate four different dimensions: alliance objectives, enhancement of competitive position of parent company, skills learnt from alliance partner, and the level of harmony between the alliance partners. Alliances that scored above average were rated ‘successful’ and alliances that scored below average were rated a ‘failure’. Even though studies use different performance measures to determine success, most studies show the same or at least

similar reasons that explain the failure or success of an alliance. The most cited factors that explain this success or failure will be presented hereafter.

### **Fail factors**

Different studies (i.e. Porter Lynch, 2001; Kale et al, 2001; Dyer et al, 2001; Kelly et al, 2001; Kale & Singh, 2009; Holmberg & Cummings, 2009) have identified the factors that cause alliances to fail. In this section, the most often cited fail factors are discussed.

**Wrong choice of partners** is one of the most often cited problems within alliances. This means that during the early phases of the alliance, problems between the partners occur. Amongst others, this can be due to the presence of secret agendas, an unexpected lack of skills or an overestimated financial situation of the partner.

Managers often cite a **lack of cooperation and trust** as an important aspect of alliance failure. This often occurs when partners are more focussed towards competition rather than cooperation. In this way the alliance is not focussed on creating a win-win situation and therefore too much time is spent on avoiding opportunistic hazards. This will eventually be fatal for the alliance, since parties will abandon the alliance if they do not get what they want out of the collaboration.

**Goal divergence** is another recipe for failure of an alliance. When within an alliance different partners pursue different goals an alliance is doomed to fail. This happens because there is a lack of focus on what way the alliance has to go, which in turn leads to a waste of valuable resources. One of the most common differences in goals is long-term versus short-term orientation.

**Lack of alliance management** is another fail factor. More attention is paid to the preparation and negotiation, than to the actual management of the created alliance. When there is no management of the alliance, it will not be evaluated and adjusted to reach its goals. A lack of management will also hinder crisis management when problems or conflicts between the partners occur. When not properly managed, these factors will lead to alliance failure.

Often an alliance fails because of a **difference in culture**. Potential partners are mainly assessed on quantitative criteria such as technical and financial capabilities, while the evaluation of the relationship aspects is given less attention or even ignored.

**Change in strategy of the partner** is another frequently occurring problem within alliances. During the alliance the partner might change its strategy by itself or it could be due to environmental changes such as acquisitions.

**A lack of flexibility** is another frequently occurring fail factor. Since studies have shown that the alliance strategy has to be adjusted over time because of changes in the environment or its assumptions, an alliance has to be flexible. One of the competitive strengths of an alliance is its speed and flexibility and these strengths should be put to full use.

## Success factors

Now the fail factors have been presented, next is to understand what is needed to create a successful alliance and what aspects should be present. Academics (i.e. Porter Lynch, 2001; Kale et al, 2001; Dyer et al, 2001; Kelly et al, 2001; Kale & Singh, 2009; Holmberg & Cummings, 2009) have thoroughly researched what drives alliance success. The most often cited success factors are discussed in this section.

The creation of a **dedicated alliance function** is an important driver for alliance success. An alliance function facilitates alliance learning within the organization. This alliance learning mediates the relationship between the alliance function and alliance success. Firms that have a dedicated alliance function achieve on average 13% higher alliance success rates (Kale et al, 2002).

Since **alliance learning** mediates the relationship between the alliance function and the success rate, the learning processes contribute to an important part of this. It is shown that structural learning processes should be used to facilitate organizational learning and thus increase alliance capability over time.

**Alliance management systems** are important managerial tools to manage the operational phase of the alliance. Often, most of the attention is paid to the founding of the alliance and less attention is paid to the actual management. In order to stimulate this, the alliance function should use alliance management systems such as guidelines, checklists and manuals.

**Structured processes** such as an alliance process framework and a partner selection process increase the alliance success rate. Frequently cited processes that should be structured are the alliance process and the partner selection process. A **structured alliance process** ensures that beginner's mistakes are avoided and that no essential steps are left out. A **structured partner selection process** raises the odds of selecting the right partner to make sure that:

- Partners' strategic and operational reasons to enter into an alliance should be complementary;
- Partners need the same "culture of cooperation". Chemistry is the result of a positive, team-oriented and trustful relationship;
- Partners have complementary resources and skills to foster synergy within the alliance;
- Management and operational style are compatible. Organizations with similar goals, reward systems and methods are more capable of cooperating.

It is important to create a **win-win alliance**. Therefore the execution, risks and revenues should be split equally and honestly. Besides that, partners should be willing to take new risks, be flexible and creative and ready to transform the structure of the alliance.

Alliances with a **strong focus** are more successful than alliances without it. To help an alliance to focus, specific, concrete goals, time schedules, responsibilities and measurable results are needed.

**Management support** is essential for alliance success. Top management should guarantee that enough resources are available and should provide legitimacy within the partner firms. Mid-level management should support the alliance as well.

**Complementarity** is another success factor. Alliances where partners have complementary resources have the highest probability of creating value (Harrison et al, 2001) and perform significantly better than firms which form alliances in fields in which they have already established core competences.

After presenting the main fail and success factors of alliances, an insight is gained on what aspects should be locked out and what aspects should be locked in to increase the success odds of an alliance. But it is not yet clear how an organization can increase its overall alliance success rate and how the success and fail factors described above should be included and excluded, respectively. Therefore, the next paragraph will focus on alliance capabilities.

### **3.3.2 Alliance capabilities**

As discussed before, firms can have alliance success rates as low as 30%. However, successful firms can have success rates of 90% of their alliances (Booz Allen & Hamilton, 1998). This big difference clearly shows that some companies are better at managing their alliances than others. The ability of a firm to manage its alliances successfully is called alliance capability. According to amongst others Kale & Singh (2009), the process of building capabilities has to be internalized within the organization to create success. This section will discuss how alliance capability can be built within an organization to actually increase the alliance success rate.

#### **3.3.2.1 Alliance Capability Process**

According to Kale & Singh (2007) an organization develops and institutionalizes alliance capability through three related aspects. One aspect is alliance learning: the alliance learning is done through the process of capturing, codifying, coaching, and communicating information. These learning processes will be explained further on in this section. Alliance learning is not done automatically, but is done through a dedicated alliance function. Therefore the second aspect is an alliance function, which is an entity that is responsible for coordinating and managing a firm's overall alliance activity. Through the use of, amongst others, alliance managers, tools, instruments, coordination, and coaching, an alliance function fosters learning. The third aspect is alliance experience. The alliance experience is used by the alliance function as input for the learning process. It can be seen that alliance experience, an alliance function and a learning process will relate to one another and together influence the alliance success rate. Figure 9 illustrates this. The three aspects will be discussed in further detail to increase the understanding of each of them.

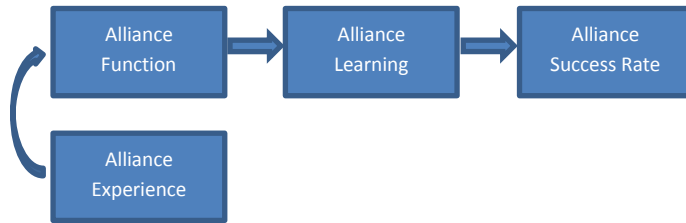


Figure 8 Alliance capability model (Adapted from Kale & Singh, 2007)

### Alliance experience

Alliance experience is built in time. The experiences and lessons drawn from past alliances will be an important input in building alliance capabilities. But just alliance experience is not enough to increase the alliance success rate. By using this experience and turning it into valuable information that can be used in the future, an alliance does not have to make the same mistakes as other alliances. In order to do this, an alliance function is needed. This alliance function is discussed next.

### Alliance function

An alliance function mediates the relationship between alliance experience and alliance learning (Kale & Singh, 2009). Through facilitating knowledge management, learning, visibility, support, coordination, legitimacy, and intervention, the alliance function can increase the odds of creating a successful alliance. This facilitating can be done through using, amongst others: tools, manuals, checklists, instruments, training and coordination. This can be seen in Figure 9.

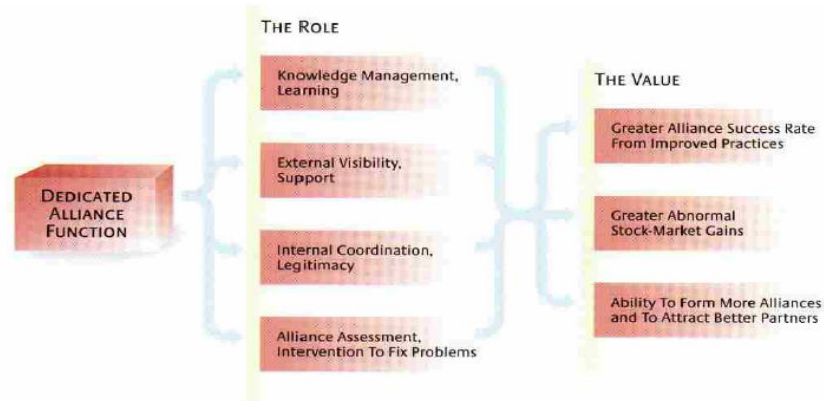


Figure 9 The role of the alliance function and how it creates value (Dyer et al, 2001)

An alliance function consists of organizational members that are involved in both the coordination and the management of alliances. It provides the organization with knowledge to support the alliance processes. An alliance function is essential in creating high alliance success rates (Kale et al, 2002). Kale et al (2002) showed that a dedicated alliance function, in general, increases alliance success by 13%. When organizing the alliance function, there are some important factors to keep in mind. It is important to pay attention to the following aspects (Dyer et al, 2001):

*Organizing around key strategic parameters* is crucial. What these key parameters will be differs by company. It is important to consider how alliances will support the overall strategy to determine how the alliance function should be organized. When these key parameters are identified, the alliance function can be organized as optimal as possible for a particular company.

For example, an alliance function can be organized around key strategic partners when there are only a few central alliance partners. But when an organization's alliances are formed with many partners within a few central industries, it would be preferable to organize the alliance function around these central industries.

*Organize to facilitate the exchange of knowledge on specific topics.* The alliance function must be able to adequately provide information on different stages of the alliance process towards the company's employees; for example information on the partner selection process or know-how of the negotiation of an agreement.

*Location of the alliance function at an appropriate level of the organization* is another aspect that should be kept in mind. The alliance function has to offer internal legitimacy, must assist in setting priorities, and should be able to draw on company resources. Dyer et al (2001) advises that the alliance function director should report to the CEO or COO and participate in the strategy-making processes at the highest level.

As the relationship between an alliance function and the alliance success rate is mediated by alliance learning processes, the learning processes will be explained in more detail in the next section.

### Alliance learning process

Knowledge sharing and learning are important factors to learn from past experience. This learning and therefore the accumulation of alliance know-how can be done through the '4-C approach' (Kale et al, 2001): capture, codify, communicate & create, and coach (see Figure 10). When *capturing* information, it is meant for reuse in the future in order to stop wasting time reinventing the wheel. *Codification* is the process of turning lessons and best practices from past alliances into codified tools such as worksheets, manuals, tools and templates. *Communication and creation* of information is focussed on organizational systems that enable alliance experience to flow across an organization (i.e. video conferencing, corporate chat rooms, organization of seminars). *Coaching* refers to alliance training programs that can stimulate information spreading within a firm.

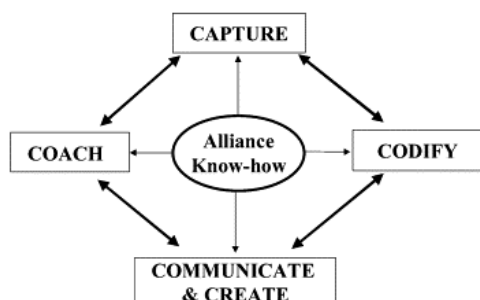


Figure 10 The '4-C approach' (Kale et al, 2001)

### 3.3.2.2 Alliance Capability Development

The effect of alliance capabilities creating value will be described in this section. Imaginably, companies differ in their professionalism towards alliances. Companies such as Hewlett-Packard, Oracle and Eli Lilly have built alliance capabilities over the years and are now highly effective in creating successful alliances (Dyer et al, 2001). Obviously, this is not done overnight. It takes time and

effort to create alliance capabilities. The next section will discuss how a company can gradually build its capabilities.

In the previous sections, the concept of alliance capability has been described. Now we will discuss how a firm should develop its alliance capability over time. Organizations will not be able to build a complete alliance department with the corresponding alliance capabilities when they have little or no alliance experience. It has been shown empirically that certain instruments are not effective in improving alliance capability when companies do not have much alliance capability (HeimFirm X, 2005). Therefore, it is important to define the current level of alliance capability of an organization before taking steps to increase the alliance capability. Draulans et al (2003) and HeimFirm X (2005) defined thirty mechanisms that provide insight into the current level of alliance capability of an organization. A list of these mechanisms is shown in Appendix D.

Once the current level is determined, steps to increase the level of capabilities can be undertaken to improve the alliance success rate. In Draulans et al (2003) empirical data to support the management methods to be employed are for different stages/levels. It is concluded that inexperienced organizations learn most from individual evaluations of alliances and alliance training courses and some additional instruments. Firms that have a moderate experience level in working with alliances can increase their alliance capability by appointing an alliance specialist, finding ways to accumulate its know-how, and develop standard processes to form, manage and evaluate alliances. Very experienced firms learn the most from alliance portfolio management, a partner program and wide-spread alliance knowledge. Draulans et al (1999) summed up the different levels of alliance capability along with the instruments that should accompany each level, see Figure 11. In addition, Figure 12 shows the increase in success when more advanced management techniques are used.

	Basic	Advanced	Institutional
<b>Number of Alliances</b>	Small	Reasonable	Large
<b>Importance</b>	Operational	High for certain units or divisions	Strategic for the entire company
<b>Geographical reach</b>	Regional/national	Starting internationalisation	International
<b>Management Instruments</b>	<ul style="list-style-type: none"> <li>• Legal knowledge</li> <li>• Partner selection checklist</li> <li>• Alliance monitoring</li> <li>• Evaluation of individual alliances</li> <li>• Undertake alliance training</li> </ul>	<ul style="list-style-type: none"> <li>• Build alliance know-how</li> <li>• Appoint alliance specialist</li> <li>• Standard process of entering, managing and evaluating alliances</li> <li>• Intercultural management</li> </ul>	<ul style="list-style-type: none"> <li>• Partner program</li> <li>• Portfolio management</li> <li>• Central method for registering alliances</li> <li>• Alliance knowledge in mid-level management</li> </ul>

Figure 11 Alliance capability levels (Draulans, de Man & Volberda, 1999)

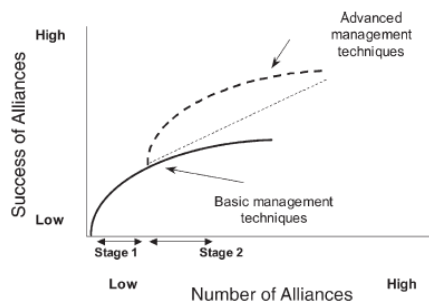


Figure 12 Stages in the development of alliance capability (Draulans, De Man & Volberda, 2003)

This paragraph has discussed the concept of alliance capability and therefore has described the instruments organizations can use to increase their alliance success. The instrument that has been studied most thoroughly (i.e. Bronder & Pritzl (1992), Pekar & Allio (1994), Wildeman & Kok (1997), Kale et al (2002), and Holmberg & Cummings (2009)) is the alliance process framework and this will be addressed in the next section. This is discussed in a separate paragraph because the various studies showed the high importance of such a framework for organizing successful alliances.

### 3.3.2.3 Alliance process framework

The alliance process is referred to as the steps that are taken when forming an alliance. It is a widely discussed subject within the alliance literature and it is intended to keep the alliance process orderly and controllable and to make sure no important steps are left out. Studies that suggested the use of an alliance process framework include Bronder & Pritzl (1992), Pekar & Allio (1994), Wildeman & Kok (1997), Kale et al (2002), and Holmberg & Cummings (2009). All suggested frameworks are the same or very similar. The alliance process framework provided by Wildeman & Kok (1997) will be used in this paragraph since it includes all steps presented in the other studies. This framework presents a systematic approach from the very beginning - the organizational strategy – through the ‘alliance strategy’, ‘partner selection’, and ‘implementation & operationalization, towards the management & evaluation of the alliance; see Figure 13.

The alliance process framework of Wildeman & Kok (1997) will be discussed in further detail with a twofold goal: (1) to reduce the influence of the fail factors discussed before and (2) to increase the effect of the success factors discussed before.

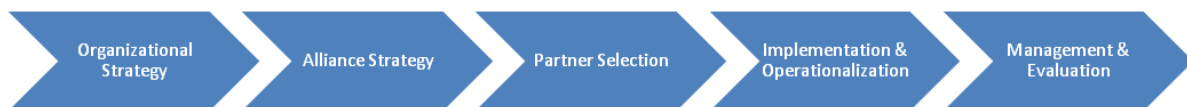


Figure 13 Alliance Process Framework

The first phase - organizational strategy - is meant to identify important trends and developments. It also aims to identify the strengths and weaknesses of an organization. Finally, this first phase focuses on determining the strategy to overcome the company's shortcomings.

The alliance strategy phase is the next step in the alliance process. It aims at defining an overall alliance strategy as well as defining individual alliance strategies. Doz & Hamel (1998) identified three basic alliance strategies: co-option, co-specialization and learning & internalization. Co-option aims at working together with competition (i.e. to create critical mass). Co-specialization is creating synergy through combining goods or services (i.e. to develop solutions instead of products). Learning & internalization collaborations are alliances focused on learning from the partners' skills.

The third phase is the partner selection process. The goals of this process are (1) selecting the optimal partner for the alliance and (2) agreeing to a memorandum of understanding and principles. The optimal partner selection is done in six steps: creating a long list of potential partners, creating the optimal partner profile, deriving a short list of potential partners, executing a fit analysis, executing a risk and performance analysis and the negotiations.



In the implementation and operationalization phase a business plan for the alliance will be created to give the alliance its final shape. In addition to this, a legal agreement with the alliance partner(s) is signed to formalize the collaboration.

The final phase is the management and evaluation phase. By means of selecting evaluation criteria, measuring the results and adjusting the alliance, goal of this phase is to guarantee value creation.

Each of the five phases will be discussed in more detail in the next paragraphs in order to provide a better insight in how each of the phases should be organized to increase the successfulness of an alliance.

### Organizational Strategy Phase

In the first phase of the alliance process, the organizational strategy has to be determined. This is a crucial phase in the alliance process, since it determines why, how, and what type of alliances should be used within an organization. The different steps will be addressed in this section.

The first step is performing an external analysis that identifies trends and developments, the competencies available in the market, and the competencies that will be important in the future. After this, an internal analysis will provide an insight in the strengths and weaknesses of the firm. A way to execute these first two steps is through Porter’s SWOT analysis; see Figure 14.

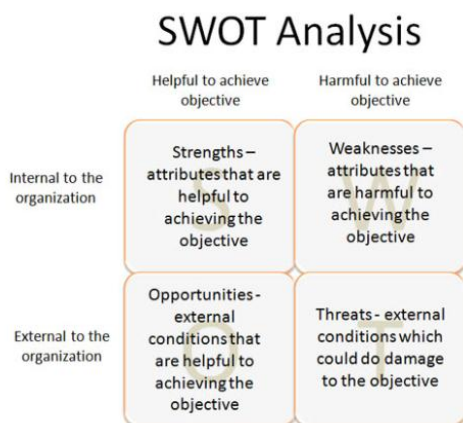


Figure 14 SWOT analysis

When the external and internal analyses are performed, the vision and mission can be developed. The vision contains a clearly defined, desired state of the future. The mission describes the role of the firm in this future state. The mission statement is a description of how a firm will achieve its vision. Basically, the vision and mission are meant to provide direction for future decisions of the company (Duysters et al, 2002). It is important in determining the future role of alliances within a company.

The next step is to determine what competencies are required for realizing the described vision and mission. A comparison between the required competencies and the company’s current competencies will reveal the shortcomings and the excess competencies. Subsequently, a strategy should be determined on how to repel and how to develop competencies. For development of new competencies, a company has three options: autonomous growth, mergers & acquisitions, and

alliances (Porter Lynch, 2001). A company does not have to focus on just one of the three options. Duysters (2001) advises to use a combination of all three growth options to realize the organizational strategy. This allows all of the options to be used in their most effective ways. The advantages and disadvantages of all three options are shown in Table 2. As can be seen, alliances especially create opportunities to expand competencies or quick entry into new markets while having relative low risk and investment.

Growth option	Advantages	Disadvantages
Autonomous growth	<ul style="list-style-type: none"> <li>Strengthening internal skills</li> <li>Growth tailored to needs</li> <li>Control of assets and technology</li> <li>Maintain core competencies</li> </ul>	<ul style="list-style-type: none"> <li>Expensive</li> <li>Time consuming</li> <li>Value capture delayed</li> <li>Success is uncertain</li> <li>Limited growth</li> </ul>
Mergers & acquisitions	<ul style="list-style-type: none"> <li>Quick entry into similar markets</li> <li>Proven capability</li> <li>Product differentiation</li> <li>Reduce supply-demand disruptions</li> <li>Expand competencies</li> </ul>	<ul style="list-style-type: none"> <li>Need for a lot of resources</li> <li>Integration challenges</li> <li>Needed regulatory approval</li> <li>High risk</li> <li>Complex negotiations</li> <li>Disruption of operational activity</li> </ul>
Alliances	<ul style="list-style-type: none"> <li>Quick entry into new markets</li> <li>Proven capability</li> <li>Shared risk</li> <li>No acquisition premium</li> <li>Multiple alliances possible</li> <li>Expand competencies</li> <li>Change in position</li> <li>Leverage effect</li> </ul>	<ul style="list-style-type: none"> <li>Shared revenues</li> <li>Management challenges</li> <li>Performance must be defined</li> <li>Lack of alliance management</li> <li>Portfolio management challenges</li> <li>Control challenges</li> </ul>

**Table 2 Advantages and disadvantages of growth options**

The next step in the first phase is to understand what type of alliances can be used to support and realize the organizational strategy.

### **Alliance types to support value disciplines**

Griffioen (2011) provides an overview of different organization strategies and alliance types that support those strategies. This provides an insight in how alliances can support certain strategies and therefore can help a company in choosing certain alliances. The strategies are based on the model of Treacy & Wiersema (1995). Treacy & Wiersema (1995) developed a typology of three value propositions: operational excellence, product leadership, and customer intimacy. Operational excellence refers to companies which “deliver a combination of quality, price, and ease of purchase that no one else in their market can match” (Treacy & Wiersema, 1997, p. 33). For companies with a product leadership focus the main goal is to “push products into the realm of the unknown, the untried, or the highly desirable” (Treacy & Wiersema, 1997, p. 37). Customer intimate companies are focussed on service and customer relations. Their goal is to build a thorough relationship with their customers and to tailor its products and services to their needs. Treacy & Wiersema (1995) advise that in order to be successful in a market, one must pay attention to each of the value propositions while standing out in at least one of them.

In Figure 15 it can be seen that several alliances support the value proposition ‘customer intimacy’. Distribution agreements can be used to take advantage of a partner’s local presence and service; franchising contracts allow a company to expand its perceived presence; when companies refer to one another this can increase the chance of obtaining useful leads; collaborative offering with a partner allows a firm to expand its market; and co-

branding can be used to add a certain quality to a particular aspect of a product/service by utilizing a partner's brand.

The value proposition 'product leadership' can be supported by alliances in the following manners: partners can team up and join R&D forces, and a firm's technology can be licensed. Both manners can be used to create new and desired products that could not have been developed (as fast) alone.

'Operational excellence' can also be supported by several types of alliances. Alliances that focus on achieving scale advantages and risk reduction by *sharing the investment* with other parties. Another type of alliance is the use of *reciprocal hiring agreements* that entail agreeing to tariffs for the deployment of personnel. These agreements can be used to limit a company's staffing of personnel. The third alliance type to create cost advantages is the use of so-called *unusual supplier risk*. By joint management between buyer and supplier, both party's cost benefits and experience can be used to reduce the total costs.

Strategy	Purpose of the alliance	Basic form
Customer relevance	Using the other party's local presence and service	Distribution agreement
	Expanding one's own perceived presence	Franchising
	Increasing the chance of obtaining leads	proposition alignment and referral
	Expanding one's own market to larger projects	Collaborative offering
	Utilizing the relevance of the other party's brand	Co-branding
Unique product	Utilizing the other party's development capacity	Joint R&D
	Utilizing the other party's technology	Technology licensing
Cost advantage	Achieving scale advantage and risk reduction	Shared investment
	Limiting one's own staffing	Reciprocal hiring agreement
	Utilizing the other party's cost benefits and experience	Unusual supplier risk

Figure 15 Different organization strategies and relevant alliance forms (Griffioen, 2011)

### Alliance motives for organizational growth

Since sub research question 1 focuses on alliances that support organizational growth, the relation between growth strategy and alliances should be taken into account. The use of alliance motives related to the different growth strategies will be discussed in this section. Ansoff (1987) developed a widely accepted matrix of major growth strategies consisting of four different quadrants. As can be seen in the matrix in Figure 16, the strategies are divided in current or new markets and current or new products. Varadajaran & Cummingham (1995) characterised different alliance entry motives by these four growth strategies. The different strategies and examples of the accompanying alliance motives are discussed below.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Figure 16 Ansoff matrix (1987)

When current markets are targeted with current products, *market penetration* is the main focus. This entails that either current customers are persuaded to buy more of the same product or non-users in the current market are persuaded to start using the products. This strategy is the least risky, since a company can use its current market and product knowledge to realize its strategy. Alliance entry motives to support the market penetration are i.e. lowering manufacturing costs and marketing costs, enhancing present skills, and enhancing market position.

When the focus is on *product development*, the strategy is to target the current market with newly developed products. Often when a company markets a new product, it attracts new customers. Alliance motives can therefore include: filling gaps in current product line, broadening present product line, differentiation or adding value to current products, and an increase in product development pace.

When a new market is targeted with current products, the strategy is referred to as *market development*. This strategy is used to gain market share by attracting a completely new type of customer. Possible alliance motives are: gaining access to international markets, circumventing barriers to enter new markets, acceleration of market entry pace, and internalizing unfamiliar market knowledge.

The fourth quadrant is called *diversification* and focusses on selling new products in new markets. This strategy is the riskiest, since it puts the company in great uncertainty because of a lack of both market and product knowledge. Alliance entry motives for this strategy include the acceleration of market entry and product development, reducing technological and market uncertainties, and the internalization of a partner's skills.

In this organizational strategy phase, it becomes evident that corporate strategy is an important input in determining an organization's way of using alliances. Both the corporate strategy on value disciplines according to Treacy & Wiersema (1995) and the corporate focus on growth strategies according to Ansoff (1987) are used to gain insight in how alliances can help a particular company in realizing growth. When an organization has determined the type of alliances that can help it in realizing their organizational strategy, the first phase of the alliance process ends and the next step is determining the alliance strategy. The next section will elaborate on this.

### Alliance Strategy Phase

In the first phase, it has been determined how alliances can help companies in realizing their mission. Once this has been done, the next step is to determine the strategy of the alliance portfolio and the individual alliances. Both these aspects will be discussed in this section.

Duysters et al (2002) advise to take five steps to come to an alliance strategy, namely: design optimal alliance portfolio; manage alliance portfolio; identify drivers of the alliance; determine individual alliance strategy; identify added value of alliance.

In *designing the optimal alliance portfolio*, Wildeman, Kok and Venkatraman (1998) advise to use three different groups of alliance partners: strategic partners, essential partners and supporting partners. The distinction makes it easier to specify each partner's strategic and added value. In designing the optimal portfolio three aspects have to be specified for each of these partner groups: the conditions for each group, terms & conditions for the partners, and the how the transition from one group to another is realized.

When the optimal alliance portfolio is defined, the way how to *manage the alliance portfolio* has to be determined. Hoffman (2005) constructed a framework to do this. It shows the different aspects that firms have to focus on in order to successfully manage an alliance portfolio, namely: portfolio strategy, portfolio monitoring and portfolio co-ordination. His research advises companies to create a dedicated alliance function and develop companywide standards and customized tools and processes to be able to execute these three tasks properly. The framework of Hoffman is shown in Figure 17.

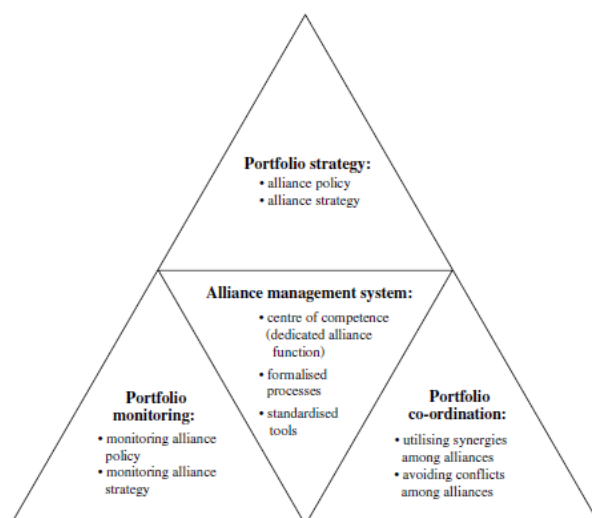


Figure 17 Portfolio management tasks (Hoffmann, 2005)

The next step in the alliance strategy phase is the identification of drivers for the alliance. Every partner enters an alliance to create added value for itself. It is therefore important that added value is created for all alliance partners during the complete alliance life cycle. By identifying the alliance drivers for each of the partners, a company can make sure that each partner benefits from the alliance (Porter Lynch, 2001). This can be done through a SWOT analysis (see Figure 16 in the organizational strategy section).

Determination of the individual alliance strategy is the next step. Doz & Hamel (1998) speak of four different strategies. *Co-option* is an alliance formed with competitors. This enables the possibility to build critical mass, but can also be interesting for making a competitor unavailable for the competition. *Co-specialization* is an alliance that creates synergy by adding resources and knowledge. This can be used for the development of integrated

solutions and for concentration on smaller market segments. *Learning alliances* are formed when learning from a partner's skills and competences is the main goal. *Restructuring alliances* are used by firms as a way of restructuring their organization. These alliances can be used with the idea to acquire or sell in a later stage. When determining an alliance strategy, Duysters (2001) advises that when an alliance focusses on more than one strategy, firms should clearly prioritize to show what strategy is most important.

In addition, Inkpen (2001) argues that firms specifically come together because of different skills and knowledge. In line with this Madhok and Tallman (1998) suggested that the highest probability of creating value is generated when the alliance partners have complementary resources. Duysters (2001, p. 10) agrees to this by stating that "alliances with complementary partners perform significantly better than firms which concentrate their alliances in fields in which a firm already has established core competencies".

The final step of the alliance strategy phase is the identification of the added value of the alliance, both for its potential customers and its partners. This can be done through asking questions to clarify the benefits of the alliance for its potential customers and partners. Questions like 'How does the alliance increase the success/profit/competitiveness /efficiency/productivity of its potential customer's/partner's?', and 'Are these benefits confirmed by potential customers/ partners?'. By doing this, focus will be directed towards the external environment and not just on the company's perspective.

### Partner Selection Phase

Next phase in the alliance process framework is the alliance partner selection. Goal of the partner selection phase is (1) selecting the optimal alliance partner(s) and (2) agree to a Memorandum of Understanding and Principles. The selection of the optimal partner(s) is an important fail factor in alliances as discussed before. Therefore studies stress the importance of this phase and the steps suggested.

The first step in doing this is creating a long list of potential partners. Current alliance partners or best-in-class firms can be used as input for this process. According to Duysters et al (2002) it is important not to judge the suitability of the partners in this stage, but to focus on creating a list with diverse and numerous organizations.

After creating the long list, the optimal partner profile has to be defined. Important factors that should be kept in mind when defining the optimal partner profile are: management, financing, research & development, production, marketing & distribution and alliance capabilities (Duysters et al, 2002).

When the long list and the optimal partner profile are defined, a short list of potential partners can be deduced.

This is followed upon by a fit-analysis. A fit-analysis checks to what extent the partners from the short list are compatible with the firm. Cummings and Holmberg (2012) found critical alliance partner selection criteria or critical success factors (CSFs) that will increase alliance success. They divided these CSFs in four groups: risk-related, partnering-related, learning-related and task-related. The list of factors can be seen in Appendix G. By examining the potential partners on the CSFs, they can all be

evaluated on compatibility. If the compatibility is not good enough, next step is to see if and how shortcomings can be overcome.

After the fit-analysis, a risk & performance analysis has to be performed. Duysters et al (2002) advise to investigate the risks on the following subjects: market, technology, environment, management, politics, resources, capital, partner, cultural. The performance analysis should consist of an analysis of market growth, organization capacity, innovativeness, competitive advantage, financial gains.

If the risk and performance analysis has been completed, it is time to start the negotiations. According to Kelly et al (2002), approaching the negotiation of an alliance from an adversarial or winner take all perspective is a recipe for disaster. To be a success, negotiations should be win-win based in both style and tone. Another important ingredient is a negotiation team consisting of (1) one alliance promoter at each of the partners that has access to top management and has a vision for the future of the alliance, (2) an alliance manager that is trusted by all alliance partners, and (3) an operational team that will be involved in taken the very first decisions (Duysters et al, 2002).

Final step of the partner selection process is agreeing to a Memorandum of Understanding and Principles. This will provide a generic overview of the agreed upon aspects, like strategic intent, goals and operational principles. It is meant to facilitate communication between the partners.

### Implementation & Operationalization Phase

When the right partner is selected, the next step is the implementation of the alliance. This phase is focussed on the creation of a cooperation plan and the formalization of the alliance. In the previous phase, the cooperation has been rigorously outlined. In this phase it is time to define the details.

Duysters et al (2002) advise to create a business plan for the alliance. This will provide a structured approach towards a detailed definition of the cooperation. Important factors of the cooperation plan are (Gulati, 2001): Flexibility to evolve, Conflict management, Communication, Continuous learning, Performance measurement, Future plans, and Rewards.

When the alliance is shaped as described above, it is time to formalize the alliance with a legal agreement. The possible range of contracts has been discussed in CROSSREF and can be divided in four main groups (unilateral and bilateral contract, minority stake and joint venture). The primary goal when selecting an alliance contract is determining what contract allows a company to gain access to the partner's valuable resources without losing control over its own. Das & Teng (2000) have shown the preferences towards alliance contracts based on the differentiation of material resources and knowledge-based resources. Material resources are defined as resources that cannot be copied, such as money, personnel, distribution channels, and patents. Knowledge-based resources are defined as resources that can be copied, such as work methods, market information, and databases. The combination of resources contributed by parties A and B, which can be seen in Figure 18, determines the preference for an alliance contract.

		Company B	
		Material resources	Knowledge based resources
Company A	Material resources	Preference by A and B for unilateral agreement, in which use of resources is compensated	Preference by A for a joint venture: here knowledge is shared most quickly
	Knowledge based resources	Preference by A for a minority share in B to retain control over own knowledge	Preference by A and B for bilateral agreement: detailed arrangements can be made about knowledge sharing

Figure 18 Alliance contract preferences (Das & Teng, 2000)

When the contract type is chosen and signed, the alliance is formalized and thus the next phase will focus on the actual management of the alliance. This phase will be discussed in the next section.

### Management & Evaluation Phase

The final phase of the alliance process framework focuses on guaranteeing the desired value creation as well as measuring the performance and adjusting the alliance if need be. This is another very important aspect of the alliance, as earlier described in section 3.3.1. Often, more attention is paid to the preparation and negotiation of an alliance compared to the management of the day-to-day operations (Duysters et al, 2002). A team or a person with responsibility for the day-to-day operations should be assigned to increase focus on the day-to-day operations as well. In addition, this creates commitment and promotion of the alliance within its partner organizations. Besides a responsible person or team, evaluation criteria and performance measures have to be defined and evaluated regularly to guide the management and evaluation phase.

When defining the evaluation criteria of the alliance, it is important to specify criteria beforehand to be able to make a proper evaluation of the alliance during its operational phase. Anderson (1990) defined an input-output continuum that is displayed in Figure 19. The input criteria are important for the long term success of the alliance, while the output criteria are indicating the short term performance of the alliance. As with every kind of goal-setting, criteria have to be measurable and defined clearly.

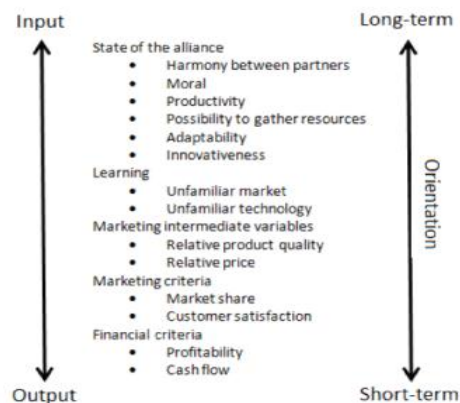


Figure 19 Evaluation Criteria (Anderson, 1990)

When the evaluation criteria are defined, the next step is measuring the performance. When performance is measured on each of the criteria, it is time to adjust the alliance if need be. This can



be done through either of three options: continue alliance as before, reposition the alliance to improve performance or terminate the alliance. Because of various reasons, almost always alliances have to reposition themselves (Duysters et al, 2002). Therefore it is highly important that an alliance is based on being flexible.

The five phases of the alliance process framework have been discussed. Careful consideration of each of the steps can help companies to form and manage alliances systematically. It can help to increase the alliance success rate.

### **3.4 Conceptual model**

The academic literature discussed above introduces the concepts of open innovation and alliances, reveals the most important success and fail factors of alliances, and provides insights into the organization of successful alliances. The organization of alliances is divided into two paragraphs. It shows on the one hand what kind of alliance capabilities a company can possess and how these can be developed within an organization. On the other hand it shows a structured approach towards the formation and management of alliances.

These insights are concluded in the conceptual model in Figure 21. As can be seen, it is a combination and adaptation of the alliance process framework and the alliance capability development process. The upper part includes the alliance capability process of turning alliance experience, through a dedicated alliance function, into alliance learning. The lower part consists of the alliance process framework. Therefore, the conceptual model combines two important aspects of the alliance literature into one complete model. So the conceptual model describes that when an alliance is formed, the phases of the alliance process framework must be completed. The first phase, organizational strategy, is used as an overall input for the complete conceptual model. Once the corporate strategy is determined, alliance strategies can be adjusted to fit this strategy. After that, the alliance process and the alliance capability process are used to form alliances and build capabilities. The alliance process therefore follows the steps of forming an alliance strategy, selecting partners, implementing, and managing & evaluating. The experience of forming and managing an alliance will result in alliance experience. The acquired knowledge of these experiences serves as an input for the improvement of the alliance function. Tools, manuals, training sessions, and alliance knowledge can be developed further to improve the alliance learning and therefore the alliance capabilities of an organization.

This conceptual model is meant to provide a structured approach for the next chapter of this study: the analysis. It will serve as a guiding framework for adequately answering the research questions.

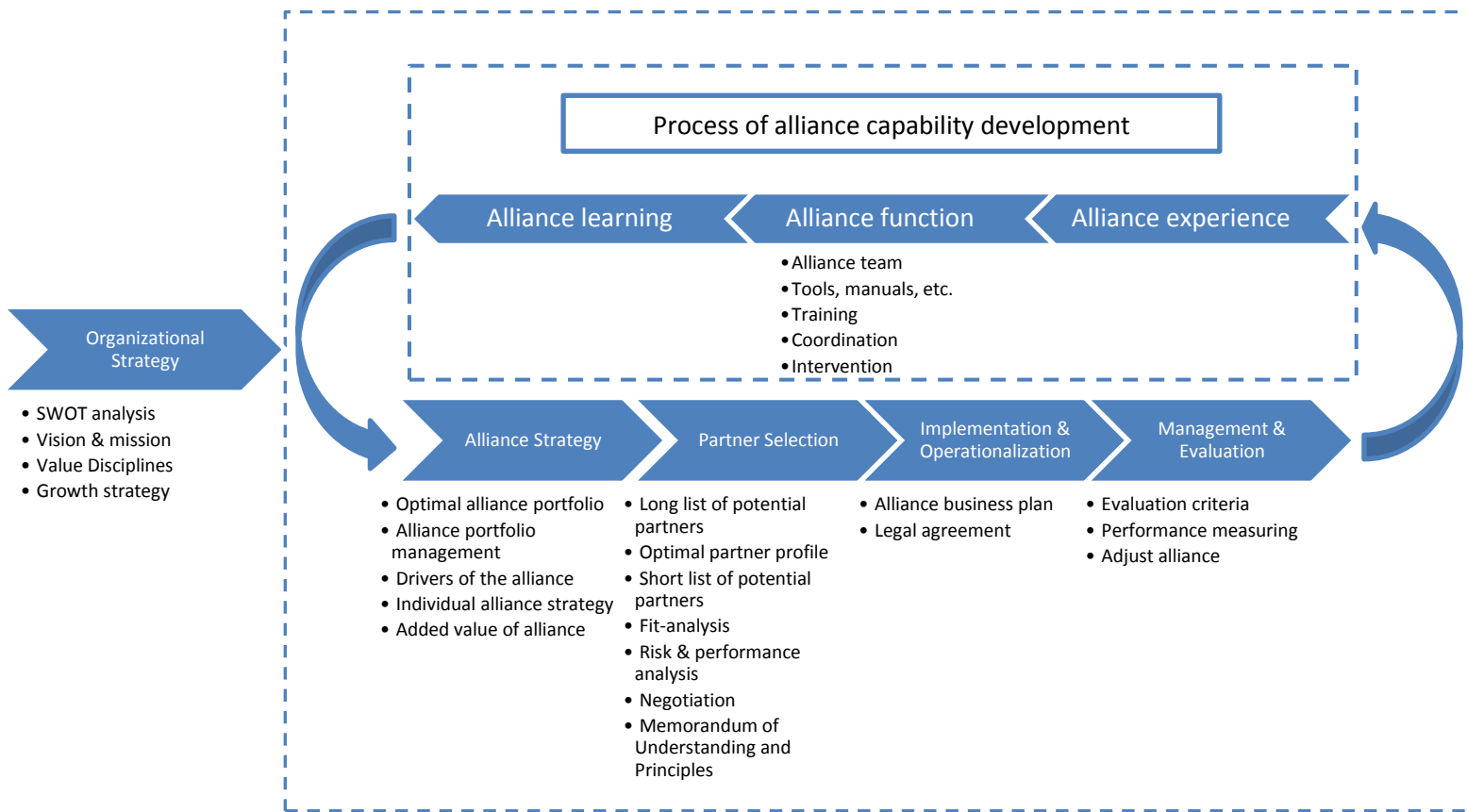


Figure 20 Conceptual Model

## 4. Analysis Chapter

This chapter will discuss the results and findings derived from the collected data. The analysis is divided into three major sections. These sections are in accordance with the conceptual model. The first section describes the analysis of the organizational strategy. The second section describes the within-case analyses of the three case studies and a cross-case analysis. It therefore provides (1) an insight in the alliance processes at FIRM X and (2) an insight in the success and fail factors of its alliances. The third section analyses the present alliance instruments and therefore the current level of alliance capabilities. Before the actual analysis is discussed, the first section of this chapter will discuss the methodology of the analysis in more detail in order to increase transparency and controllability.

### 4.1 Analysis Methodology

This section elaborates on the methodology used for the analysis phase and therefore aims at increasing controllability and transparency of this study. It describes the methodology of all three parts of the analysis, namely: organizational strategy, case studies, and alliance capabilities.

#### Organizational strategy

As described in the Research Plan in Chapter 2, policy plans and annual reports were consulted to gain a preliminary understanding of the organizational strategy of FIRM X. To turn this preliminary understanding into a more in-depth understanding, semi-structured interviews were conducted. The interviews that were used to interview the Business Unit Managers consisted of fixed questions that were asked in a structured way. However, due to the semi-structured nature of the interview, there was room for both the interviewer and the interviewees to elaborate on certain subjects or details. The interviews started with an introduction of this research and therefore addressed the specific concepts and goals of this study. This was followed by an introduction from the interviewee in the alliance and the role of the interviewee in the alliance. When mutual understanding was reached, the semi-structured interview was conducted. Table 3 provides an overview of the different topics discussed (derived from the conceptual model) as well as examples of questions. The interviews lasted between 60 and 90 minutes. An overview of the people that were interviewed on this matter is shown in **Error! Reference source not found.** in Appendix C.

Topic	Question
SWOT analysis	<i>What are the current trends and developments within the industry? Which competencies does FIRM X (not) have to follow these trends?</i>
Vision & Mission	<i>How do you describe the vision and mission of FIRM X? How does this translate to day-to-day operations?</i>
Value Disciplines	<i>How does FIRM X differentiate itself from the competition? What competencies should FIRM X add to further differentiate?</i>
Growth Strategy	<i>On which areas does FIRM X focus its growth? Is growth directed towards new/existing products within new/existing markets?</i>

**Table 3 Organizational strategy interview procedures**

The results from the five semi-structured interviews were used to get an in-depth understanding of the organizational strategy of FIRM X. To turn this organizational strategy into alliance opportunities, the results from the Literature chapter and the interviews were combined. Subsequently, this information was used as input for the focus group meeting. This meeting was focused on presenting and discussing the preliminary findings. Opinions on various alliance opportunities were gathered to provide an insight in the degree of support for several alliance opportunities. The persons involved in

this focus group meeting are shown in **Error! Reference source not found.** in Appendix C. This session lasted 90 minutes. All of the data gathered through interviews and the focus group meeting was transcribed from recorded audio to text after which the texts could be thoroughly reviewed for the analysis. In Appendix E, relevant quotations from the various data sources are presented.

### Case studies

Orientation interviews (with one person for each potential case study) were conducted to assess whether or not a particular case study could be used for this research. For the three cases that were investigated for this research, three involved employees were interviewed. These interviews were semi-structured and therefore consisted of fixed questions asked in a structural way with the possibility of elaborating on certain (additional) subjects or details. Before the actual interview started, introductions from both the interviewer and the interviewee took place to create mutual understanding. Table 4 shows the different topics that have been discussed (corresponding with the conceptual model) as well as examples of questions. The interviews took between 60 and 90 minutes. The people that have been interviewed for each of the case studies are shown in **Error! Reference source not found.** in Appendix C.

Topic	Question
Organizational strategy phase	<i>How (and to what extent) does the alliance fit within the organizational strategy? What steps were taken to ensure the alliance was aligned with the organizational strategy?</i>
Alliance strategy phase	<i>Can you describe the process of the set-up of the alliance? What was the strategy of the alliance, and how was this determined?</i>
Partner selection phase	<i>How were the alliance partners selected? What should the partner selection process ideally look like?</i>
Implementation & Operationalization phase	<i>How was decided on the best contract for the alliance? How did the negotiations take place?</i>
Management & Evaluation phase	<i>Were evaluation criteria set up to evaluate the alliance? How was the alliance managed on a day-to-day basis?</i>
Fail & Success factors	<i>What factors were most important in determining the degree of success/failure? To what degree were the following success and fail factors present?</i>

**Table 4 Case study interview procedures**

The interviews were recorded and this audio was transcribed to text. The different interviews of each case study were combined by thoroughly reviewing these texts. As described in Chapter 2, these resulted in within-case analysis reports that are presented later on in this chapter. In Appendix E, relevant quotations from the various data sources are presented.

Regarding the case studies, there are some limitations that need to be addressed. For two of the three case studies, only FIRM X employees have been interviewed and no employees from the partner have been interviewed. This might result in a biased view and therefore result in subjectivity in the findings, especially in the fail and success factors. However, because the main focus of the case studies was on determining the alliance processes at FIRM X, this approach has been chosen to gain a thorough insight in the way FIRM X deals with alliances.

### Alliance capabilities

To be able to analyse the alliance capabilities at FIRM X, all the in-depth interviews described above also included a part that was focused on discovering the current alliance capabilities. All the FIRM X employees that were interviewed by means of semi-structured interviews were asked what capabilities were currently present at FIRM X. In addition, they were asked to assess the importance of different alliance capabilities for future alliance initiatives at FIRM X. The different alliance

capabilities used for this questioning are shown in Appendix D. Results will be discussed later on in this chapter. See Appendix E for relevant quotations regarding the alliance capabilities.

Now the methodology of the analysis is described in more detail, the actual analyses are discussed in the rest of this chapter. First of all, the organizational strategy is analysed followed by the case studies and the alliance capabilities.

### 4.2 Analysis Organizational Strategy

According to the conceptual model that has been derived from academic literature in the previous chapter, the organizational strategy should be determined and used as input for the alliance process framework and the alliance capability development. Therefore, this section will discuss the organizational strategy of FIRM X. In line with the conceptual model this section includes a SWOT analysis, the mission and vision of FIRM X, the focus on value disciplines, and the growth strategy. The data that served as input for this analysis is described in the previous section.

#### 4.2.1 SWOT analysis

The SWOT analysis of FIRM X has been derived from the policy plan and is shown in Table 5.

<b>Strengths</b> <ul style="list-style-type: none"> <li>Financially strong and profitable cluster (1)</li> <li>Very strong business model around a broad assortment (2)</li> <li>Combination of Pick-to-Order and Assemble/Make-to-order products (3)</li> <li>Passion for technology and co-engineering (4)</li> <li>Strong brands / FIRM X Top Employer (5)</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>Efficiency/effectiveness of outside sales force (6)</li> <li>Market does not yet perceive One FIRM X (7)</li> <li>Weak basis (master data) for achieving maximum operational excellence (8)</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>To further develop a manufacturer’s image (9) <ul style="list-style-type: none"> <li>Private label products</li> <li>Intellectual property of product specs</li> <li>Customising &amp; rapid prototyping</li> </ul> </li> <li>To better promote our competitive edge in “Broad contracts” in pre-tender stage (10)</li> <li>More efficient/effective account-contract-tender management (11)</li> <li>New profit sharing arrangement (12)</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>New entrants in the market: forwardly integrating manufacturers (13)</li> <li>Liability risks around the delivery of faulty products (14)</li> <li>Uncertain market circumstances (15)</li> <li>Tough labour market (16)</li> </ul>

Table 5 SWOT analysis

The SWOT analysis is used as an input for the organizational strategy. In order to translate the SWOT analysis into a strategy, a so called confrontation matrix is used. A confrontation matrix confronts a company’s strengths with its opportunities, as well as the strengths vs. threats, weaknesses vs. opportunities, and weaknesses vs. threats. The numbers in the SWOT analysis correspond to the numbers in the confrontation matrix. See Table 6. (+) or (++) is assigned to the combinations, which indicate a relevant combination or a very relevant combination, respectively.

	Strengths				Weaknesses			
	1	2	3	4	5	6	7	8
Opportunities	9		(+)	(++)				
	10	(++)	(++)	(+)		(+)	(++)	
	11					(++)		
	12							
Threats			(+)	(+)	(+)	(+)		
	13		(+)	(+)	(+)	(+)		
	14							
	15	(+)						
	16				(+)			

The confrontation matrix gives an insight in how FIRM X should put its strengths to use. It also provides insight in what weaknesses should be overcome and thus what competencies need to be gained access to. In the upper part of Table 6, it is shown which weaknesses should be overcome to enable FIRM X to grasp the opportunities. As can be seen, an important opportunity that can be grasped is the ability to promote a competitive edge in “broad MRO contracts” in pre-tender stage. However, there are weaknesses that withhold FIRM X from grasping the opportunity. One is the inefficient outside sales force; the outside sales force is not able to influence customer’s decisions in a pre-tender stage. The market also doesn’t perceive FIRM X as one company with a wide range of products; it is seen as a various different companies that are part of the FIRM X Group and that have to be dealt with separately. Therefore other ways to promote FIRM X’ competitive edge in the pre-tender stage should be sought. This finding will be used later on in this paragraph for identifying useful alliance opportunities for FIRM X. Opportunity (11) is also related to these weaknesses and should be taken into account as well when searching for alliance opportunities.

Table 6 shows the threats of FIRM X in the lower part of the matrix. The strengths that reduce the influence of the threats are shown in the lower left quadrant, while the weaknesses that enforce the threats are shown in the lower right quadrant. As can be seen the threat that is heavily influenced by both strengths and weaknesses is the threat of new entrants in the market. Suppliers are trying to deliver their products directly to the market, without interference of FIRM X. This is based on the idea that the suppliers can do the job themselves and that by eliminating FIRM X they would be able to offer their products for lower prices. Therefore FIRM X should focus on adding more value to the products of the supplier and thus create a competitive advantage. This is in line with the trend of customers requiring more integrated solutions instead of individual components. The type of alliances that fit this focus on integrated solutions will be discussed in the next chapter while identifying alliance opportunities.

As described above, the findings will be used for identifying the alliance opportunities for FIRM X. The next section will provide more input for this by describing the visions and mission of FIRM X. After this, the value disciplines and the growth strategy will be discussed as part of the analysis of the organizational strategy.

#### 4.2.2 Mission & vision

The mission of FIRM X is provided in the annual report. No vision is defined by FIRM X. The mission is described as follows:

*“FIRM X’ ambition is to grow and be the international leading-edge and innovative industrial service provider that provides a wide range of high-quality mechanical engineering components and related technical and logistics services to industrial customers in all its market areas. It intends to achieve this growth in a sustainable way so that, in addition to shareholder value, it can deliver value for the company’s other stakeholders.”*

Part of its mission is the five core values: (1) know-how of, and a passion for, technology, (2) durability, (3) integrity, (4) mutual trust and respect, and (5) customer satisfaction and performance orientation.

This mission is in line with the most important findings from the SWOT analysis section, namely the focus on FIRM X' strengths (broad assortment, passion for technology & co-engineering, combination of pick-to-order and assemble/make-to-order) to grasp the opportunities (further develop manufacturer's image and broad MRO contracts).

#### **4.2.3 Value disciplines**

It is important to consider FIRM X' actual value discipline. When it comes to alliances, the literature review has shown that an important step is to align the alliances with the overall organizational strategy. In the early interviews in the problem definition phase, there was discussion about the focus on value disciplines at FIRM X. The in-depth interviews have provided more data for a discussion on FIRM X' focus on value disciplines.

FIRM X internally communicates being a company that focuses on Product Leadership. The answers derived from the interviews with the business unit managers were in line with this. All interviewees said that FIRM X' competitive advantage was due to Product Leadership. When asked what this Product Leadership entailed and why it would be defined as such, all respondents' answers can be categorized in one of the following groups:

- the wide variety of the product assortment;
- the extensive know-how of products and its application to best serve the customers;
- the ability to customize products.

However, neither of these arguments refers to the definition of Product Leadership; in fact, they refer to Customer Intimacy. FIRM X differentiates itself by being Customer Intimate: offering a wide variety of products, being able to advise the customer what product would be best for a particular application, and possibly customizing it to the customer's wishes. As we have seen in the SWOT analysis section, this is also in line with the most important combination of strengths and opportunities of FIRM X. The opportunities like promoting broad MRO contracts, customizing and rapid prototyping are in line with the Customer Intimacy focus. This finding is also in line with FIRM X' ambition to change from a technical distributor to an industrial service provider.

These findings have been fed back to the Business Unit Managers during an hour-long presentation and brainstorm session on alliances. After a discussion on the findings, most agreed on the fact that FIRM X is focussed more towards Customer Intimacy combined with a minor focus on Product Leadership. Since the corporate strategy drives the way of doing business and helps in making business decisions, this can be an important finding for FIRM X, especially for this study and the future use of alliances.

#### **4.2.4 Growth strategy**

In this section, the growth strategy of FIRM X will be discussed according to the Ansoff model (Ansoff, 1987) as shown in the literature chapter. Information has been derived from both policy plans and interviews with business unit managers. The interviews revealed that no clear growth strategy is determined to focus FIRM X' resources. However, the different growth strategies will be discussed to identify how FIRM X tends to focus on each of them.

### Market penetration

All the Business Unit Managers stressed that the focus is for an important part on the expansion of the current leading market position. For example BU Manager Sealing Technology stated that they “focus on gaining a 99% market share by trying to obtain the remaining contracts in the market”. The policy plans show a comparable focus on market penetration. By stating similar focus areas like “the expansion of our market share”, “extending the leading position in current PMC’s”, or “expanding our number one market position in current markets”, all interviewees stress that market penetration is an important aspect of their growth strategy.

### Market development

As was described before, FIRM X’ policy plan stated that sales efforts will mainly be directed towards gaining market share in markets that have strong economic circumstances. For some Business Units, this means entering new markets or barely known markets. For others, this means gaining more market share in their current markets. Therefore it differs per Business Unit whether it can be categorized as market development or market penetration. Since some Business Units have few or no knowledge of these markets, it can be categorized as market development. Furthermore, the development of geographical regions is part of the FIRM X Group strategy. Primarily Scandinavia and the US are areas for development and the market is constantly scanned for acquisition candidates. This kind of market development is outside of the scope of this study, since this study is focused on FIRM X Cluster Netherlands.

### Product development

Product development within FIRM X is mainly done through acquisitions. The acquisitions are, besides geographic market spread, focused on adding niche products to the assortment. Companies that have products that add depth to the current product line are taken over and integrated within the FIRM X group. Besides this there is always the search for new, innovative products to further widen the product assortment. This is not a main focus at the moment.

### Diversification

Diversification is the focus on developing new products and penetrating new markets with these products. The different Business Units all show to have some kind of focus on the diversification strategy. For example the Business Unit Flow Technology focuses on new markets like Food & Pharmaceutical. In order to enter these new markets its BU manager stated that a new product line has to be added to the product assortment before the Food & Pharmaceutical markets can be penetrated. In line with this, BU Manager Industrial Hoses states that special hoses and accessories will be adapted to fit the needs of markets like Food, Pharmaceutical, and Semiconductor market. Therefore new markets will be targeted with a combination of new and current products. Other business units showed similar trends.

It is hard to determine an overall growth strategy based on Ansoff’s growth model; most Business Units differ on how they want to grow. Therefore an unambiguous conclusion on the growth strategy for FIRM X cannot be determined. The next section will

#### 4.2.5 Alliance preferences of FIRM X

During the interviews and the focus group meeting with the Business Unit managers, the goal was to uncover the types of alliances that are most useful to help FIRM X in realizing its organizational



strategy. Based on the analysis of the organizational strategy, the focus group session was used to further discuss alliance opportunities for FIRM X. After a presentation of the preliminary results derived from the organizational strategy analysis, a discussion on the best alliance opportunities took place. The discussion was based on the alliance opportunities suggested in both literature and the interviews discussed before. The alliance opportunities that were assessed by the focus group as most useful for FIRM X will be discussed below.

#### Collaborative offering

The focus group agreed that offering more complete products instead of solely components is a focus area in which FIRM X could benefit from the use of alliances. The trend of customers requiring more and more integrated solutions asks for competencies that FIRM X does not have (and sometimes does not want to have). Therefore the focus group sees possibilities in collaborations with other organizations to be able to deliver such integrated solutions.

#### Obtaining Leads

Obtaining leads through working together with other organizations was another alliance that was assessed as a serious opportunity for FIRM X in the near future. The focus group expected that FIRM X could, through such alliances, avoid price battles and involve decision making earlier in the process. It could therefore avoid the price battles that come with tendering and demonstrate its added value towards the customer. The alliance between FIRM X and FIRM D (discussed in the third case study) was assessed as a good example of such collaboration. According to the focus group, alliances similar to these could be found within the different BUs.

#### Joint R&D

The third and last type of alliance that was assessed positively by the focus group was the type of alliance that focusses on combining forces with suppliers. Opinions differed on this, but overall it was expected that such alliances could increase the ability to customize products and to deliver better solutions to customers. This could be achieved by joining forces; the market knowledge of FIRM X with the product knowledge of producers. It was expected that this could lead to more added value of the customer.

The above described preferences of the focus group as well as the rest of the analysis of the organizational strategy will be used to draw conclusions in the next chapter. In this next chapter the results will also be turned into recommendations for FIRM X. This part has analysed the organizational strategy of FIRM X, the next paragraphs will discuss the within-case analyses of the three case studies.

### 4.3 Within-case analysis FIRM X-Firm B

This section will analyse one of the three case studies, namely the alliance between FIRM X and Firm B. The section is split up into three paragraphs and ends with a conclusion on this alliance. The paragraphs are divided in line with the structure of the literature chapter: *general introduction, alliance process framework, and success & fail factors*.

#### 4.3.1 General introduction

About ten years ago FIRM X wanted to add more high quality industrial sealings to their product line. Industrial sealings were already part of the



product assortment, but there was a need for an A-brand supplier to deliver a wide range of these sealings. In the eyes of FIRM X, Firm B seemed the most important company that could help them in achieving this. Firm B is an A-brand supplier of a wide variety of industrial sealing products and is part of the Firm E Group. Before 2004 Firm B had a sales office in the Netherlands and targeted customers directly from there. For Firm B, this was not an optimal solution; sales did not reach a satisfactory level. Since FIRM X wanted to add the Firm B products to the product line, FIRM X took the initiative to try to reach for an agreement. Initially, Firm B was not interested and wanted to try and target the Dutch market by itself. After two years of trying, FIRM X convinced Firm B that both parties would benefit from collaboration. They reached an agreement in which FIRM X took over the sales activities of Firm B in the Netherlands in 2004 and together they targeted the Dutch market by combining the product knowledge of Firm B with the market knowledge of FIRM X. A bilateral contract-based alliance was born. FIRM X was the sole distributor of Firm B products in the Netherlands and was able to purchase them at a discounted price. Over the years, as defined in the contract, the alliance changed gradually towards the current preferred distributor relationship. The next sections will discuss the evolvement of the relationship between FIRM X and Firm B over time in more detail.

**4.3.2 Analysis of the alliance process**

This section will discuss the degree in which the different phases of the alliance process framework in the conceptual model have been included within the formation and management of the FIRM X-Firm B alliance. The following five phases will be discussed: *organizational strategy, alliance strategy, partner selection, implementation & operationalization, and management & evaluation*, see Figure 21). These phases are meant to provide structure and direction for the set-up and management of the alliance.



Figure 21 Part of the conceptual model

The first phase in the alliance process is the *organizational strategy phase*. This phase has not been taken in the creation of the Firm B alliance in a formal way. However, the idea and commitment for the partnership started at the top of the FIRM X organization and was, according to the interviewees, in line with the organizational strategy of offering a wide range of high-quality industrial components with the accompanying know-how. It therefore suits FIRM X focus on the value discipline Customer Intimacy as well as partly on Product Leadership. The alliance focussed in the early days on *co-branding* of a product, which is typically Customer Intimacy (CI), as well as *technology licensing*, which entails Product Leadership (PL) (Griffioen, 2011). In a later stage the alliance was more a combination of a *distribution agreement* and *technology licensing*, which is again focussed on both CI and PL. When the Ansoff-matrix is taken into account, the FIRM X-Firm B alliance would fall under the category of *product development*; a new product is added to the product line and an existing market is targeted with it. When we look at the analysis of the Ansoff-matrix in the Organizational Strategy section above, this does not fall under *market penetration* or *diversification*. But as written before, no clear direction is set by FIRM X.

When we take a look at the *alliance strategy phase*, a formal alliance strategy is not present at FIRM X. An alliance policy or optimal alliance portfolio are not used to guide alliance decisions within the organization. The decision to start the FIRM X-Firm B partnership can therefore not be traced back to a formal alliance strategy. The literature chapter showed us that another important step in the alliance strategy phase is the identification of the drivers for the alliance for all partners. This step has been taken, but in a rather informal manner. The drivers of FIRM X for the alliance supported the organizational strategy: an A-brand supplier was added to further enlarge the product range, to become market leader in industrial sealings, and to be able to deliver high quality components to customers. The drivers for Firm B were, according to the FIRM X' interviewees: increasing sales in the Netherlands and gaining knowledge of the market. The alliance was therefore focussed on marketing and selling the Firm B product by combining and learning from each other's product and market knowledge. No further market research was performed to clarify the benefits for the customers. The added value of the alliance for the customers was not formally defined.

The *Partner selection phase* was skipped. Actively scanning the market for potential partners, and the creation of a long and short list was not performed. Firm B was known for its high quality sealings for which a lot of FIRM X' customers asked. In addition, FIRM X already had a good relationship with Merkel which is, just as Firm B, part of the Firm E Group. A fit analysis to analyse the critical success factors of Firm B has not been undertaken, nor was a risk & performance analysis completed. The negotiations started without these aspects in mind. The formation of the alliance was therefore more based on a gut feeling than on a structural, well-defined process.

The negotiations during the *implementation & operationalization phase* focussed on the division of tasks and responsibilities. It was decided that FIRM X was going to take over part of the Dutch sales force of Firm B and all of the sales activities in the Netherlands. Only Firm B's global customers were served by Firm B itself, but other customers were transferred to FIRM X. A Firm B sales engineer was assigned to FIRM X in order to target the market together and therefore optimally combine FIRM X' knowledge of the market and Firm B's knowledge of the products. Furthermore, it was agreed upon that FIRM X' status was gradually changed from a 'status aparte' (i.e. intercompany pricing) towards the current preferred distributor relationship. No cooperation plan was set up and no business plan was created.

The *management & evaluation phase* is the next step in the alliance process. An important aspect of this phase is putting effort into the alliance and evaluating on a regular basis to be able to unleash the alliance's full potential and to adapt the alliance if necessary. There were no clear evaluation criteria that were set up beforehand. During the evaluation meetings, evaluation of the alliance was primarily based on budgets and customers but no clear goals were set. Relational aspects have not been evaluated regularly. Evaluation moments were not set up on a regular basis, but were scheduled when problems occurred or discussion arose.

### **4.3.3 Analysis of the success & fail factors**

This section will focus on the success and fail factors that were present according to the interviewees. First the degree of success of the alliance over the years will be discussed.

### Degree of success

The degree of success will be discussed according to the evaluation criteria of Anderson (1990) as discussed in the literature chapter. The following evaluation criteria will be used since they are most appropriate to this case: financial criteria, learning, marketing criteria, and state of the alliance.

*Financial criteria:* 2004 is the year the alliance was established. In the first years of its operations the collaboration resulted in satisfactory sales for both parties. When the economic crisis hit, sales went down. In the years of slow economic recovery after that, sales went up slowly. The success in terms of overall financial results was assessed by the interviewees as positive. But they noted that if collaboration would have been as good in the last years as in the first years of the alliance, sales would have been higher nowadays.

*Marketing criteria:* according to the interviewees, market share increased in the first years due to the good sales numbers in the first years. Exact numbers of the increase in market share are not known. Customer satisfaction has, according to the interviewees, been high because customers of the quality of the product and Firm B's application know-how.

*Marketing intermediate variables:* The alliance aims at marketing and selling a high-quality A-brand product, therefore both relative price and product quality are high.

*Learning:* One of the drivers of the alliance was the combination of FIRM X' market knowledge and Firm B's product knowledge. By working together both parties learned from each other's expertise. This learning has led to FIRM X trying to move towards the role of developing products itself, and it has led to Firm B trying to target the market on its own. It therefore also had a negative effect on the alliance. According to the employees learning of the alliance overall was assessed positively.

*State of the alliance:* The relational aspects of the alliance show a comparable development over the years. In the beginning of the alliance there was belief and commitment to build a successful partnership and this resulted in sales going up. Sufficient time was spent together, employees from both partners got to know each other and the partner company, and customers were targeted by both parties together. When the economic crisis resulted in a decrease in sales the relationship deteriorated. Criticism and accusations from both parties arose and no proper conflict management was undertaken. The relationship never got back to the same level of transparency and productiveness as before. Firm B made two decisions that worsened the relationship even further; a second distributor in the Netherlands was assigned, and they announced to open a sales office for the Benelux to target customers by itself. Ever since these decisions were made, tensions between parties remain and no further action is taken to improve the relationship between the partners.

The five different aspects have to be taken into account to assess the successfulness of the alliance. In line with the opinion of the interviewed FIRM X employees, the FIRM X-Firm B alliance overall can be categorized as a success. However, the most successful years have been the first years of the alliance and nowadays more struggle and less collaboration is observed. This change in successfulness is interesting for this study as it might provide insight in the differences in approach that resulted in different outcomes. The next sections will analyse the factors that influenced the degree of success.

### Analysis of success factors

The success factors especially refer to the first years of the alliance. In this period the alliance was judged most successful, both in ways of sales as in ways of collaboration. As a result of the economic crisis sales and trust between the parties declined and it never got back to the way it was before. It is important to note that these insights are from FIRM X' employees only; no employees of Firm B have been interviewed for this case study.

*Collaboration and commitment* has been an important success factor according to the interviewees. Firm B and FIRM X actively worked together to fulfil the needs of customers and there was a belief in the success that both parties could accomplish together. A Firm B sales engineer spent his time at FIRM X to ensure collaboration and communication. Employees of both parties were sent over to increase communication and understanding of each other's business. These efforts resulted in a transparent cooperation which in turn led to satisfactory sales and communication within the alliance.

Another factor that influenced a successful relationship between FIRM X and Firm B was the clear *win-win alliance* that was created. Firm B's sales in the Netherlands were not satisfactory before the time of the alliance and they did not have the market knowledge to seriously improve their situation. FIRM X wanted to add the high quality products of Firm B to their product range so they were better equipped to satisfy the needs of their customers. Since the *goals were complementary*, there was a belief and understanding that working together could be profitable for both of them. This win-win situation resulted in both parties investing time and effort in the common goals.

The *management support* was another factor that is believed to have influenced the early success of the relationship. FIRM X' and Firm B's managing directors had a good relationship and, especially in the beginning, this was important for the success of the relationship. This relationship ensured communication and trust.

### Analysis of fail factors

This section will describe what factors have negatively influenced the success of the alliance. As described above, most of these factors were present during years after the economic crisis.

When the economic crisis hit and sales went down, cooperation reduced and criticism from both parties arose. As a result, Firm B made two decisions that negatively influenced the relationship even further. It decided to appoint a second distributor in the Netherlands and it started preparations to open its own sales office for the Benelux region. This resulted in an even further *diminished trust and cooperation* between the two partners. Since then there have been no attempts to solve the problems, which means that the relationship is not getting better and tensions are still present. The problems that have occurred over the years have not been properly solved and this seems to be because of a *lack of communication*.

Because the problems both in terms of trust and sales were not properly solved, *goals diverted over time*. The early win-win situation that was created in the alliance did not continue and more and more obstacles arose. Nowadays, FIRM X tries to move more towards Firm B's core business by increasing their efforts in developing high quality sealings. On the other hand, Firm B moves more and more towards FIRM X' core business: selling their products in the Benelux region. These

divergent goals make it difficult for both parties to cooperate like before and as a result the transparency and shared goals have diminished severely.

A *difference in culture* is another factor that limited the relationship between the two parties. FIRM X is focussed on delivering customized solutions as fast as possible. Firm B focusses on quality and making sure to deliver the best possible product. Because of these cultural differences frustration between the two parties arose. When FIRM X wants to order a product and needs it as fast as possible, it needs to fill in an extensive document with all specifications before Firm B even considers it to be produced. This difference in perspective led to criticism from both parties and negatively influenced the relationship.

#### 4.3.4 Conclusion

This case study is concluded with the most important findings of this within-case analysis. The findings are summed up below.

##### What went well?

- The creation of a win/win alliance has shown possibilities for successful growth. Both partners pursued complementary goals and could therefore use their expertise to support the alliance. It also fostered collaboration and commitment. The alliance has raised sales for both companies and both of them learned from each other's business.
- In the early years of the alliance both collaboration and commitment were high. Both parties put time and effort into the alliance. This resulted in trust and belief both in the alliance and between the partners.
- Management support was crucial to get the alliance started up. In the first years it also ensured communication and trust.

##### What went wrong?

- The different steps of the alliance process have not been undertaken in preparing, starting up, and managing the alliance. Therefore some crucial aspects have not been taken into account such as a fit analysis of the partners, evaluation criteria, and conflict management.
- The setback of the economic crisis was not overcome. Because of a lack of communication and conflict management trust and collaboration diminished and over time the partners collaborated less and less. This led to both parties looking at other possibilities which frustrated the relationship even further.
- The goals that were once complementary diverted over time. This negatively influenced the trust within the relationship which decreased collaboration.

#### 4.4 Within-case analysis Firm C

This section will analyse the second case study, namely the so-called Firm C alliance. The section is split up into three paragraphs and ends with a conclusion on this alliance. The paragraphs are divided in line with the structure of the literature chapter: *general introduction, alliance process framework, and success & fail factors*. For this case study semi-structured interviews were held with three employees, each from different alliance partners, and the business plan was used.

#### 4.4.1 General introduction

Econosto, part of FIRM X, supplies high quality industrial valves, fittings, instrumentation, gaskets and hoses. In 2007 collaboration was started with different partners to provide easy and safe drinking water solutions to the maritime sector; it was called Firm C. Hatenboer Water as an expert on water treatment, Georg Fischer (GF) as an expert on piping systems, Kemper as an expert on valves, and Minks as a constructor of industrial process installations, were the other companies included in the collaboration. The idea was born during informal meetings between Econosto and Minks, and further developed with the other potential partners. The collaboration was focussed on combining the partners' knowledge and products in order to provide an integrated solution to provide safe drinking water for the maritime sector. Therefore the customer does not have to deal with different companies and combine the products and knowledge itself. Only one party is needed to engineer, supply, install, and maintain a safe and healthy drinking water system. The form of collaboration was not clearly defined and strict; not in every project all of the partners were included. If the customer does not want to include one of the partners, there is the flexibility to fulfil the needs of the customer with other parties. Thus, the collaboration was mainly used as referral and to obtain leads on which further action could be taken. This informal manner of collaborating caused a lack in priority and accountability. Therefore productivity was low and this year it was decided that further action of Firm C is put on hold. The next sections will discuss the evolvement of the relationship between the partners over time in more detail.

#### 4.4.2 Analysis of the alliance process

This section will discuss the degree to which the different phases of the alliance process framework in the conceptual model have been included within the formation and management of the Firm C alliance. The following five phases will be discussed: *organizational strategy*, *alliance strategy*, *partner selection*, *implementation & operationalization*, and *management & evaluation*. These phases are meant to provide structure and direction for the set-up and management of the alliance.

The first phase in the alliance process is the *organizational strategy phase*. This phase has not been executed formally in the creation of the Firm C collaboration. The collaboration has been formed bottom-up and the idea was generated by one of the employees of Econosto in combination with external parties. However, the Econosto interviewee stated that Firm C fitted Econosto's organizational strategy of extending its activities in the maritime sector by offering customized and complete solutions to relieve its customers. The alliance meant to increase sales by offering an integrated solution in collaboration with complementary companies. Therefore, in retrospect it can be concluded that the alliance supports the value discipline CI. When we define the problems in terms of the article by Griffioen (2011) (as described in the literature chapter), the alliance is a mix of the forms *collaborative offering* and *proposition alignment and referral*. When the Ansoff-matrix is taken into account, Firm C would fall under the category of *product development*; a new combination of products that is used to target a familiar market for Econosto. When we look at the analysis of the Ansoff-matrix in the Organizational Strategy section above, this does not fall under *market penetration* or *diversification*. But as written before, no clear direction on either of these growth strategies is set by FIRM X. Because the fit of the alliance with the organizational strategy was not formally decided, in later stages the alliance caused strategic frustration. The decision to include an instalment company within the alliance frustrated other instalment companies that Econosto worked

with. According to the interviewees this was an effect that was caused by a not thoroughly executed fit-analysis with the organizational strategy.

Next, the *alliance strategy phase* is discussed. As described in the previous case study, there is no formal alliance strategy at FIRM X; neither is there one present at subsidiary Econosto. No alliance portfolio is managed to provide guidance in the first phases of the alliance process. The academic literature chapter showed us that another important step in the alliance strategy phase is the identification of the drivers for the alliance for all partners. This step has been taken, but in a rather informal manner. All of the partners expected to increase its sales, reputation, and entry into new leads by entering into Firm C. To what extent these aspects would increase, has never been specified. Firm C was based more on a sense of entrepreneurship and gut feeling rather than a well-structured, formal approach that was driven by clearly specified goals. The added value of the alliance was only informally determined, and no individual alliance strategy was determined for Firm C. Two of the interviewees emphasized that the latter led to problems in the operational phase as will be discussed below.

The *Partner selection phase* was largely skipped when Firm C was formed. After the idea was generated by Econosto and Minks, there had not been an extensive search for the best partner. It was decided that GF and Kemper should be included because of their reputation in engineering and supplying high-quality components and because Econosto represented both companies. Hatenboer Water was included because of their expertise in water treatment. The complementarity of the knowledge and products of these partners was the only selection criterion. No other critical success factors as shown in the literature chapter were included in the partner selection. Neither a fit analysis nor a risk & performance analysis has been executed. The partner selection phase was therefore not extensive and again more based on a gut feeling than on well-specified criteria.

The *Implementation & operationalization phase* is the next step in the alliance process framework. The negotiations in this phase focussed on how the alliance should be formed and what kind of legal form the alliance should take. The discussion on the contract focussed on whether or not Firm C should become a new legal entity or just an informal collaboration of the partners. Some wanted to form a legal entity to ensure management and accountability; others wanted to be flexible for both practical and strategical purposes. It was unknown what type of contract would be best for Firm C (especially regarding the aspects of costs and revenue distribution) and none of the people involved took the time to figure this out. In the end it was decided that the collaboration was going to be without any contractual liability. The collaboration was based only on trust. Marketing costs and additional costs were to be divided equally over each of the partners. A business case was created, but it lacked financial aspects and sales expectations. No market research was performed.

Final step is the *Management & evaluation phase*. Firm C meetings are held on a regular basis; every four to six weeks progress meetings are held and once a year a strategic meeting is held. During the progress meetings the partners discuss the progress of (potential) projects and customers. The interviewees mentioned that these meetings revealed that agreed upon action items were often not executed. There were however no formal consequences to this, because Firm C is only an informal collaboration. The annual strategic meetings are meant to evaluate the alliance and change its



direction if needed. There are no clearly defined evaluation criteria. Evaluation is based on gut feeling and not on hard data.

#### 4.4.3 Analysis of the success & fail factors

This section will focus on the success and fail factors that were most present according to the interviewees. First the degree of success of the alliance over the years will be discussed.

##### Degree of success

The degree of success will be discussed according to the evaluation criteria of Anderson (1990) as discussed in the literature chapter. The following evaluation criteria will be used for this case: financial criteria, learning, marketing criteria, marketing intermediate variables, and state of the alliance. For Firm C, it is hard to determine the degree of success objectively. No data such as costs, sales, revenues, or leads are available at Firm C or the individual partners. Therefore the degree of success is measured by the opinions of the interviewees.

*Financial criteria:* According to the interviewees it is hard to determine the degree of success in terms of profitability and cash flow. Approximately five projects were executed by all Firm C partners. The other projects were done by just some partners in combination with outside companies. This makes it hard to determine how many projects Firm C yielded for each of the partners. But all the interviewees estimated that the amount of projects yielded by Firm C was very positive and therefore they termed the alliance by means of revenues versus costs successful. However they all stated that the alliance does have a lot more potential.

*Marketing criteria:* Firm C is the sole provider of integrated water treatment solutions for the maritime sector. The customers that have purchased a water treatment system have been highly satisfied according to the interviewees. Because of these two factors, two of the three interviewees still see a lot of potential in Firm C. One interviewee does not agree and sees difficulties in the fact that not every country has a legislation that obliges companies to use a safe and healthy water treatment system.

*Marketing intermediate variables:* Firm C is the sole provider of integrated water treatment solutions for the maritime sector; the criteria of relative product quality and relative price are therefore not applicable.

*Learning:* The interviewees assessed the alliance learning to be high. The combined knowledge on drinking water treatment, the accompanying systems, and the markets was useful for the interviewed parties. Each partner brought in its own expertise on amongst others water purification, piping, engineering, instalment, and valves. The complementary knowledge and products was helpful for all partners.

*State of the alliance:* The criteria for determining the state of the alliance are rather diverse. The harmony between partners has always been good. The relationship was based on trust and no significant conflicts or problems occurred since Firm C was started. However, because the collaboration did not have a formal structure, none of the partners felt 100% accountable. This negatively influenced productivity. Action items were not executed and no further development of the legal structure and/or cost structure has taken place. Another aspect that influences the state of the alliance is the difference in company size. The owning directors of the smaller partner companies

involved have much more authority than the ones who are mid-level management at bigger companies. Owning directors were able to make quick and important decisions, while bigger companies like Econosto had to report to high-level management first which slowed down the productivity and decisiveness of the alliance.

The five different aspects have to be taken into account to assess the successfulness of the alliance. Most of the criteria result in a predominantly positive assessment of Firm C. All interviewees agreed that because of Firm C they benefit from new projects and project leads, but none of them seemed to be completely satisfied. The low decisiveness and productivity in marketing Firm C in combination with the lack of accountability obstructs Firm C from being highly successful. A clearly-defined goal combined with a strategy keep Firm C from reaching its full potential.

### Success factors

The factors that influenced the Firm C collaboration in a positive way are discussed in this section. It is important to note that these insights are based on interviewees from three of the five Firm C partners.

*Trust* has been the basis of Firm C from the beginning on. The initial idea was generated in informal meetings between two of the five partners. This trust has remained through the process of starting up the alliance. All of the interviewees mentioned the trust to be a positive aspect of the relationship within Firm C. As a result of this trust the partners would work in an informal manner which had both positive and negative influences. The benefit of the informal collaboration was the possibility to exclude one of the Firm C partners when a customer did not want or need one of the companies input. The disadvantages of this informal way of working will be discussed in the next section.

Partly due to this trust, *collaboration* has been a positive aspect. The alliance partners worked together on exhibitions, customer visits and they helped each other in obtaining possible leads. The referral between the partners was one of the most important aspects of the success of Firm C.

Each of the partners supplied its own products and/or knowledge that were needed to provide an integrated drinking water system. This *complementarity* led to *learning* between the alliance partners and the ability to provide a new and unique product that solves a specific problem and can be customized to the customer's wishes. The learning had another benefit; Firm C companies could use their partners' knowledge or Firm C' knowledge to enter into projects that would otherwise have been harder to get into.

The *opportunities* are still huge according to the interviewees. One of them sees a problem in the fact that there is no international legislation that prescribes customers to use safe and healthy drinking water on board of vessels, platforms, et cetera. The other interviewees still see a huge possibility (especially in countries where there is already legislation) in the fact that Firm C is the sole provider of the product and offers a good solution to a specific problem. But they both stated that in order to grasp this potential the fail factors have to be overcome.

### Fail factors

This section will describe what factors have negatively influenced the success of Firm C.

The three interviewees all agreed that the most important fail factor was the fact that there has never been a *clearly-defined goal*. In addition, a strategy has never been clearly outlined. This had led to a constant struggle in deciding how Firm C should evolve over time. The question whether it should be an informal or formal collaboration has never been answered. One of the interviewees mentioned that simply nobody took the time to discuss possible future directions. All agreed that if this had been done, Firm C could have been much more successful.

Another important fail factor according to the interviewees was the lack of responsibility and accountability of the partners. Since there was no formal contract that divided responsibilities, tasks, costs and revenues, none of the partners was accountable. During progress meetings it often arose that action items had not been executed and that tasks had not been fulfilled. This also has to do with a lack of *alliance management*. Nobody was responsible which led to partners putting insufficient priority on Firm C. This eventually led Firm C to be put on hold.

A *wrong choice of partners* has been mentioned as a fail factor. This has to do with the previous fail factor, since it was never clearly stated how Firm C would develop over time. Because it was unclear what the strategy was and how this was going to be executed, the *goals of the partners diverted*. The diverting goals caused that the dilemma of formalising the collaboration or not were never properly discussed. An example is Econosto that did not want to enter a formal alliance with Minks because this would upset other instalment companies Econosto worked with. Another example is Hatenboer Water who focussed primarily on the international markets, while Firm C focussed mainly on national projects. This led to Hatenboer Water recently exiting the Firm C collaboration.

#### 4.4.4 Conclusion

The retained information from this within-case analysis provides interesting findings. The most important findings will be summed up below.

##### **What went well?**

- Because of the complementarity of the partners a possible win-win alliance was created. Project leads were obtained and the integrated solution Firm C offered led to highly satisfied customers.
- Trust between the alliance partners was good and led to partners helping each other in obtaining project leads.
- Firm C has proven a successful way of obtaining projects that would otherwise have been hard to obtain. It was a useful reference to enter into a new customer base.
- The possibilities for Firm C are still there. It has proven a good solution to a specific problem.

##### **What went wrong?**

- No strategy or goals were defined beforehand. This led to diverting goals and differences in opinion on how Firm C should target its potential customers. This eventually led to Firm C being put on hold.
- A lack of a formal structure was another aspect that has caused trouble. Because of the informal way of collaborating nobody was responsible and nobody prioritized Firm C.
- The initial steps in the Firm C formation have been skipped or based on a gut feeling and entrepreneurship rather than on a formal and well thought-out approach. This led to selection of wrong partners, and the above mentioned difficulties.

## 4.5 Within-case analysis FIRM X-FIRM D

This section will analyse the third case study, namely the alliance between FIRM X and FIRM D. The section is split up into three paragraphs and ends with a conclusion on this alliance. The paragraphs are divided in line with the structure of the literature chapter: *general introduction, alliance process framework, and success & fail factors*.

### 4.5.1 General introduction

FIRM X has had a climate ceiling component in its product assortment for a long time. It is an innovative component that has multiple advantages for the end customer; energy efficient, not visible, easy-to-install, etcetera. However, this heating-cooling component was not selling. There is a logical reasoning to this, which will be illustrated through an example. A company wants to build a new headquarters and stresses its needs and wishes to an engineering company. This engineering company turns the needs and wishes into specifications and hands these over to contractors and subcontractors to execute the project. These contractors and subcontractors order the needed components at companies like FIRM X. What happens is that the final decision is based on clear specifications and on price. The innovative component FIRM X has in its assortment does not fit these needs because the component should be part of a complete system which is adapted to this component. Only then the benefits described above are put to use. This was the reason the component was not selling. So FIRM X discovered that in order to sell the component, it should try to influence the decisions on specifications in an earlier stage. This way a complete solution for the climate ceilings could be decided on and the benefits of the innovative component could be put to full use. FIRM D is a company that designs, delivers, and installs climate ceiling systems and was therefore an attractive partner for FIRM X. FIRM D could use FIRM X' component to be able to deliver innovative and complete climate ceilings to their customers that would be more beneficial to its customers. After a long negotiation process FIRM X and FIRM D decided to form an alliance and a bilateral contract was signed in November 2012. The alliance process will be discussed in more detail in the next section.



### 4.5.2 Analysis of the alliance process

This section will discuss the degree to which the different phases of the alliance process framework in the conceptual model have been included within the formation and management of the FIRM X-FIRM D alliance. The following four phases will be included: *organizational strategy, alliance strategy, partner selection, implementation & operationalization, and management & evaluation*. These phases are meant to provide structure and direction for the set-up and management of the alliance.

The *organizational strategy phase* is not a phase that has been thoroughly applied for this alliance. It was more a matter of “how can we sell a product that is not selling?” combined with the fact that the market is more and more searching for integrated solutions delivered by as few companies as possible. Therefore the idea for an alliance was formed in a reactive manner and not driven by the organizational strategy. However, the alliance fits the organizational strategy of *customer intimacy*. In the literature chapter an overview is provided of possible alliance motives that support customer intimacy (Griffioen, 2011). The FIRM X-FIRM D alliance covers aspects like *collaborative offering* and *using a party's local presence and service*. The alliance also focusses on *market penetration*; it

enables new possibilities to sell an existing product in a familiar market. Even though the alliance was not formed by thoroughly assessing its fit with the organizational strategy, it is in alignment with it.

When we take a look at the *alliance strategy phase*, a formal alliance strategy is not present at FIRM X. As seen in the other case-studies, an alliance policy or optimal alliance portfolio are not used to guide alliance decisions within the organization. Again, the decision to start the partnership cannot be traced back to a formal alliance strategy. The idea and commitment for the partnership started at the operational level of the FIRM X organization. The literature chapter showed us that the next step in the alliance strategy phase is the identification of the drivers for the alliance for all partners. This step has been taken, but in a rather informal manner. The drivers of FIRM X for the alliance with FIRM D are: cooperating with a contractor to increase the chance of selling their component as well as delivering integrated solutions that relieve the customer. Another reason is the possible leads that can be obtained through the collaboration with FIRM D. The drivers for FIRM D were, according to the FIRM X' interviewees: providing integrated solutions that are highly innovative and that will provide substantial benefits for their customers as well as using FIRM X' market knowledge to obtain leads for future projects. These drivers made the alliance focus on delivering an integrated product. The added value of the alliance has not been formally defined.

The *partner selection phase* was executed in an informal manner. FIRM X' business development manager actively searched for possible partners. It was decided that FIRM D was the best partner to form an alliance because it had the largest market share (45-50%) within climate ceilings, and because FIRM D is also focussed on relieving the client by providing integrated solutions. Besides these two factors, no other aspects have been taken into account. So no other critical success factors described in the literature chapter have been included in the partner selection phase. No fit analysis has been performed, nor was a risk & performance analysis executed. The negotiations phase took a lot of time. This was largely due to conflicting energy efficiency calculations of both parties. Finally, it was found out that one of the calculations was incorrect and both parties agreed to the specifications. Afterwards, further negotiations on costs and division of tasks continued.

The *implementation & operationalization phase* was the next step in the alliance formation between FIRM X and FIRM D. Not a formal cooperation plan has been drawn up, but some aspects of the cooperation plan have been included in the contract; performance measurement, conflict management, and communication. No business plan has been made. When all details were worked out, a bilateral contract was signed.

The final step in the alliance process is the *management & evaluation phase* is. An important aspect of this phase is putting effort into the alliance and evaluating on a regular basis to be able to unleash the alliance's full potential and to adapt the alliance if necessary. Again, it is important to note that the alliance has just been set up and that the management & evaluation phase is only written down in the contract. It does however provide an insight in how well-thought the alliance is and to what extent this phase has been prepared. In the FIRM X-FIRM D alliance some evaluation criteria have been set up and put in the contract. Also evaluation moments are clearly defined in the contract. For example if revenue targets are not met, parties are able to terminate the contract. The same holds for when one party does not put sufficient efforts into the relationship; this is of course harder to

objectively measure. No statements can be made about the actual management and evaluation of the alliance.

### 4.5.3 Analysis of the success & fail factors

This section will focus on the success and fail factors that are most present according to the interviewees. First the degree of success of the alliance will be discussed.

#### Degree of success

Because the alliance has not been operating for very long, it is hard to define the degree of success. However, this case study provides a detailed insight in the first phases of the alliance and the possible fail and success factors that might occur in the future. According to the interviewees there is a lot of trust in the successfulness of the alliance. It was stated that the alliance is expected to produce € 1 million in revenues in the third operating year. This is the expected revenue of the heating component only; no possible additional components have been included in this calculation. The first phases of the alliance have been defined as predominantly successful by the interviewees. The reasons why are discussed in the next two sections.

#### Analysis of success factors

The success factors especially refer to the first phases of the alliance process. In this period the alliance was judged predominantly successful by the interviewees. The following factors will stress why these first phases were experienced as successful.

An aspect that the interviewees stressed as being important through the early phases of the alliance was the *trust and collaboration* between the partners. Lots of information and knowledge has been shared to clarify things such as targets, division of tasks and price negotiations. Openness and willingness to collaborate have been present during the early stages. In addition, an information sharing system has been set up so projects, project leads, and other information can be shared between the partners.

The *partners' goals* and the *direction the alliance* have been thoroughly worked out. Measurable goals, schedules, and required efforts from both parties have been written down in the contract which will guide the alliance during its operational phase. It will also increase the possibility to objectively evaluate the alliance and possibly adapt it if goals are not met.

*Management support* is present at both parties at the moment. In the beginning mid-level and high-level support was not present within FIRM X. This led to FIRM D pressing FIRM X' middle level management to be involved in the alliance. When this was done, it created mutual trust and at the same time provided the alliance with legitimacy and sufficient resources.

#### Analysis of fail factors

This section will describe what factors have negatively influenced the execution of the early phases of the alliance.

Within FIRM X *no knowledge, guidelines, checklists, or manuals are available* to help the set-up of alliances. A lack of this knowledge slowed down the first phases of the alliance process. No checklists or manuals were available to help partner selection. This is the reason that the only aspects of FIRM

D that have been taken into account are the market share and their focus on providing integrated solutions.

Another example is a *lack of expert knowledge on alliance contracts*. Because of this FIRM X copied a distribution contract from one of its suppliers, adjusted it and then discussed it with FIRM D. The same holds for alliance management tools. This might cause future problems during the operational phase of the alliance since the literature chapter has shown us that most attention is often paid to the creation of the alliance. Focus on the management and evaluation phase combined with the right tools is crucial for a successful alliance. In addition, the interviewees agreed that the alliance creation could have gone significantly faster when these tools would have been available.

#### 4.5.4 Conclusion

The relevant information retrieved in this within-case analysis provides interesting findings that can help in answering the research questions.

##### **What went well?**

- Even though there is no formal alliance process available at FIRM X, the formation of the FIRM X-FIRM D alliance involved a lot of factors that have been provided by academic literature.
- Trust and collaboration between the partners resulted in clearly defined goals, performance measures and a solid basis for the further collaboration within the alliance.
- Clearly defined evaluation criteria have been set up to ease the process of evaluating and adapting the alliance.
- FIRM D pushed for management involvement from FIRM X. This is an important aspect that provides legitimacy and the availability of resources to the alliance. It might also overcome future obstacles during the management and evaluation phase.

##### **What went wrong?**

- The different steps of the alliance process have not been undertaken in preparing, starting up, and managing the alliance. Therefore some crucial aspects have not been taken into account such as a proper fit analysis of the partners, a thorough business case and a detailed market research.
- No tools, manuals, checklists or tacit knowledge was available to support the creation of the alliance. This increased the time to create the alliance, caused aspects of the alliance process to be skipped, and might provide future problems in the management and evaluation phase of the FIRM X-FIRM D alliance.

#### 4.6 Cross-case analysis

In succession of the within-case analyses this section will describe the so called cross-case analysis. Where within-case analyses describe individual cases and provide answers on 'how' and 'why' questions of individual cases, a cross-case analysis generates more general conclusions based on the comparison of multiple cases. To come up with general conclusions similarities between the cases will be discussed. This analysis is arranged in correspondence with the conceptual model; first the alliance process will be discussed followed upon by a description of the alliance capabilities.

#### 4.6.1 Cross-case analysis of alliance process

This section compares the degree to which the alliance process was executed within the three case studies. None of the alliances used a formal alliance process; therefore the assessment of the alliance process is based on the extent to which the essential steps of each of the phases have been executed. Table 7 provides an oversight of the three case studies. Three ratings are given, based on the within-case analysis: ‘-’ stands for ‘low’, ‘+/-’ stands for ‘moderate’, and ‘+’ stands for ‘high’. This indicates to what degree the prescribed tasks in the phases have been completed during the alliances. It should be kept in mind that the generalizability of the conclusions is limited due to the amount of case studies described in this analysis.

	FIRM X-Firm B	Firm C	FIRM X-FIRM D
Organizational strategy	+/-	-	-
Alliance strategy	+/-	-	+/-
Partner selection	-	-	+/-
Implementation & operationalization	+/-	+/-	+/-
Management & evaluation	-	+/-	(+)

Table 7 Cross-case analysis Alliance Process

*The organizational strategy phase* was not a formal step in each of the cases. A fit-analysis to indicate which collaborations fit within the organizational strategy is not present. The cases show a similar degree to which the organizational fit was determined for the alliance; low to moderate. The FIRM X-Firm B alliance, which scored ‘moderate’, was the only alliance created top-down. This seems to result in a more thoroughly determined fit with the organizational strategy. When created bottom-up, it might occur that the strategy of the alliance is not completely aligned with FIRM X’ strategy, such as with the other two cases. This might be due to the fact that the alliance is initiated as a response to market demand or as an individual initiative, as opposed to pro-actively scanning for alliance opportunities based on the organizational strategy.

*The alliance strategy phase* is the next step in the process. The alliances show a similar pattern; all three cases score ‘low’ to ‘moderate’. This means that not much of the prescribed tasks of the alliance strategy phase have been completed. A lack of a thorough alliance strategy resulted in problems occurring later on in the process. Especially within Firm C; amongst others, diverting goals and different alliance drivers led to problems in the operational stage.

Each of the alliances scored ‘low’ to ‘moderate’ when it comes to *the partner selection phase*. No formal approach for selecting the best partner is used at FIRM X. At FIRM X-Firm B and Firm C, the decision on who to partner with was already made and no further scanning of the market for other potential partners was done. At FIRM X-FIRM D, a rather simple assessment of potential partners was executed.

*The implementation & operationalization phase* again showed a ‘moderate’ score on each of the cases. No formal process took place, which results in this phase being based on the entrepreneurial skills of the people involved in the alliances. This led to a moderate degree to which the prescribed tasks of this phase were executed.

The final *management & evaluation phase* shows ‘low’, ‘moderate’, and ‘high’ scores for the different alliances. However, the final phase of the FIRM X-FIRM D alliance has not been reached for a long time and therefore conclusions of this case study are not taken into account for this final



phase. The other ones showed low to moderate management and evaluation activities. This matches the finding of the literature chapter that often too little time is spent on the actual management of the alliance.

This section has provided a cross-case analysis of the different phases of the alliance process. This objective overview will result in conclusions and recommendations in the next chapter. But first a cross-case analysis of the success and fail factors of the three case studies is performed.

#### 4.6.2 Cross-case analysis of success and fail factors

This section will compare the three case studies on what factors influenced success and what factors withheld the alliances from success. It therefore describes the similarities and differences in success and fail factors found in the three case studies this analysis is based on.

A success factor that arose within all three case studies is *trust and communication* between the partners. Each of the alliances showed sufficient trust and thorough communication to make the alliance work. When communication and trust decreased, as seen in a later stage of the FIRM X-Firm B alliance, the collaboration between the partners went down. This eventually led to an unsatisfactory collaboration.

Another important factor that was part of the success of two of the three alliances was the *support of higher level management*. This gave the alliances legitimacy and sufficient access to resources, as opposed to the one alliance that did not have higher level management support, Firm C. The lack of this support was a factor in the failure of Firm C. It therefore seems crucial to have proper management support to provide an alliance with legitimacy and access to resources.

A *clearly defined goal* is another aspect that seems crucial to the success of an alliance. It is a success factor for the FIRM X-FIRM D alliance, while for Firm C the lack of clearly defined goals was indicated as one of the most important fail factors for the alliance. The FIRM X-Firm B case underlines this finding because in the successful years of the alliance complementary goals were a success factor while in its less successful years one of the main problems were the diverting goals.

*Complementarity* showed to be an important ingredient for success for each of the case studies. Knowledge, skills and resources were successfully combined to create alliances. The FIRM X-Firm B case showed that when this complementarity decreases, this will negatively influence the success of the alliance. Over time FIRM X and Firm B became more and more competitors because of the backward integration of FIRM X and the forward integration of Firm B. This led to a decrease in trust, collaboration and communication as described above.

The aspects discussed in this section seem to be most relevant in the cross-case determination of success and failure within alliances. These results will be used as input for the final Conclusions & Discussion chapter. To provide further insight in the organization of alliances at FIRM X, the next section will analyse the development of alliance capabilities within the organization.

#### 4.7 Analysis of the alliance capabilities

This section will focus on the current alliance capabilities available at FIRM X. Alliance capability is defined as capabilities of an organization to manage its alliance successfully. As included in the conceptual model, the development of alliance capabilities consists of *alliance experience, the*

*alliance function*, and *alliance learning*. These three aspects will be discussed. This paragraph will be concluded with an analysis on the current level of alliance capabilities at FIRM X. The input of this analysis is based on interviews with Business Unit Managers, Alliance Managers, and other employees involved in the alliances described in the case-studies.

#### 4.7.1 Alliance experience

Alliance experience is built in time. The experiences and lessons drawn from past alliances can serve as an important input in building alliance capabilities. At FIRM X, alliance experience is not readily available. According to the interviewees, as opposed to the literature, distributor relationships are not approached as being alliances; a contract is signed and no further collaboration is present. However, these distribution contracts are also a form of alliances according to the definition derived from academic literature. Some interviewees stated that when these contracts would be approached as alliances, it could increase the effectiveness of such relationships. Not many other experiences are available on alliances within FIRM X. This is underlined by the fact that it was hard to find proper alliance case studies for this study. So there is little alliance experience within FIRM X, but this experience is not shared, collected, or used for learning purposes.

#### 4.7.2 Alliance function

The interviews indicated what management instruments are currently available to guide the set-up, management, and evaluation of alliances. A so-called alliance function is not incorporated within FIRM X which means that manuals, tools, checklists, trainings, legal knowledge, coordination, and intervention are absent. There is no overall alliance strategy and no knowledge is shared on previous alliance experiences. No partner selection tool or checklist is available to guide the partner selection phase. Little legal knowledge is available which makes it hard to negotiate the right contracts with possible alliance partners. The ways in which FIRM X establishes and maintains its collaborations is very informal and is based on gut feeling and entrepreneurship. As described in the case studies, this might lead to important aspects of the alliance process to be skipped or ignored.

#### 4.7.3 Alliance learning

Because of a lack of alliance experience and a proper alliance function, important information is lost or isolated. As described in the literature chapter *capturing, codifying, communicating & creating, and coaching* are important to learn from alliance experiences. None of these aspects are incorporated at FIRM X. Alliance experience is not shared within the organization. Experiences on alliances that have been undertaken in the past are only present at the ones that were involved in these collaborations. Therefore, every set-up of an alliance starts from scratch and no past experiences can be used to make the process of entering and managing alliances easier. Some interviewees stressed that a lack of these experiences resulted in a slower and less thoroughly undertaken alliance process.

#### 4.7.4 Level of alliance capabilities

Three levels were defined in the literature chapter; *basic*, *advanced*, and *institutional*. This section is meant to determine the current level of alliance capabilities at FIRM X. Table 8, as included in the literature chapter, is shown below and provides an insight in what management instruments correspond to what level of alliance capabilities.

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Basic	Advanced	Institutional
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Number of Alliances	Small	Reasonable	Large
Importance	Operational	High for certain units or divisions	Strategic for the entire company
Geographical reach	Regional/national	Starting internationalisation	International
Management Instruments	<ul style="list-style-type: none"> <li>• Legal knowledge</li> <li>• Partner selection checklist</li> <li>• Alliance monitoring</li> <li>• Evaluation of individual alliances</li> <li>• Undertake alliance training</li> </ul>	<ul style="list-style-type: none"> <li>• Build alliance know-how</li> <li>• Appoint alliance specialist</li> <li>• Standard process of entering, managing and evaluating alliances</li> <li>• Intercultural management</li> </ul>	<ul style="list-style-type: none"> <li>• Partner program</li> <li>• Portfolio management</li> <li>• Central method for registering alliances</li> <li>• Alliance knowledge in mid-level management</li> </ul>

**Table 8 Alliance capability levels (Draulans et al, 1999)**

It became clear that a structural way of building alliance capabilities is absent. Experience from previous partnerships is not used in new partnerships and therefore valuable knowledge is lost or isolated. There is no alliance function that helps to increase the successfulness of alliances and no learning mechanisms are available. Therefore the alliance level cannot be defined as either *basic*, *advanced* or *institutional*. This means that when more resources will be directed towards alliances in the future, the alliance capability level has to be raised towards the *basic* level at first. The management instruments that can be used for this first level are shown in Table 8. During the interviews, FIRM X' employees have been asked if these instruments would be sufficient to increase the alliance success rate for future alliances. They agreed but most of them added that a standard process of forming and managing an alliance would be a helpful tool. Some stressed that such a standard process should ideally include a checklist of actions to be taken throughout the process. In Table 8 this instrument is included in the 'Advanced Level'.

During this chapter the analysis of this research has been discussed. The analysis of the organizational strategy, the within-case and cross-case analyses, and the analysis of the alliance capabilities will be used as input for the final chapter. Therefore, this Analysis chapter is meant to provide an objective view on current matters regarding alliances at FIRM X. The final chapter, Conclusions & Discussions, will provide conclusions and recommendations for FIRM X based on this research.

## 5. Conclusions & Discussion

This chapter presents the conclusions and recommendations to FIRM X based on the conducted research. It will therefore answer the previously defined main research question and the corresponding sub research questions. The main research question and the sub questions, as defined in Chapter 2, are as follows:

*What type of alliances can help FIRM X in realizing growth, and how should FIRM X organize alliances in order to reap the full benefits?*

- *In which ways can alliances help in realizing growth?*
- *How do alliances fit within the organizational strategy of FIRM X?*
- *Which aspects are important in organizing successful strategic alliances?*
- *What factors determine success and failure within FIRM X' alliances?*
- *What are essential factors for increasing the success of strategic alliances within FIRM X?*

Before the research questions will be answered, the conclusions of the current organization of alliances within FIRM X are discussed. Subsequently, the recommendations to FIRM X will be discussed after which the section 'Reflection on research questions' will provide answers to the main research questions and the sub questions. This chapter is concluded with the limitations of this research project.

### 5.1 Conclusions

In this section, conclusions on the current organization of alliances at FIRM X are presented. In line with the conceptual model, conclusions are drawn on the current organizational strategy towards alliances, the current alliance processes, the critical success factors, and the current alliance capabilities.

#### No organizational focus on alliances

FIRM X' organizational strategy does not include a focus on alliances. Acquisitions and internal growth are the sole areas FIRM X focusses on to expand in the near future. None of the business units has explored the opportunities of alliances and none of them has formed an alliance strategy. Therefore, alliance initiatives are not based on clearly-defined strategic plans, but are initiated by the efforts of individual employees. This absence of organizational awareness and focus on alliances prevents FIRM X from exploiting the many benefits that alliances have to offer.

#### Organizational strategy as input for alliances

In the analysis of the organizational strategy it was found that Customer Intimacy is the main value discipline by which FIRM X differentiates itself from the competition, instead of the proclaimed Product Leadership. FIRM X is able to deliver a wide range of products with the accompanying product and application know-how. Besides that, they are able to customize products to the specific needs and wishes of the customer. The focus on satisfying the customer shows FIRM X ability to outperform competitors when it comes to Customer Intimacy. When an overall alliance strategy or individual alliances are set up, it is important to consider this Customer Intimacy. In the literature chapter several examples of alliances based on Customer Intimacy are shown and the importance of this input for the alliance process is discussed. Therefore this finding is an important input for any future alliance initiatives.

When it comes to FIRM X' growth strategy, it was concluded that there is no unambiguous focus on one of the Ansoff quadrants. The growth strategies differed from one Business Unit to the other. It is therefore important that when future alliances will be set-up, attention is paid to the extent in which the alliance supports the involved Business Unit's growth strategy. For example, if an alliance is set up within one Business Unit it should be compatible with its growth strategy in order to align the objectives of the alliance with those of the Business Unit.

### Alliance opportunities

This section will elaborate on the identification of alliance opportunities for FIRM X. It is based on the input derived from the Analysis chapter. Therefore it is based on information retrieved from multiple data sources, such as: annual reports, policy plans, in-depth interviews, the case studies, and a focus group meeting. The findings from these sources resulted in four alliance opportunities that seem to be most useful for FIRM X to focus on.

### Collaborative offering

Alliances that focus on offering FIRM X' customers integrated solutions were expected to be very useful to FIRM X by the interviewees and the focus group. This was chosen because such alliances can help with (1) realizing FIRM X' ambition to provide industrial services rather than solely components and (2) the current trend in the industry of customers requiring integrated solutions. Alliances with companies that deliver services or complementary products can be used to create such integrated solutions. This kind of alliance is in line with a Customer Intimacy focus (Griffioen, 2011). Through partnerships that focus on collaborative offering, FIRM X can also decrease weaknesses and threats that were derived from the SWOT analysis (see Table 5). The inefficient sales force can be made more efficient by collaborating with other parties; together markets can be penetrated by combining the market know-how of the partners, and offering integrated solutions that will make it easier to persuade the customer according to the trend described above.

### Obtaining leads

Another problem FIRM X is experiencing is the price battle in the tendering for projects. As a company that is focussed on Customer Intimacy, a battle solely based on price is not the right way for FIRM X to use its strengths to beat the competition. Therefore, FIRM X should be involved earlier in the decision making process of projects. Alliances which can help FIRM X to influence decisions made earlier in the project, are thus said to be helpful. The main goal of this type of alliance is increasing the chance to obtain leads through partners. According to the framework proposed by Griffioen (2011) (see Literature chapter) this type of alliance is in line with a Customer Intimacy focus. When the findings derived from the SWOT analysis are taken into account, this type of alliance also seems to be a step forward. It is expected to increase the efficiency of the outside sales force; involvement in the decision making is where the sales force is expected to be most efficient by the interviewees. Higher up in the decision making process FIRM X is also able to better promote their competitive advantages of offering a wide range of products and customizability; in the pre-tender stage, these aspects are expected to make it easier to persuade the customer than in the tender stage.

### Technology licensing

This third alliance type was mentioned by the interviewees as another important opportunity. Since FIRM X is highly dependent on the producers of high-quality technical components, these

relationships are important to invest in. FIRM X wants to be able to deliver a wide range of high-quality and innovative components; therefore it needs to license innovative technologies. These alliances are especially interesting for the BUs that indicated that entering new markets with new products is an important part of their growth strategy. This type of alliance might also tackle or at least decrease one of the threats derived from the SWOT analysis (see Table 5). Building up relationships that highly benefit both FIRM X and its suppliers, might prevent suppliers to start penetrating the market themselves. If suppliers are satisfied with FIRM X' way of selling their products to the market and when collaboration between the partners is satisfactory, the risk of suppliers finding other ways to market may be decreased. This type of alliance is described in more detail in the FIRM X-Firm B case study later on in this chapter.

### **Joint R&D**

Since FIRM X wants to be able to customize and co-engineer products, joint R&D activities are needed. This is a form of collaboration which already exists within FIRM X, but these are mostly informal collaborations. A more structured and dedicated relationship between FIRM X and its suppliers might result in more knowledge sharing and therefore more customized solutions for FIRM X' customers. This was underlined by the brainstorm session with the focus group. It might also result in a more pro-active scanning of opportunities, which was also addressed as very useful by the interviewees, especially when entering new markets. This type of alliance might grasp the opportunities derived from the SWOT analysis (see Table 5) of developing a manufacturer's image and increasing the efficiency of the outside sales force. The outside sales force might be increased because solutions for customer's problems might be solved more efficiently when involving the supplier of the product (and its corresponding product knowledge) in the process.

An important aspect should be kept in mind when focussing on these types of alliances. The different Business Units showed differences in growth strategies and no overall growth strategy was determined for FIRM X. It is important to make sure the alliance initiatives fit the growth strategies of the involved Business Units.

### **Critical success factors**

As the within-case and cross-case analyses of the three case studies have shown, there are some factors that are crucial in determining success or failure of an alliance. Trust and communication, high and middle level management support, clearly defined goals, and complementarity have shown to be critical success factors for alliances.

### **Lack of alliance capabilities**

Instruments that support the alliance processes are absent within FIRM X. No formal alliance capabilities such as tools, manuals, guidelines, legal knowledge, coordination, and alliance training are available within the organization. Therefore, again, the success of an alliance largely depends on the entrepreneurial skills of the alliance managers and other employees involved in the alliance process. This also leads to the fact that no formal alliance capabilities are built over time to increase FIRM X' alliance learning in the long run. No information or knowledge is shared to help future alliance initiatives. Interviewees indicated that specific capabilities such as legal knowledge, partner selection tools, alliance monitoring, alliance evaluations, alliance training, and a structured alliance process, might be helpful to create success in future alliance activities.

### Lack of structural alliance process

The three case studies showed that no structural approach to initiate, form, manage, and evaluate alliances is present at FIRM X. The alliance initiatives within FIRM X are set up by the ones that generate the idea. Therefore the formation of an alliance is based on the entrepreneurial skills of individual employees and no structural path that can guide the alliance process is available to support them. This causes crucial steps such as the fit with the organizational strategy, the alliance strategy, partner selection, implementation, management and evaluation, to be underemphasized or completely skipped. This might cause alliances to be unable to unleash their full potential.

## 5.2 Recommendations

Following the conclusions described in the previous section, this section provides recommendations for the future organization of alliances at FIRM X. Therefore, this chapter answers the research questions as stated in the introduction of this chapter.

### 5.2.1 Alliances to support the organizational strategy

This subsection prescribes the actions to be taken to develop a thorough foundation on which to base future alliance initiatives.

As described in the Analysis chapter, interviewees definitely saw opportunities for alliances that can help FIRM X grow. The interviews with alliance managers as well as the ‘brainstorm session’ with Business Unit managers resulted in a preference of FIRM X towards using alliances for the following purposes: *collaborative offering, obtaining leads, technology licensing, and joint R&D*. These alliance purposes support the organizational strategy as described in the Analysis chapter. Therefore, FIRM X should focus on alliances that pursue these objectives. Several practical recommendations on developing a more detailed overall alliance strategy are discussed below.

- (1) *FIRM X’ management board and the BU managers should decide whether or not FIRM X wants to focus on alliances. If FIRM X decides to do so, it is important that high and middle level management support the alliance activities in order to provide the alliances with sufficient legitimacy and resources. If FIRM X decides not to engage in alliances, the following recommendations can still be implemented to increase the success of future alliance initiatives. However, a lack of high and middle level management support can get in the way of promoting and successfully executing alliances.*
- (2) *FIRM X’ management board and the BU managers should develop a corporate alliance strategy to translate the organizational strategy into alliance opportunities. The results of this study can be used as a starting point. Ideally, the corporate alliance strategy should result in a framework that guides both the entire FIRM X organization and the individual BUs in creating alliances that fit the organizational strategy. For the latter, the different growth strategies of the BUs should be taken into account.*

### 5.2.2 Building alliance capabilities

As was concluded earlier in this chapter, no formal alliance capabilities are present at FIRM X nor are they being built. To increase the alliance success rate in the future and therefore reap the full benefits of alliances, FIRM X should increase its alliance capabilities. It is advised to start by increasing the alliance capability level to ‘Basic Level’ (see Table 9).

	Basic	Advanced	Institutional
Number of Alliances	Small	Reasonable	Large
Importance	Operational	High for certain units or divisions	Strategic for the entire company
Geographical reach	Regional/national	Starting internationalisation	International

<b>Management Instruments</b>	<ul style="list-style-type: none"> <li>• Legal knowledge</li> <li>• Partner selection checklist</li> <li>• Alliance monitoring</li> <li>• Evaluation of individual alliances</li> <li>• Undertake alliance training</li> </ul>	<ul style="list-style-type: none"> <li>• Build alliance know-how</li> <li>• Appoint alliance specialist</li> <li>• Standard process of entering, managing and evaluating alliances</li> <li>• Intercultural management</li> </ul>	<ul style="list-style-type: none"> <li>• Partner program</li> <li>• Portfolio management</li> <li>• Central method for registering alliances</li> <li>• Alliance knowledge in mid-level management</li> </ul>
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**Table 9 Alliance capability levels (Draulans et al., 1999)**

### Alliance function

This subsection will outline the actions that FIRM X needs to take to set up an alliance function. Since the importance of alliances at first will be primarily ‘operational’, ‘basic instruments’ are recommended in this section. When FIRM X decides to increase their alliance activity, the alliance function should be expanded and should be higher up in the organization.

#### **Legal knowledge**

The following recommendation describes the action that should be taken to acquire legal alliance knowledge.

- (3) *FIRM X should either train the legal department or hire a legal alliance expert that can support the legal department. This decision should be made by FIRM X. This decision could be based on the intenseness of future alliance activity, organizational preferences, et cetera.*

#### **Partner selection tool**

To guide the partner selection phase, a partner selection tool is required. The creation of a partner selection tool is outside the scope of this research, therefore the following is recommended to FIRM X:

- (4) *A partner selection tool should be developed to select the best potential partner out of the long-list. A detailed analysis of the Critical Success Factors (CSFs) of the alliance partners is not within the scope of this study and should therefore be developed within FIRM X. A tool that can serve as a basis is included in Appendix G. It is based on Holmberg & Cummings (2012). The outcomes of recommendations (12), (13), and (14) provide the basis for using the tool.*

#### **Alliance monitoring**

To ensure proper monitoring of future alliances, the following is recommended:

- (5) *One person within each BU should be appointed as the alliance coordinator. He or she should facilitate idea generation of alliances, alliance monitoring, sharing of alliance know-how, and guidance in the alliance process within a particular BU. This person therefore provides alliance managers (see recommendation (11)) with such things as alliance expertise, guidelines, manuals, and tools to the alliance managers. The alliance coordinator should be a person that is enthusiastic about alliances, has a certain level of authority and is aware of the opportunities within the market (i.e. Business Development Managers). He or she should report to the BU manager to ensure management support and commitment.*
- (6) *The alliance manager should meet with the alliance coordinator and BU manager after each phase of the alliance process framework. This too will increase management support and commitment, but also ensures all the tasks in the phases are executed thoroughly.*



### Evaluation of individual alliances

Evaluation has shown to be a general weakness of FIRM X, as underlined by the interviewees. Therefore, to make sure proper evaluation of individual alliances is done, the following is recommended:

- (7) *Regular evaluation moments for an alliance should be planned to make sure alliances are actually evaluated. The alliance coordinator and the alliance managers should plan regular evaluation moments to keep track of the progress of the various alliances within a BU. The BU manager should also be involved in these meetings to ensure commitment, communication and management support.*

### Alliance training

Alliance training is another instrument that is needed for FIRM X to increase the success of its alliance activities. Employees agreed that this was one of the most important aspects. They expect this to increase their alliance know-how and the success rate of their alliances. This results in the following recommendation:

- (8) *Since no alliance knowledge is available within FIRM X, an outside alliance expert should be hired to provide this training. The alliance coordinators should be trained, since they function as the knowledge providers of alliance know-how within the different BUs. Trainings can focus on subjects such as legal knowledge, negotiation skills, development of tools, et cetera.*

### Alliance learning

FIRM X needs alliance learning to become better in managing alliances and therefore increase the alliance capabilities by learning from past experiences. The following recommendation is made to increase alliance learning:

- (9) *The alliance coordinator reports to the BU manager and should regularly meet with alliance coordinators from other BUs to increase knowledge sharing and learning. An additional option is for FIRM X to decide to make best practice documents of its successful alliances so other alliance coordinators and alliance managers can learn from past experiences.*

### 5.2.3 Implementation of alliance process framework

The Analysis chapter showed that the lack of an alliance process framework leads to crucial steps in the set-up and management of alliances being skipped. To prevent this from happening in the future and to keep the alliance processes orderly and controllable, a clearly defined alliance process framework should be implemented. Figure 22 shows what tasks need to be executed in each of the phases (adapted from Wildeman & de Kok, 1997). The five different phases and the corresponding recommendations are discussed below.

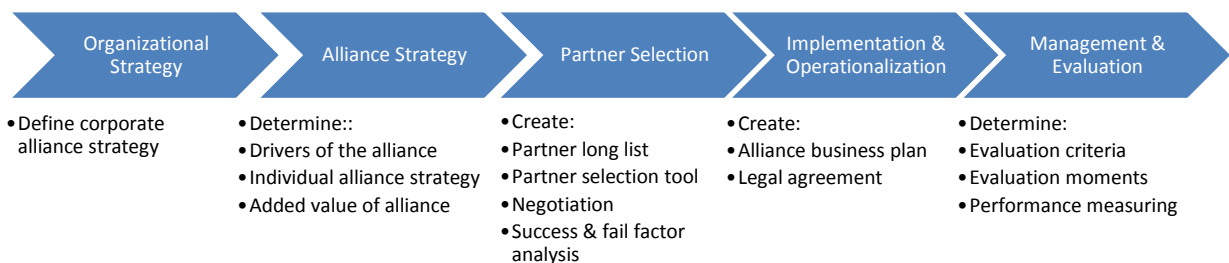


Figure 22 Alliance process checklist (adapted from Wildeman & Kok, 1997)

## Organizational strategy

As discussed in the Analysis chapter, FIRM X never executed the organizational strategy phase to determine their alliance opportunities. This led to alliances being set up by individual employees dependent on their entrepreneurial skills. These bottom-up alliances showed to be less focused on the organizational strategy. To increase the organizational fit of individual alliances, it is important to execute the organizational strategy phase thoroughly. Therefore, recommendations (1) and (2) will help FIRM X to create a clear focus on alliances; they focus on creating a framework that translates the organizational strategy into alliance opportunities. The following recommendation puts the corporate alliance to use:

*(10) Proactively scan the market for alliance opportunities that fit the above described corporate alliance strategy. Within the Business Units, the alliance coordinator should facilitate regular meetings to uncover potential alliance initiatives. It is important to include employees with various responsibilities in these meetings. For example Business Development Managers with their focus on growth opportunities, but also sales personnel with their strong customer focus. To ensure commitment and management support, the BU manager should be involved in these meetings.*

## Alliance strategy

The lack of a well-executed alliance strategy phase led to a lot of problems within FIRM X' alliances, as shown in the Analysis chapter. Therefore, to increase the successful execution of this phase the following tasks are recommended.

*(11) For each alliance, an employee should be appointed alliance manager. The alliance manager is responsible for the alliance throughout all the phases and should report to both the BU manager and the alliance coordinator. The involvement of the BU manager provides management support and commitment while the alliance coordinator provides alliance monitoring, sharing of alliance know-how, and guidance in the alliance process. The alliance manager should report after each of the phases to ensure each step in the phase is thoroughly executed and evaluated.*

*(12) To make sure potential alliance partners benefit from the collaboration, the alliance drivers should be identified for all of the potential partners involved. To do so, a SWOT analysis should be made by the alliance manager.*

*(13) Determine an individual alliance strategy. Based on the SWOT analysis, the individual alliance strategy should be determined by the alliance manager. The corporate alliance strategy framework (recommendation (2)) should be used as a guide in this step.*

*(14) The final task that needs to be executed in this phase is the identification of added value of the alliance. Since FIRM X' focus is mainly on creating value for the customer, this is a very important step in the process. The checklist in Appendix F can be used. It should be executed by the alliance manager.*

## Partner selection

The Analysis chapter showed that the lack of a proper partner selection phase led to problems later on in the alliance. For successful execution of the partner selection phase, the following tasks are recommended.

*(15) The alliance manager should create a partner long-list that includes an overview of potential alliance partners. This list can be based on current partners, best-in-class partners or partners of current partners. This step is meant to create an extensive list, thus as few criteria as possible should be used.*

*(16) As described in recommendation (4), a partner selection tool should be developed by FIRM X. In this part of the process, the alliance manager should fill in the developed tool and from thereon select the best partner(s).*

(17) After selecting the best partner(s), the alliance manager should start negotiations with the partner(s) to identify whether or not there is a basis for a successful alliance. In this phase, recommendations (12), (13), and (14) can be used, but this time it is important to undertake these steps together with the alliance managers of all partner(s). The legal department should be involved in this task.

(18) The final task that should be executed in this phase is an analysis of the success and fail factors of the alliance. As derived from the Analysis chapter, within FIRM X the following factors are most important in determining success: trust and communication, high and middle level management support, clearly defined goals, and complementarity. Therefore, these aspects should be thoroughly analysed by all the partners involved. Appendix H will help in the analysis of these factors.

### Implementation & operationalization

As seen in the Analysis chapter, this implementation and operationalization phase was executed in a rather informal manner and was based on the entrepreneurial skills of the employees involved. This led to mediocre execution of the crucial tasks of this phase. The following recommendations are meant to increase a thorough execution of this phase.

(19) The creation of a business plan is recommended. The alliance managers of all of the partners should collaborate to complete the alliance's business plan.

(20) When agreement is reached on the business plan, the alliance should be nailed down in a legal contract. FIRM X does not have the knowledge to do so and should therefore acquire this knowledge, see recommendation (3).

### Management & evaluation

As we have seen in both the Literature chapter and the Analysis chapter, this phase is often underestimated. To make sure enough effort is put into this phase, the following recommendation is suggested to FIRM X.

(21) The alliance managers of all partners need to clearly set goals and evaluation criteria. Both long-term and short-term targets should be set to make sure the alliance is on the right track. It is important that the targets are measurable. It is the responsibility of the alliance coordinator to track progress of the various alliances within its BU, and therefore he or she should plan regular evaluation moments. The BU manager should be included in these evaluation sessions.

## 5.3 Reflection on research questions

Since this research is meant to answer the research questions as defined above, this section discusses to what extent the research questions have been answered. The sub research questions will be addressed separately in order to answer the main research question.

- *In which ways can alliances help in realizing growth at FIRM X?*

This study showed that alliances are not yet incorporated in the organizational strategy of FIRM X. Focus is on internal development and acquisitions while no attention is paid to the structural opportunities of alliances. The Literature chapter has provided insight in the benefits alliances can create, such as: accessing new technologies & knowledge, increased flexibility without high risks, decreased development times, and learning quickly of new competencies. Because FIRM X does not have all the required competences, there are opportunities for FIRM X to put these alliances to use and to help FIRM X to access additional competences. The analysis chapter showed that FIRM X could benefit from additional competences (i.e. providing integrated solutions, creating competitive advantage to compete with forward integrating suppliers, avoid tendering). The answer to the next

sub research questions will elaborate on what alliances fit the organizational strategy and can therefore help FIRM X.

- *How do alliances fit within the organizational strategy of FIRM X?*

The conclusion, earlier in this chapter, describes that alliances which focus on *collaborative offering, obtaining leads, technology licensing and joint R&D* are seen as most useful to realize growth at FIRM X. They are in line with the organizational strategy, help FIRM X in overcoming current weaknesses and threats, and were categorized by the interviewees as most helpful. However, this is derived from one scientific paper (Griffioen, 2011) in combination with the results of the analysis. Therefore, generalizability of the results is rather low. To increase generalizability of these findings, future research should focus on why, when and in what conditions different alliance forms can be used to create maximum benefits for organizations. This will in turn increase the practical relevance of alliance literature on this matter.

- *Which aspects are important in organizing successful strategic alliances?*

Recommendations 3-22 describe what actions should be taken to organize successful alliances within FIRM X. The corresponding actions that the involved employees need to take and their roles and responsibilities are presented in Appendix I. Alliance capabilities are needed to be able to successfully manage alliances, as studied by academics such as Booz Allen & Hamilton (1998), Dyer et al (2001), and Kale & Singh (2009). In addition, the alliance process framework ensures an orderly and controllable alliance process, as underlined by many academics (Bronder & Pritzl (1992), Pekar & Allio (1994), Wildeman & Kok (1997), Kale et al (2002), and Holmberg & Cummings (2009)). This research study combines both aspects into one model to ensure all relevant aspects are included. The benefit of this model is that it includes instruments to increase alliance capabilities on both organizational level and alliance level. The alliance capabilities are focussed on the capabilities needed within an organization, while the alliance process is focussed on the capabilities needed for a particular alliance. The model stresses the enforcing relationship between the two aspects. However, future research should empirically investigate the relationships within the model and whether or not the enforcing relationship exists.

- *What factors determine success and failure within FIRM X' alliances?*

The critical success factors for alliances at FIRM X are discussed in the Analysis chapter. It was found that trust and communication, high and middle level management support, clearly defined goals, and complementarity have shown to be the most important factors influencing the success of alliances. All of these aspects are included in the most frequently cited critical success factors of alliances (see Literature chapter), except for one. Communication is not as frequently mentioned in literature as crucial for success. However, this study showed that the alliances at FIRM X benefited highly from frequent communication. This can be due to the fact that FIRM X' alliances are organized rather informal; because few aspects are formally written down, communication is needed to compensate for this. Future research should investigate whether or not this conclusion is correct and if therefore communication is more important in informal alliances compared to more formal alliances.

- *What are essential factors for increasing the success of strategic alliances within FIRM X?*

The recommendations provided in this study should lead to an increase in alliance initiatives, alliance capability, and alliance success. By starting with the development of a corporate alliance strategy

(recommendation 1 & 2), combined with a pro-active scanning for alliance opportunities (recommendation 10), FIRM X will build a thorough foundation for successful future alliance initiatives. Alliance capabilities will be increased from 'zero' to the 'basic level' as suggested by Draulans et al. (1999) by implementing recommendations 3-9. In addition, as the Analysis chapter showed, FIRM X' employees stressed the importance of a structured process of forming and managing alliances. Therefore, recommendations 10-22 address the implementations needed to create a structured alliance process. Therefore the implementations differ from the 'basic level' of alliance capabilities of Draulans et al. (1999) since a structured alliance process is part of the next level, 'advanced'. Because FIRM X' employees stressed the importance and because a structured alliance process addresses most of the critical success factors of alliances, this adaption to Draulans et al. (1999) is made. Future research should focus on the benefits of this adaption for the development of alliance capabilities from no capabilities towards the 'basic level'.

By answering the above sub questions, the main research question (*What type of alliances can help FIRM X in realizing growth, and how should FIRM X organize alliances in order to reap the full benefits?*) is answered.

## **5.4 Limitations and implications for future research**

As we have seen throughout this project, alliances can help companies to access new resources and competencies. Due to several reasons, alliance usage is increased by businesses and more and more research is done on diverse subjects regarding alliances. This research focused on the opportunities alliances can offer as well as on the organization of alliances at FIRM X. This section will discuss the limitations of this study as well as the implications for further research.

As described in the 1<sup>st</sup> and 2<sup>nd</sup> chapter, this research is focussed on providing solutions and recommendations for the current situation at FIRM X. Since the organizational strategy of FIRM X and all of its Business Units has been involved, this research is applicable to FIRM X as a whole. However, differences in growth strategies are not taken into account, due to the diverse nature of the BUs. Therefore, as shown in recommendation (2), these should be taken into account when developing a corporate growth strategy. Further discussion and research should focus on revealing the more specific alliance opportunities for each BU.

For two of the case studies, only FIRM X' employees have been interviewed about the alliances. The lack of perspectives of all partners within these two alliances might result in a biased view on the researched subjects. It also decreases generalizability of the research, as it does not include an analysis of other companies. However, this has not been included in the scope of this research.

A limitation of this study is only three case studies have been used of which one has not been operational for a long time. It is therefore insufficient to make general statements regarding the organization of alliances in general.

The analysis of the case studies has been primarily based on qualitative data. Interviews, perceptions, and discussion were the main input for the analysis chapter, while only little quantitative information was available. The lack of available quantitative data made it hard to support the qualitative results with numbers and figures. Future quantitative research can be performed to validate the conclusions and recommendations of this research.

This particular research has implications for current academic alliance literature. As discussed in the previous paragraph, two main subjects of alliance literature exist; traditional alliance research and alliance capability research. This study has combined the two main fields and combined them into

one framework that includes the development of alliance capabilities as well as an alliance process framework. Empirical research on the combination of these two research fields into one will have to verify the relationships and the added value of the combined framework.

This research study has combined two main literature subjects into one model to ensure all relevant aspects of the organization of alliances are included. As described in the previous paragraph, the benefit of this framework is that it includes instruments to increase alliance capabilities on both organizational level and alliance level. The alliance capability development framework focusses on the capabilities needed within an organization to increase the success rate of alliances. In addition, the alliance process framework focusses on the capabilities needed to turn a particular alliance into a success and to make sure the critical success factors are included in the alliance process. The new model shows the enforcing relationship between the two frameworks. However, future research should empirically investigate the relationships between the two frameworks and whether or not the two frameworks actually enforce each other.

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## **Appendices**

### **Appendix A**

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### **Appendix B**

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### **Appendix C**

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## Appendix D

Functies	
VP Allianties Alliantieafdeling  Alliantiespecialist Alliantiemanager Lokale alliantiemangers  Gatekeeper	Persoon die op seniorniveau verantwoordelijk is voor allianties Afdeling die zich bezighoudt met het ondersteunen van alliantiemangers in businessunits en divisies en daartoe onder andere kennis opbouwt en technieken ontwikkelt Ervaren alliantie-expert die alliantiemangers adviseert Persoon die verantwoordelijk is voor het dagelijks management van een of meer allianties Persoon die op de hoogte is van de culturele, juridische en businessaspecten van zijn land en daarom allianties in zijn eigen land leidt voor een buitenlandse onderneming Persoon belast met het voorkomen van kennispill-over in een alliantie
Technieken	
Interne alliantietraining  Externe alliantietraining Standaardpartnersselectieproces Gezamenlijke businessplanning Alliantie-metrics Alliantiedatabase Best practices  Cultuurprogramma  Partnerprogramma Individuele alliantie-evaluatie Cross-alliantie-evaluatie Gezamenlijke evaluatie Intranet Partner portal Alliantiehandboek  Alliantiemangement is deel van het management-developmentprogramma Competentieraamwerk voor alliantiemangers Training in intercultureel management	Training gegeven door een bedrijf aan managers om het bedrijfsbeleid ten aanzien van allianties aan hen over te dragen Alliantietraining die door derden wordt gegeven Een gestructureerde benadering voor de selectie van nieuwe alliantiepartners Ontwerp van een alliantiebusinessplan door de gezamenlijke partners Prestatie-indicatoren voor allianties Een overzicht van alle allianties, opgeslagen in een gegevensbank Toepassing van de meest succesvolle managementtechnieken c.q. ontwikkeling van technieken op basis van eigen ervaring Een specifiek programma gericht op het overbruggen, leren van en aanpassen aan culturele verschillen tussen bedrijven Een gestructureerd proces voor het omgaan met verschillende typen partners Allianties worden apart geëvalueerd Individuele alliantie-evaluaties worden met elkaar vergeleken om lessen te trekken over allianties heen Allianties worden samen met de partner geëvalueerd Best practices en technieken zijn voor alle medewerkers via het intranet beschikbaar Partners hebben toegang tot kennis en informatie via een internetportal Een gids die beschrijft hoe allianties moeten worden opgezet en die alliantiemangers stap voor stap door het proces leidt Managers moeten alliantietraining en -ervaring hebben om een volgende carrièrestap in hun bedrijf te kunnen maken Een raamwerk beschrijft de competenties die alliantiemangers moeten hebben op verschillende ervaringsniveaus Opleiding voor alliantiemangers om hen te helpen om te gaan met en te profiteren van verschillen in landscultuur
Processen	
Locatie van de verantwoordelijkheid voor allianties Incentives voor alliantiemangers Incentives voor businessmanagers Alliantiemangers wisselen ervaring uit  Goedkeuringsprocedures Proces voor het vinden van partners Landspecifiek alliantiebeleid  Gebruik van eigen kennis over een land	Verantwoordelijkheid voor allianties kan primair liggen bij topmanagement, business development, marketing, M&A-afdeling, R&D of de strategieafdeling Beloningen en bonussen voor alliantiemangers hangen af van alliantiesucces Beloningen en bonussen voor businessmanagers hangen af van alliantiesucces Bijeenkomsten van alliantiemangers gericht op het delen van kennis en ervaring met als doel best practices te ontwikkelen Processen die duidelijk maken wie allianties goedkeurt, het contract tekent en het businessplan accordeert Meerderheid van de allianties wordt gevonden via een top-down- of een bottom-upproces Alliantiebeleid wordt aangepast aan lokale omstandigheden in plaats van voor elk land dezelfde standaard te hanteren Ervaring die al in een land is opgedaan, wordt ingebracht wanneer in dat land ook een alliantie wordt opgestart

## Appendix E

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## Appendix F

Checklist – “What is the added value of the alliance?”

### Customer:

*How does the alliance make the customer more:*

- successful
- profitable
- competitive
- efficient
- effective
- productive
- sustainable

*Is this added value confirmed by the customer?*

### Alliance Partners

*How does the alliance make the organization more:*

- successful
- profitable
- competitive
- efficient
- effective
- productive
- sustainable

*Is this added value confirmed by the potential alliance partners?*

## Appendix G

### Partner Selection Tool

Holmberg & Cummings (2012) provide a basis for developing a Partner Selection Tool. Table 10, Table 11, Table 12, and Table 13 show the questions that a company should ask itself to uncover the most important factors for a potential partner. The questions are divided as follows: task-related, learning-related, partnering-related, and risk-related.

Task Related CSFs	Sample Questions
<i>What do we seek to accomplish?</i>	To what extent is the potential partner firm favourably disposed to and capable of working with us to:
Gain synergy advantages	build critical mass? build powerful, central positions in key coalitions? build new competencies and synergies?
Achieve greater specialization	leverage each other's assets and revenue streams? reduce internal constraints to achieving new capabilities?
Access new capabilities	fill resource gaps? strengthen market positions? develop technologies? expand or enter new markets? strengthen customer positions and relationships? conduct joint production? acquire new customers together? assess capabilities and any remedy deficiencies in pricing, marketing, production and other areas?
Increase speed	do any of above with increased speed?

**Table 10 Task Related Critical Success Factors**

Learning Related CSFs	Sample Questions
<i>What do we seek to accomplish?</i>	To what extent is the potential partner firm favourably disposed to and capable of working with us to:
Locate certain, specialized knowledge	identify their possession of the desired knowledge?
Obtain knowledge in a timely and efficient manner	overcome knowledge embeddedness issues? share both explicit and tacit knowledge? leverage their knowledge network?
Improve knowledge soothsaying, forecasting and research	provide desired knowledge on evolving and future developments in R&D, technologies, customers, foreign markets, distribution areas, etc.? devise means and methods to generate accurate sales, revenue, R&D and other forecasts? engage in required customer file sharing, segmentation analyses and other research and planning activities?

**Table 11 Learning Related Critical Success Factors**

Partnering Related CSFs	Sample Questions
<i>What do we seek to accomplish?</i>	To what extent is the potential partner firm favourably disposed to and capable of working with us to:
Shared goals and values	develop, communicate and reinforce shared goals and values - define what success looks like - at appropriate intervals by executive sponsors?
Joint rules and norms	support joint development of rules of conduct and norms of behaviour between the parties?
Convergent interests	commit to formal co-marketing endorsements, margin stacking, ROI targets or other joint activities? overcome any limits or barriers, act to support operational interests and reset expectations when needed?
Situational awareness	facilitate each party's appreciation for the other's operational and cultural situation?
Administrative controls	put in place structures to address administrative and contractual differences?
Relational harmony	engage in relationship-building activities?
Knowledge-processing capacities	assess the relative resource-sharing/absorptive capacities of the parties and develop plans through which to help them achieve compatible capacities?
Personnel practices	manage appropriate combinations of personnel involved in the resource-sharing/learning arrangement?

**Table 12 Partnering Related Critical Success Factors**

<b>Risk Related CSFs</b>	<b>Sample Questions</b>
<b><i>What alliance risks do we need to address?</i></b>	To what extent does an alliance with the potential partner expose the focal firm to:
<b>Performance risks</b>	unrealistically optimistic initial alliance performance goals based on factually and politically derived performance goals and metrics? unrealized revenue and/or profit performance? unrealized cost savings? higher subsequent alliance investments than accounted for or anticipated?
<b>Relational risks</b>	insufficient understanding about each other's businesses? individual firm politics? significant unanticipated time and costs of increased coordination? poor internal and cross-alliance communication? unanticipated changes in the other firms' strategies? additional responsiveness needs?
<b>Unequally shared risks</b>	unequal sharing of knowledge between firms? undesired sharing of proprietary knowledge about the firm's core skills?
<b>Emergent competition risks</b>	intentional "deskilling" of the firm? inadvertently helping to create a competitor? unintended innovation spillovers by the firm?
<b>Quality risks</b>	failures in establishing proper quality controls and metrics? failures in establishing systems to document and measure quality? insufficiencies in developing quality training and implementation systems?
<b>Customer relationship risks</b>	potential damage to customer relationships? ineffective customer relationship management? insufficient mechanisms to share customer contacts/lists? conflicting strategies for joint or separate customer sales calls? conflicting tactics to resolve customer product/service problems? uncoordinated strategies for continuous quality improvements?
<b>Idiosyncratic risks</b>	other risks unique to the particular situation?
<b><i>What Not-partnering risks do we need to address?</i></b>	To what extent does NOT allying with the potential partner expose the focal firm to:
<b>Lock-out potential partners</b>	being unable to partner with certain other key potential partners?
<b>Loss prevention</b>	being unable to mitigate any advantages of others' moves into new technology, market or concept areas?

**Table 13 Risk Related Critical Success Factors**

Once the questions have been answered and the Critical Success Factors are defined, the tool shown in Table 14 can be used to calculate the weighted averages of all of the potential partners. The CSFs have to be filled in with the corresponding relative importance (in percentages). Then the potential partners should be assessed on each of the CSFs on a scale from 1 to 10. The overall fit will be shown in the bottom of the tool.

Task fit	Task-related CSFs:		Relative importance	Firm A	Firm B
	....		70%	8	6
	....		20%	6	9
	....		10%	7	8
		<b>Task fit*</b>	100%	<b>7,5</b>	<b>6,8</b>
<b>Partnering fit</b>	<b>Partnering-related CSFs:</b>				
	....		50%	6	8
	....		40%	8	8
	....		10%	3	7
		<b>Partnering fit*</b>	100%	<b>6,5</b>	<b>7,9</b>
<b>Risk fit</b>	<b>Risk-related CSFs:</b>				
	....		20%	9	4
	....		50%	6	7
	....		30%	8	5
		<b>Risk fit*</b>	100%	<b>7,2</b>	<b>5,8</b>
<b>Learning fit</b>	<b>Learning-related CSFs:</b>				
	....		40%	8	6
	....		30%	6	8
	....		30%	8	8
		<b>Learning fit*</b>	100%	<b>7,4</b>	<b>7,2</b>
<b>Overall fit</b>	<b>Task fit</b>		60%		
	<b>Partnering fit</b>		10%		
	<b>Risk fit</b>		20%		
	<b>Learning fit</b>		10%		
				<i>Firm A</i>	<i>Firm B</i>
		<b>Overall fit**</b>	100%	<b>7,3</b>	<b>6,8</b>
<b>*weighted average of importance % x ratings</b>					
<b>**weighted average of overall fit importance % x task/partnering/risk/learning fit weighted averages</b>					
Note: Rating 1-10 assumes higher values are more positive					

Table 14 Partner selection tool

## Appendix H

### Analysis of success and fail factors of the alliance

Use table Table 15 to determine whether or not the critical success factors are present. Each of the partners should fill this in, after which a discussion between the partners is needed.

Factors	Present	Absent
<b>Trust</b> A relationship based on trust is important for FIRM X. Openness, positivity and collaboration are crucial.		
<b>Communication</b> Communication between the partners on a regular basis enforces openness, positivity, and collaboration and therefore increases trust within the alliance. Communication also enables the alliance strategy to be evaluated and (if needed) adapted.		
<b>Management support (high &amp; middle level)</b> High level and middle level management support provide the alliance with availability to resources and legitimacy. It increases commitment and belief in the success of the alliance.		
<b>Complementarity</b> Every partner has its own unique resources that complement the resources of the partners. Complementary resources (i.e. skills, material, knowledge) decrease competitiveness and increase collaboration within the alliance.		
<b>Clearly defined goals</b> There are clearly defined, specific, concrete goals supported by time-schedules and measurable results. These goals are aligned with the strategy of each of the partners.		

Table 15 Analysis of success and fail factors

If some of the above factors are absent, it should be determined how these factors can be made present within the alliance. It should be determined which activities and responsibilities are needed to increase the presence of the specific factor. This has to be determined for each of the partners (Table 16)

Factors	Activities	Responsibilities
Trust		
Communication		
Management support (high & middle level)		
Complementarity		
Clearly defined goals		

Table 16 Activities & responsibilities



## Appendix I

### Roles and responsibilities

The responsibilities for different roles within FIRM X are discussed. These roles and responsibilities are based on the recommendations provided in the final chapter.

- R = Responsible (person or role responsible for ensuring that the item is completed)
- A = Accountable (person or role responsible for actually doing or completing the item)
- C = Consulted (person or role whose subject matter expertise is required in order to complete the item)
- I = Informed (person or role that needs to be kept informed of the status of item completion)

<b>RACI Matrix</b>								
Role	Management Board	Business Unit Manager	Alliance Coordinator	Alliance Manager	Legal Department	Various Employees	Alliance Partners	Customers
<b>General Responsibilities</b>								
Appoint alliance coordinators	R	A						
Appoint alliance managers	I	R	A					
Evaluate after each alliance process phase	I	R	A	A				
Monitor alliance progress	I	R	A	C				
Develop partner selection tool	I	R	A					
<b>Alliance Process</b>								
<b>Organizational Strategy Phase</b>								
Define corporate alliance strategy	R	A						
Proactive scanning for opportunities		R	A			C		
<b>Alliance Strategy Phase</b>								
Determine alliance drivers		R	C	A				
Determine individual alliance strategy		R	C	A				
Determine added value of alliance		R	C	A		C		C
<b>Partner Selection Phase</b>								
Create potential partner long-list		R	C	A		C		
Fill in partner selection tool		R	C	A			C	
Negotiate with selected partner(s)		R	C	A	A		A	
Analyse success and fail factors		R	C	A			A	C
<b>Implementation &amp; Operationalization Phase</b>								
Create business plan for the alliance	I	R	C	A			A	C
Formalize alliance in legal agreement	I	R	C	A	A		A	
<b>Management &amp; Evaluation Phase</b>								
Determine evaluation criteria		R	R	A			A	
Measure performance of evaluation criteria	I	R	R	A			A	
Schedule frequent alliance evaluation moments	I	R	A	A			A	

Table 17 RACI Matrix of roles and responsibilities

