Restructuring and Business Reengineering in Integrative Processes

Drago Dubrovski

Globalisation has intensified competition to such an extent that the corporations, merely with one's own resources, cannot achieve acceptable success any longer. Objectives, which had been set-up prior to establishing the alliance in order to justify the investment, frequently will not be possible to achieve if during the integrative period revolutionary methods of change are not applied, to which one can classify restructuring and reengineering. Therefore, it is essential to be successful, not only in rules and principles of strategic alliances but in the methods of radical changes.

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Strategic Partnerships

Globalisation, which actually integrates all parts of the world into a joint global market, has intensified competition to such an extent that the corporations, merely with one's own resources, cannot achieve acceptable success any longer. Therefore a joint (combined) use of assets of a number of corporations appears and, in a such a way, it is possible to achieve objectives which a corporation on its own would not be capable of achieving. The general objective of linkage and co-operation is found in increased competitiveness, i. e. improved developmental capabilities.

Strategic partnership can be:

- strategic business (non-equity) alliance or
- equity (ownership) linkage (merger, acquisitions, take-over).

Strategic business alliance is not based on capital transactions, as participating corporations retain their own legal entities (status) and independence. Capital linkage is about altered ownership proportions and the business co-operation should therefore intensify. The relationship should be a more long-term one, although it is not necessary that the equity linkage includes elements of strategic business co-operation.

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Equity linkages could hardly be a priori defined as strategic partnerships since such a relationship is dominated by the stronger corporation (instead of a '2 + 2 = 5' outcome e. g. a '3 + 1 = 5'). Since equity linkages primarily represent the finalisation or the final step of prior strategic non-equity co-operations, in this case one could also place capital linkages among equity partnerships. From such a discussion one could conclude that capital linkages, in certain cases, play the role of strategic business partnerships (when achieving the '2 + 2 = 5' outcome) and, in some other cases, do not comprise elements characterised as partnership (e. g. 'straightforward' investments having exclusively financial objectives). Take-overs, mergers and acquisitions can therefore, on the one hand, represent finalisation of a strategic business alliance and, on the other, also the highest evolutionary level of a particular strategic alliance. As aforementioned, in this case, there is no reason not to classify equity linkages as strategic partnerships, regardless of whether they emerge as a developmental step in an evolution of a particular strategic alliance or come into existence directly, without an evolutionary course. Joint-ventures, take-overs, mergers, acquisitions and demergers, therefore, essentially represent merely a capital-supported form of one or another form of strategic linkages, if, indeed, such a content is present.

In any case it is true that at assessing the nature of contents and significance of a particular linkage, the substantial content and the significance of the business co-operation should be taken into account and not its external form, taking into account, indeed, that many of these do not have a formal configuration.

Non-equity business alliances, which represent up to 90% of all strategic linkages according to certain assessments (Lynch 1993, 29), nevertheless prevail in comparison to equity linkages, although the latter are more visible and echo more in professional circles and among the public.

Strategic alliances and partnerships are modern forms of obtaining and increasing competitiveness in the global market environment. The growing competition from all perspectives demands more co-operation between the corporation and its suppliers, between the corporation and its clients, between the corporation and its competitors and those carrying out out-sourced functions. By globalising international operations, when national and regional borders are being blurred or fading away and consequently the classical definition of product origin, the dimensions of competition process also change.

Today some authors (Schonberger 1996, 15) even speak of a 'partnership era' which commenced in the 90s and succeeded the preceding 'manufacturing era' (1940–1950, characterised by scarcity of goods), 'marketing era' (1950–1965, characterised by unexploited capacities), 'financial era' (1965–1980) and 'quality era' (1980–1990, characterised by intercontinental competition). The beginning of the partnership era can be traced to the early 80s, accompanied by rapid growth of intercontinental operations and technological headway.

The number of strategic alliances or partnerships cannot be estimated,[1] since for certain non-equity partnerships one cannot find officially published or otherwise accessible data. If one would attempt to present the 'partnership era' in numbers and amounts of international[2] joint ventures, mergers and take-overs, then the numbers and amounts of these (totalling minimally to a 10% ownership stake) in the period from 1987 to 1999 increased by 7 times i. e. from less than $100 billion in 1987 to $720 billion in 1999 (UN 2000, 10). The rate of growth both of the international and the national equity linkages during the period between 1980 and 1999 amounted to an astonishing 42% on a yearly base. In 1999 equity linkages already represented 8% of the world's GDP while in 1980 merely 0.3% (UN 2000, XIV).

The total amount of all equity linkages on the planetary level executed in 1998 is estimated at $2.400 billion (*The Economist* 1998). In 2001 the amount of international acquisitions, mergers and take-overs is supposed to be in excess of $1.100 billion (grand total almost $3.500 billion). The amount of equity linkages in Europe and the US in 2001 has already reached $1.830 billion and, due to the known events of 2001 in the US, it decreased to $1.360 billion (decrease by 26%) in 2002. The period 1998-2001 some authors characterise as 'merger mania'.

Alliances – a Stage Process

Entering into equity and strategic business non-equity alliances is a highly demanding procedure, which does not include only stages of carrying out the purchase (take-overs) or signing the contract (strategic alliance), but also involves a set of tasks, duties and procedures[3] as such, which can be classified into three time periods, in regard to the course of emerging of a particular alliance:

- period prior to entering into alliance,
- period of entering into alliance,
- period consequent to entering into alliance.

TABLE 1 Periods and procedures of the alliance process

Period	Procedures
Prior to entering into alliance	Defining and reassessment of strategic orientations Search for and assessment of partners and of the feasibility of the integration Selection of the partner(s) Selection of the type of integration Strategic and financial assessment of the integration Drafting plans for the integrative process
Entering into alliance	Introductory discussions Letter of intent Negotiations Entering into contract Appointing the responsible alliance manager Public announcement
Consequent to entering into alliance	Rapid integration Restructuring and re-engineering Learning from the partner Resolving conflicts Reconfiguration of the alliance

In the continuation we will only discuss the time period consequent to entering into alliance.

Time Period Consequent to Entering into Alliance

The time period consequent to entering into alliance is designated as the period of integration, the post-take-over period, the post-take-over integration or also the operational stage of the integration. It can be further divided into two stages:

- stage of carrying out the corporate integration, which is usually characterised by profound changes (restructuring, business process reengineering, renewal of the corporation);
- stage consequent to carrying out the integration, which is intended for achieving the planned synergy effects (post-integration stage).

The duration of the period intended for carrying out the operational integration cannot be fully defined, since each alliance has its own particularities. Certain research studies[4] (e. g. Devine 2002, 19) state that the post-take-over period lasts for approximately two years, while the act of take-over itself lasts for 3–6 months, and the rest is intended for transitional adjustment (soft balancing, further restructuring, cultural integration).

The integration in strategic alliances can be:[5]

- procedural (includes combining two systems and procedures of participating corporations on operational, monitoring and strategic levels);
- physical (assets and resources – consolidation of programmes, manufacturing technologies, projects, operational-manufacturing units, infrastructure);
- managerial and socio-cultural (the most demanding problem – includes transfers of managers, modifications to the organisational structure, development of a consistent corporate culture, models of strategic operations, motivational system and installing a new leadership).

The integration must be rapid in order to achieve the synergy effects as soon as possible, i. e. achieve the pre-set objectives. The rapidity and effectiveness of the integration is largely dependent on the preparatory period (prior to the integration). Certain research (Devine 2002, 156) has determined that:

- 40% of all changes take place during the first two months consequent to establishing the alliance;
- more than half of the latter (20%) take place immediately after the alliance;
- changes continue at a high pace, but have a rapidly decreasing tendency during the next six months;
- after nine months more than 80% of changes had been initiated.

Processes referring primarily to equity linkages are highly stressful and cause anxiety, concern, anger, cynicism and depression among participating parties. This is one of the reasons why the integrative activities should be launched immediately after the formal entering into co-operation (or even prior to this), since fear and uncertainty can block achieving jointly pre-set objectives if such a state persists for a longer period.

This can also cause the so-called 'merger syndrome' (Devine 2002, 157) which addresses six common problems influencing the success of the operation in one way or another:

- deteriorating communications;
- poor productivity;
- increased parochialism and less team play;

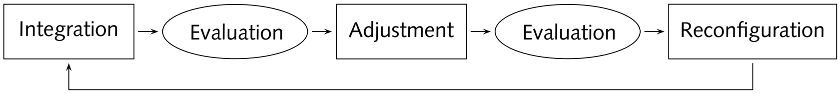

FIGURE 1 Adjustment and/or renewal of alliance

- power struggles;
- reduced commitment to corporate goals;
- a tendency to bail out by leaving the organisation.

The 'merger syndrome', therefore, can lead not only to inability for achieving the pre-set synergy effects, formed by the mutual value-added, but can also lead to the joint outcome being even on the negative balance side considering the costs that have already risen.

After the essential modifications towards the integrated corporations have been carried out, a significant part of the post-integration period is reverse learning from the partner, as the integrated corporations should possess complementary knowledge and skills which will lead to achieving the pre-set strategic objectives of the integration.

Integrative processes, despite the abundance of guidelines and instructions on carrying out the processes, often lack the so-called 'co-operational mentality' and even more in the case of integrating non-co-operative cultures. Therefore, learning for co-operation is an inevitable condition for successful functioning of the alliance. One must not overlook the fact that the transfer of knowledge, i. e. reverse learning, will not take place automatically.

Deviations, conflicts or poor functioning of the alliance or some of its parts might occur during its establishment or on its emergence, regardless of the preparative period being put to good use for assessing the future alliance, therefore, adjustments of the alliance should be pre-planned in order to adjust to new circumstances. In this case one might not talk of deep-penetrating changes but merely fine, soft adjustments and balancing (evolutionary changing). If the integration does turn out to be inappropriate, i. e. not functioning, then the process should be repeated from the very beginning i. e. a reconfiguration of the alliance should be carried out (revolutionary changes).

'A gap appears to exist between what experts say about M&As and what managers experience [...]. Only a few M&A transitions can be neatly packaged into a set of processes, or a single magic formula' (Devine 2002, 11).

A combination of order and chaos, planned and unexpected, is a characteristic of almost every equity linkage. Managing alliance is as much an art as a science. Equity linkages are matters which 'happen' to people who can join or oppose the process. The process of establishing strategic alliance often contains improvisations, adjustments, putting out fires and learning, not merely carrying out a pre-planned strategy.

Restructuring and Business Reengineering

Most frequently the process of integrating connected corporations will only be possible by using revolutionary methods of change, as which one can classify restructuring and business process reengineering. If a particular structure of a corporation or one of its individual sectors is not appropriate in regard to circumstances demanded by the new (altered) environment, the existing structure is to be changed and completely renewed. This process, representing a transition from the existing structure to a new one (programme-market, manufacturing, technological, financial, organisational, personnel, ownership, ecological, developmental) which enables greater successfulness and efficiency of corporate operations, is designated as restructuring. Restructuring is one of the methods of revolutionary changes and a way to achieve renewal of the corporation as a result of strategic alliances.

The basic distinction between the revolutionary methods of changes[6] and the evolutionary methods of achieving changes lies in the frequency of the former being less common, being more profound and widely aimed, having a greater intensity and risk during a shorter time frame and simultaneously demanding certain sacrifices. The range of sacrifices can include tangible assets (selling premises, giving up traditional programmes, withdrawing from long-term equity and business alliances, sell-out of so-called 'social-standard' capabilities, decreasing resources for non-commercial investments, etc. . . .) and intangible assets (reducing the number of employees, replacing and making experts redundant, selling patents or brands, etc. . . .). Due to the very sacrifices the revolutionary methods of changes are not welcomed as pleasant but cause fear, uncertainty, and distress.

When addressing restructuring one should bear in mind the following important rules:

- it takes place in various areas (changing structures in one area demands changing structures in other areas);
- it derives from the fundamental strategies of the corporation;

- its departure points are programme-market structures (restructuring of programmes and markets);
- it contains all characteristics of the revolutionary methods of changes (already mentioned).

Restructuring usually cannot be carried out in an individual area (e. g. corporate function) regardless of others, and the effects will be visible only when modifying several area structures. Change of the product portfolio (restructuring of the programme) can also demand altering: the organisational structure of the corporation (organisational restructuring), the technology (technological restructuring), the financial resources (financial restructuring), the human resources (personnel restructuring), the informational system (informational restructuring), etc. Sometimes various changes are dependant on or triggered by ownership restructuring (alteration of the ownership structure). The need for a balanced and simultaneous restructuring is particularly applicable in order to relieve a crisis which cannot be relieved otherwise by mere financial restructuring, while other areas remain unchanged.

The consequences of restructuring processes can also be uncertain when projects are carried out unsuccessfully or the achieved outcomes fall below the expectations in regard to sacrifices and efforts. Rock and Rock (1990, 43) determined that half of the unsuccessful restructuring projects caused losses to their owners. Platt (1998, 144) also states that only 50% of the projects achieve the pre-set objectives (for cost-reductions the result is slightly higher at 61%). The actual problem in these cases are sacrifices suffered as restructuring needed to be implemented in the form of a radical alteration, while methods of step-by-step changes had either been neglected and underestimated, or else such an alteration is demanded by external (altered) circumstances (e. g. entering into partnership).

Programme-market restructuring represents a transition from the prior structural combination of products or services, and markets, to a new structure which must achieve greater successfulness (profitability) and efficiency of corporate functioning (productivity, cost-efficiency). In regard to such a restructuring, which takes place within a complex relation, one must consider the market (the selected segment of customers) and the programme (product, service), since it is most frequently true that the same offerings cannot be positioned in a new market or the new programme in the prior market. Therefore the essence of the programme-market restructuring lies in the marketing approach. From the selection of needed and available measures, those in the area of programme-market changes are common both in the period of crisis solving and the period of corporate development. The research among 221 marketing experts (Shaw and Mazur 1997, 10) indicated (marks 1 to 5) that the altered conditions in the market (marketing) environment are the very foundation for programme-market restructuring.

The process of programme-market restructuring is, most frequently, conducted in two areas:

1. the internal aspect, aimed at achieving the optimal position of the programme in regard to mutually intertwined and dependant corporate functions and the organisational units of the corporation;
2. the market (external) aspect, aimed at exploring possibilities for implementation of the existing or the new programme in the selected markets i. e. segments.

Similarly to the programme-market, restructuring in the developmental[7] and technological area is connected to the transition of the existing structures to the new ones which enable the corporation to achieve a more rapid, market-orientated development, greater efficiency of functioning and application of modern technological equipment. Developmental restructuring is, therefore, aimed at designing a structure of products and services which would contain more value-added, in other words, at achieving greater levels of technological sophistication of the product and of the processes. Technological restructuring, on the other hand, represents applying such scientific methods, knowledge and skills which will enable manufacturing of the planned products.

If the primary objective of technological and developmental restructuring is to design a structure of products and services containing a greater value-added, then one can derive the following objectives of restructuring processes in the mutually connected and dependent areas of development, technology and manufacturing:

- orientation of all activities toward customers;
- decrease of internal (passive, waiting) and external (introduction to the market) non-productive periods;
- simultaneous engineering;
- limitation and cancellation of activities which do not contribute to the value of the product (service);

- integration of various areas and processes;
- relative cut-offs (reductions) in costs;
- increase of productivity and flexibility by introduction of modern methods.

Restructuring of the manufacturing function represents the installation of such a structure of manufacturing methods and approaches and, on the other, processes and tasks which will ensure completion of selected (ordered, planned) products in the most efficient way.

Restructuring in the area of human resources should be discussed in a wider context, best represented by HR management. The tasks of managing employees are the following:

1. discovering and developing capabilities of personnel which are used by various sectors of the corporation in order to satisfy customers, achieve competitive advantages and contribute to the collective value of the corporation;
2. directing a variety of relations between managers, employees and others, and their interests, in accordance with corporate strategies.

Restructuring of the human resources area represents installing a new structure in regard to employees either as an entirety or as individual parts of the corporation (e. g. the management, manufacturing workers, particular functions or sectors, etc.). Similarly to other areas restructuring measures must also derive from the general strategy of the corporation and, therefore, have to be carefully prepared, even more, since they refer directly to personnel (relations, emotions, co-operation, collective values, behaviours, viewpoints, values as 'softer', less visible factors in comparison to objectives, structures, markets, finances, techniques as 'harder', more visible factors – Perlitz et al. 1996, 342). One must not neglect the point that employees (HR, personnel) are viewed today as the greatest potential of a corporation. Restructuring in the HR area is also a possibility for establishing a new organisational scheme, a new systemisation of tasks and a new system of rewards.

The HR area is inseparably connected to the organisational structure of the corporation, although one rarely speaks of organisational restructuring, since these changes are a consequence of programme-market, manufacturing-technological and personnel changes. It would be completely senseless to set the change of the organisational structure as the primary objective, regardless of the fundamental orientations of the corporation, its developmental level, programmes, methods of management and available resources. On the other hand it is also true that changes to other areas cannot be carried out without modifying the organisation.

Lately, restructuring or renewals of informational systems are fairly common as consequences of altered circumstances of a corporation's functioning, extremely dynamic events in a corporation's environment and general headway in the area of informational systems, processes and hardware. Therefore, in a corporate milieu, the term informational technology is more commonly used and refers to the suitability of computer hardware, also software, in the widest possible sense. It is also true that projects of reengineering in this area prevail, focusing on the process and the predominating significance of the informational technology.

Changing external resources of financing from less favourable (short-term, more expensive) to more favourable (long-term, less expensive) ones, is usually a highly desired measure in financial restructuring but is accompanied by abundance of difficulties in praxis due to the unwillingness of banking creditors to encounter setbacks in regard to their placing and needs for ensuring available resources which would replace the preceding. The remains of liquid resources, which are a consequence of all other measures, must be placed to those areas where the effect would be the greatest. Measures, classified into this group, can be: postponement of due liabilities (reprogramming, prolongation, moratorium); replacement of existing loans with new ones (refinancing); writing-off calculated interest; debt to equity swap; procurement of additional external developmental resources of financing (equity) while accounting for the financial lever; decreasing investments having long-term effect and advancing smaller investments having rapid effect – these can be market-, technology- or personnel-orientated.

In comparison to restructuring, whose primary objectives are modifications of various structures in a corporation, reengineering brings about 'a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed' (Hammer and Champy 1994, 32).

Reengineering, just like restructuring, is a method of revolutionary change and, therefore, embodies all general features of such radical changes. Reengineering and restructuring are not mutually incompatible methods although they derive from different starting-points, since in a corporation they can run parallel to one another or even be intertwined.

TABLE 2 Cost savings delivered by mergers and acquisitions

Sector	Percentage of answers
Head-count reduction	66
Buying and merchandising	60
Supply chain	60
Procurement	48
Manufacturing	35
Warehousing/distribution	32
New product development	32
Outsourcing	25
Research and development	24

Source Devine 2002, 166.

With regard to the definition and contents of reengineering, one could indicate its essential ingredients: focus on corporate processes, radical changes, dramatic improvements and a multidisciplinary approach. Instead of organisational structure or function, a reengineering project focuses on corporate processes which can be interpreted as a set of connected activities which engage an input (from suppliers), transform it and produce an output (for the customer). The corporate process, therefore, includes those activities which are crucial for an agile delivery of products and services to the customers and simultaneously contribute to greater quality and low costs. The processes can be classified as core, main or sub-processes and also as partner-orientated, internally- or customer-orientated. Corporate processes are not the responsibility of an individual function but include a range of activities, dispersed over individual areas.

Due to anticipated and needed changes, which have to be carried out in a rapid and consistent manner during the post-integrative period if to achieve the planned synergy effects, a take-over can often prove itself as insufficiently flexible to achieve developmental objectives and is frequently succeeded by merger or acquisition.

An investigation into integrative processes of Slovenian corporations (e. g. Lahovnik 2001) finds that measures during the period consequent to alliance mostly refer to various profound transformations (table 3).

Thus, while linking two or more corporations, various modes of restructuring take place which are also visible in the relocation of previous activities, processes and tasks.

TABLE 3 Most frequent measures during the period consequent to integration in the case of Slovenia

Measures during post-integrative period	Percentage of answers
Reorganisation of marketing activities	84
Reorganisation of supply activities	84
Management training programmes	82
Introduction of new sales programmes	76
Financial consolidation	64
Selling of non-core business assets	58
Management reorganisation	58
Replacements of members of the top-management team	51
Reducing the number of employees	40

Source: Lahovnik 2001.

Strategic Alliances and Resolving and Preventing Crisis

For various corporations, or even branches, entering into strategic partnerships at a particular developmental level is not merely a strategic possibility and opportunity but a business necessity, since it will be the only possible way to preserve one's competitive position and prevent crisis[8] in the future. On the other hand, strategic business alliances and equity linkages enable (re)solving corporate crisis, while the process of re(solving) includes all available assets of partner corporations and a simultaneous search for synergy effects.

Strategic equity and non-equity alliance is, therefore, significant both during the period of preventing crisis and also during the period of resolving crisis.

The objective of today's strategic alliances, which have not occured due to major difficulties in one or even both partner corporations, is an increase of collective (global) competitiveness which actually represents preventing a crisis from emerging. A corporation, which otherwise develops relatively successfully, will start to lag on a certain developmental level behind its competitors which have integrated their own forces and achieved the synergy effects that cannot be achieved by an 'independent' corporation.

In cases of strategic business or equity alliance when one of the partners is facing crisis, such an alliance can bring about the solution of crisis for the corporation in question. Since in this case the alliance combines an economically stronger partner with a weaker one, the latter cannot

TABLE 4 Mergers and acquisitions by acquiree situation in the case of 170 analysed companies in the period 1985–1990

Situation	Percentage of cases
Strategically troubled	25
Financially troubled	16
Joint growth opportunities	13
Dependent on related company	12
Divesting non-core business	12
FAC pullout	8
Target of aggressive move	7
Others	7

Source: Bleeke and Ernst 1993, 116.

await an equal position in regard to integrative processes which actually represent a sacrifice for the corporation in question. The same is true for all cases of crisis resolving.

The reason behind a stronger partner linking with a weaker one facing acute crisis, while there is a possibility of a chain crisis reaction, is that the corporation facing crisis possesses:[9]

- a verified manufacturing-sales programme which – due to all other required potentials (financial, personnel, technological, etc.) being absent – cannot be appropriately developed and introduced to the market;
- suitable technology which cannot be optimally exploited due to difficulties in the marketing-sales area;
- an excellent team of experts who cannot assert their knowledge and skills since the corporation faces unsurmountable financial or other problems;
- such assets which can be utilised in order to gain much greater efficiency and profitability by the partner;
- a differentiated domestic or/and foreign distributive network, but cannot maintain it due to financial difficulties.

In order to successfully avoid the dangers, which derive from linkage with a corporation in crisis, pre-integrative processes take place in practice which utilise, when required, the introduction of radical resolving activities in the corporation facing crisis (voluntary or compulsory agreement; disinvestments; 'cleaning' balance sheets; even programmed

– controlled bankruptcies, etc.) or less risky methods (e. g. take-over by acquisition of assets).

Difficulties and Traps of Alliance

Although strategic alliances represent one of the most significant modern forms of international business, the rate of their successfulness i. e. survivability is not high, since, on the average, it ranges merely from 30 to 45%. By unsuccessfulness of the integration we do not only mean that the linked corporations fail or go bankrupt (which is otherwise completely possible), but by the same token, we designate such a partnership that has not achieved the pre-set synergy objectives (an alliance is unsuccessful also in those cases when the potentials of two corporations are merely summed up i. e. the outcome is '2 + 2 = 4').

Such, a relatively low rate of successfulness can be 'justifiable', since strategic alliances are the most demanding form of organisational relationships where one can consider that co-operation is actually another form of competition, that harmony is not the most crucial criterion of successfulness, that co-operation has its limitations when corporations must address competition compromises, and that reverse learning is most important (Hamel by Ramu 1997, 74).

If we summarise the findings of various research studies and cases on unsuccessfulness of alliances, then we can gather the causes into the following groups:

- short duration and lack of systematic and planned preparations during the period prior to closing the deal (deals with no prior analysis and assessments and incorrect selection of the partner, i. e. target corporation);
- overestimated (overoptimistic) assessments of effects (unrealistic synergy effects);
- incorrect (overestimated) price or a 'bite to large' (combined with overestimated effects, an exhausted (dried-up) corporation);
- unaccomplished complementarity of manufacturing, programming and marketing structures;
- disorganised, weak and difficult communications (external and internal);
- managing difficulties and lack of systematic supervision (inexperience at integrating, insufficient monitoring of the integration);
- disharmony of cultures and management styles;

TABLE 5 Varying of integration successfulness

		Partner A	
		Advantages	Disadvantages
Partner B	Advantages	2 + 2 = 5 synergy integration	2 + 2 = 3 or 4 counterproductive integration
	Disadvantages	2 + 2 = 3 or 4 counterproductive integration	2 + 2 = 0 destructive integration

Source: Büchel et al. 1998, 47.

- internal opposition to changes (also departures of key personnel);
- integration being too late and too slow (poor operational implementation);
- difficulties at transfer of knowledge and skills between partners;
- underestimated competition (competition reacts to equity transactions by its own strategies and does not allow others to achieve synergy effects at their expense);
- changes in the environment or in partner corporations (demand modifications of strategies and management or sell-out of the ownership stake).

On the average, alliances are more successful when the environment is more turbulent (Bucklin and Sengupta 1993), while on long-term equity linkages can prove more successful.

Since both equity and non-equity alliances, worldwide and domestic, have a high rate of unsuccessfulness, as already mentioned, their preparations should be approached in a planned, sufficiently analytical and systematic manner, which is also visible in the fact that integrations do not come into existence 'overnight' but only after a longer period of pretesting of partners during 'usual' co-operation. Integrations implicate dual risks: a possibility of the alliance failing and a possibility of linking corporations failing.[10]

As easily as strategic alliances arise, so too they can also end, since they have their own life cycle[11] which is only partially dependant on each individual life cycle of participating corporations. Non-equity alliances can result into:

- equity merger, acquisition or take-over;
- demerger;

- reorganisation or restructuring of one or both partners.

It is obvious that successful partnerships compensate for the disadvantages of unsuccessful ones, since otherwise it would not be so popular as a strategic tool in the global environment. Certain data indicate that alliances accumulate 18% of all incomes of the 500 largest American corporations (*The Economist* 1998).

Successfulness of a particular alliance is often assessed merely through financial indicators, such as increased market value of shares, dynamics of share value of the participating partners in a certain period prior and consequent to take-over, etc.

However, financial criteria are just one aspect of examining the successfulness of an alliance, whereas other indicators should be taken into account for determining the successfulness of integrated corporations. Assessment of alternative paths for each of the participating entities is significant by all means and answers the following questions: would any of the particular corporations survive in a medium-term period?; what would be the value of its shares by that point in time?; what would be the value of future profits by that point in time?, etc.

Successfulness of a particular alliance cannot be assessed merely by financial indicators, but one can speak of four groups of criteria (economical, strategic, behavioural and learning aspects; Büchel et al. 1998, 198), whereas from the professional literature it emerges (Ittner and Larcker 2001, 388) that a huge discrepancy exists between the significance of strategic alliances and qualitative criteria for assessing their successfulness.

One should also stress that the results of alliance probably will not be identical for both (all) participants, but it is important that these should be proportional in regard to pre-set objectives, which can differ from one participant to another.[12]

Triple Role of Restructuring

Restructuring has a triple role from the aspects of threat and perspective of the corporation's position:

- crisis solving,
- crisis preventing,
- development of the corporation.

Resolving of crisis by itself demands a range of integral area restructurings (programme-market, organisational, financial...), whose purpose is to initially halt negative developments. Therefore, restructuring at this stage is rapid, less extensive and non-integral, as short-term effects are being sought. Only at the second stage, when establishing of developmental foundations along with profitable operations is being addressed, are integral and long-term restructuring projects being carried out, having medium- and long-term effects. Therefore, the role of restructuring during the first stage of crisis solving (halting negative developments) is less stressed, while later it has priority.

Restructuring has even a more significant role for preventing crisis and development, either as internal (organic) growth or growth by the helping hand from partners, in comparison to acute crisis solving itself, when measures having short-term positive effects take priority. Although development contains activities, which simultaneously represent preventing of crisis arising, various restructurings can take place merely in order to adjust the corporation to new circumstances in the environment along the process, using less extensive modifications and, by doing so, prevent the emergence of a latent or acute crisis, since the corporation does not develop as rapidly as its environment (competition, altered consumer behaviour, etc.). On the other hand, the corporation can improve its competitive position and developmental possibilities through appropriate strategic planning, by the internal structures being continually renewed.

It is not possible to expect long-term success without an appropriate, pre-planned approach during analysis of the actual environment and potential partners, which would be based on assessment of the possibilities for fulfilment of mentioned conditions within the strategic partnership. Many successful integrations have arisen from long-term co-operation due to exactly this, since a thorough assessment of the partner's suitability for a further strategic equity linkage or a mere business alliance, was possible during this period.[13]

Entering into alliances must, as aforementioned, be well deliberated and planned and must be a part of an integral corporate strategy taking into account all stated conditions for a successful strategic alliance. It is not possible to anticipate all events and conflicts during the preparatory period, whereas success cannot be ensured through precisely defining rules. Here one can state the following recommendations:

- the process of integration must commence prior to signing the contracts;

- it is recommended to appoint the responsible manager having exclusively these tasks and addressing only the process of integration;
- in the integration period the process of restructuring is to commence as soon as possible,
- integration does not refer merely to business activities but also to the cultures of the partners.

Corporate linkage must have sufficient flexibility in order to respond to changes either in its environment or in the life cycle of the alliance itself, in other words, the principles of co-operation, which had been set prior to establishing the integration, should be repeatedly reassessed.

Strategic equity and non-equity alliance has become, regardless of our will, an integral part of modern strategic thinking and acting. It is obvious that equity and non-equity alliance, despite the many obstacles, traps and difficulties which hinder the rate of successfulness of alliances, has many advantages and benefits pointing the trend steeply towards continuation. According to certain findings, more than a half of all corporations worldwide already participate in various forms of alliances, and the proportion is still increasing, since the rate of success should grow by increased experience and scientific research into alliances.

Objectives, which had been set-up prior to establishing the alliance in order to justify the investment (in a financial, time, effort sense, and opportunity possibilities), frequently will not be possible to achieve if during the integrative period revolutionary methods of change are not applied, to which one can classify restructuring and reengineering. Therefore, it is essential to be successful, not only in the rules and principles of strategic alliances but also in the methods of radical changes – such are restructuring and reengineering – in order to successfully prepare and implement a strategic partnership which will give rise to synergy effects and not result in a failure, since otherwise we remain far away from the planned objectives.

Conclusion

Globalisation has intensified competition to such an extent that the corporations, merely with one's own resources, cannot achieve acceptable success any longer. Objectives, which had been set-up prior to establishing the alliance in order to justify the investment, frequently will not be possible to achieve if during the integrative period revolutionary methods of change are not applied, to which one can classify restructuring and reengineering. Entering into equity and strategic business non-equity alliances is a highly demanding procedure, which involves a set of tasks, duties and procedures as such, which can be classified into three time periods, in regard to the course of emerging of a particular alliance: period prior to entering into alliance, period of entering into alliance and period consequent to entering into alliance.

During the post-integrative period the anticipated and needed changes have to be carried out in a rapid and consistent manner in order to achieve developmental objectives and planned synergy effects.

In this article the following recommendations have been stated: the process of integration must commence prior to signing the contracts; it is recommended to appoint the responsible manager having exclusively these tasks and addressing only the process of integration; in the integration period the process of restructuring is to commence as soon as possible; integration does not refer merely to business activities but also to the cultures of the partners.

Notes

1 Lynch (1993, 18) states that well-known strategic alliances should be complemented by at least as many alliances which remain covert as hidden competitive advantages. Well-known consultant houses (Booz, Allen & Hamilton) estimate a formation of more than 32,000 strategic partnerships in the period 1996–1998.

2 Characterised as international capital transactions are those which combine equity of incorporated entities from two or more countries. According to certain estimates (UN 2000, XIV) the international equity mergers and take-overs represent 25% of all mergers, acquisitions and take-overs, while the trend points to increasing.

3 More on various aspects and descriptions of strategic co-operations and integrations can be found in the following papers: e. g. Aiello and Watkins 2001, 39–40; Bleek and Ernst 1993, 45; Büchel et al. 1998, 52; Connell, LaPlace, and Wexler 2000, 7.

4 According to Devine (2002, 106), the process of integration has four stages, also designated as the '4C': putting commitments into effect (commitments): openness and trustfulness; defined roles, objectives, milestones, managerial structure … (coordination); gathering information and ideas, listening, SWOT analysis (co-operation); joint activities, wider inclusion (collaboration).

5 Ramu (1997, 87) distinguishes among the following types of integration: strategic integration, tactical integration, operational integration, interpersonal integration and cultural integration.

6 Different associations use a most diversified range of terms for expressing radical changes as a managerial method which, on the other hand, often lack definitions of its contents and a critical and principled approach.

7 By the developmental restructuring one usually bears in mind restructuring of the entire corporation along with introduction of all required areas in order to achieve (more rapid) development of the corporation as an integrity. We are using the term here to discuss restructuring in the area of development (the developmental corporate function) as a section of a corporation.

8 Crisis is a short-term, less favourable, undesired and critical state in a corporation which has arisen due to both external and also internal causes and directly endangers the future existence and development of the corporation (Dubrovski 2000, 2).

9 In regard to this, acquisitions and take-overs are divided into two groups: those, which represent an opportunity (opportunity driven), and those which are driven by problems in target corporations (problem driven) (Lynch 1993, 71).

10 Since integrations in Slovenia frequently took place as a matter of fashion or a matter of corporate necessity, involving excessive activity of share takeovers and purchase of shares, various forms of competition over acquisition of a particular corporation and other equity transactions in order to achieve even non-business or non-economical interests, while development or even urgency for crisis solving in one's own corporation has been neglected. Thus, obsession with takeovers can have negative consequences which are visible by: the exhaustion of the corporation (appropriate resources should be procured for takeovers); shift of focus from one's own difficulties to others'; redirection of developmental investments (resources devoted to takeover activities instead of investments into one's own technology, HR and markets); inappropriate approach to crisis solving (resolving of crisis being sought through takeovers instead of carrying out profound internal measures).

11 Examples of life cycles for some alliances can be found in the literature by Spekman, Isabella, and MacAvoy (2000, 133–7).

12 A study on key factors of successful management of integrated corporations (interviews with 50 corporate representatives) classified clarity of purposes and objectives as the primary factor, followed by ap-

pointment of a quality management and planning in advance (Hamill 1993, 3).

13 A research into 45 acquisitions in Slovenia (Lahovnik 2001), based on questionnaires and interviews, found that 47% of partners had not cooperated prior to linking.

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