MANAGING STRATEGIC ALLIANCES: LEARNING TO LIVE WITH AMBIGUITY

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OUTLINE

• The nature of strategic alliances
• Origins of ambiguity in strategic alliances
• Lessons from the Renault- Nissan alliance
• Managing ambiguity:
  (a) Role of alliance manager
  (b) Role of top management
• Relevance of alliance capability
A strategic alliance “... is a trading partnership that enhances the effectiveness of the competitive strategies of participating firms by providing for the mutually beneficial trade of technologies, skills or products based upon them” (Yoshino & Rangan, 1995: 4)
Yoshino & Rangan (1995) suggest that a strategic alliance possesses the following aspects:

(a) Partner firms remain independent after the alliance
(b) Firms are jointly responsible for alliance activities and jointly share benefits
(c) Firms make an ongoing contribution in the strategic areas (e.g., technology, marketing) over time
ORIGINS OF AMBIGUITY IN STRATEGIC ALLIANCES

• Firms are often cooperating and competing at the same time

• Managers who negotiate the alliance are not often the ones who manage the alliance

• The partner firm’s may often differ in respect of the commitment they demonstrate to the alliance
THE RENAULT-NISSAN ALLIANCE

* “We are not merging, we are creating a binational company”
  Louis Schweitzer, Chairman and CEO of Renault SA

* “We are managing the apparent contradiction between synergy and identity”
  Carl Ghosn, President and CEO of Nissan Motors

* “If I didn’t have Mr Ghosn, I would not have done the deal with Nissan”, Louis Schweitzer, Chairman and CEO of Renault SA

OBJECTIVES OF THE ALLIANCE

Renault-

(a) Strengthen global presence

(b) Cost reduction

(c) Learn about engineering, production methods, and product quality from the Japanese
Nissan’s objectives

(a) Restore the financial and the competitive strength of the company

(b) Cost reduction

(c) Learn marketing and design know how from Renault.
THE EVOLUTION OF THE ALLIANCE

• Open ended collaboration in which an attempt was made to ensure a "fair balance" in terms of the partners obligations

• “.. Collaborative process was less a matter of “platform development than a question of exploration” (Segrestin, 2005:663)
• The partners rarely backed out of joint products even when the initial expectations were unmet

• Coordination mechanisms developed over time

• As the collaboration deepened over time the partners were able to foster a collective identity, and the relationship became much more institutionalized
IMPLICATIONS OF THE SUCCESSFUL PARTNERSHIP

- Emergence of a new type of partnership (exploratory partnership) that may be characterized by-
  
  (a) high level of risk taking
  
  (b) shared bonding among the partners stemming from intensive sense making
  
  (c) A strong belief in the ability to create a shared future
THE ROLE OF THE ALLIANCE MANAGER

Alliance manager may be likened to a diplomat who has to mediate between conflicting realities at various organizational interfaces

(a) between the alliance partners

(b) between the partner firm’s and the alliance organization
Effective mediation requires:

(a) Developing the right personal chemistry

“It is our job to make sure that suspicions do not get so out of hand as to impede the alliance and to develop working relationships to ensure to the extent possible that the people in each firm trust those in the other” (Yoshino & Rangan, 1995:}
(b) Monitoring partner contributions in a sensitive way: Are they fulfilling their obligations as per the agreed upon commitments?

“I act immediately. Time is of the essence… Second, when the partner fails to deliver on a commitment, the thing to do is not accuse but ask why?” (Yoshino & Rangan, 1995:)
Managing information flows in a tactful way that allows:

- speedy exchange of information among alliance partners which is crucial for alliance success
- prevents the disclosure of sensitive information to one’s partner
- effective use of information gleaned from one’s partner
(c) Assess the continuing strategic viability of the alliance. This requires:

* being proactive rather than reactive
* sensitive and aware of the developments in the partner firm
* ability to be imaginative/creative
(d) Ability to manage relationships internally by:

* highlighting the importance of the alliance to the firm
* maintaining linkage/connection at all organizational levels
* containing internal expectations
THE ROLE OF TOP MANAGEMENT

- Maintaining relationships with the partner firm
- Creating an internal culture that is supportive of the alliance
MANAGING RELATIONSHIPS WITH ONE’s PARTNER

Demonstrating commitment to one’s partner

“Mr Schweitzer and Mr Hanawa learned to trust each other very quickly. I think that this trust between the chairmen has lasted all the way through, with no stumbling blocks, deviation, or betrayals” Guy Douin, Renault’s head negotiator (Cited in Korine et.al, 2002).
• Developing internal organizational commitment to the alliance

“Obviously, if top management shows more concern for one alliance, than for another, I’m going to pay more attention to the former” Cited in Yoshino & Rangan (1995)

• Deepening the alliance by exploring new arenas for collaboration and conducting periodical reviews
DEVELOPMENT OF INTERNAL CULTURE

• Selection of the alliance manager

• Developing shared strategic intent

“An alliance is an unnatural act; we are simply not used to the concept….We tend to suspect the worst in things that are unfamiliar to us” (Cited in Yoshino & Rangan, 1995)
"These behaviors, in which staff from the three companies engaged, often led to intense and chronic squabbling, as each projected all of the difficulties onto the others, and accused them of withholding, being uncooperative, wrong-minded, obstinate, not up to the task and worse" (Gould, Ebers, & Clinchy, 1999: 708)
• Reshaping reward systems

“After all the traits and behavioral patterns that are essential to be successful members of an alliance will be required in all future managers anyway. These traits include flexibility, teamwork, willingness and ability to learn from others, negotiating skills, and so forth” (Cited in Yoshino & Rangan, 1995)

• Cultural change
WHAT IS ALLIANCE CAPABILITY?

• Alliance capability- “… is defined as the mechanisms or routines that are purposefully designed to accumulate, store, integrate, and diffuse relevant organizational knowledge acquired through individual and organizational experience of alliances (Kale et.al, 2002)” (Ard-Pieter De Man, 2005)
BENEFITS OF ALLIANCE CAPABILITY

• Improving knowledge management:
  
  Established routines can help company to systematically —

  (a) Assess whether there is a need for an alliance?
  (b) Choose the right alliance partner
  (c) Employ an appropriate strategy for alliance negotiations
(d) Pursue appropriate alliance management practices

(e) Assess alliances and plan for termination if necessary

SOURCE: Dyer, Kale, & Singh (2001)
• Enhanced external visibility

• Facilitate internal coordination

“We have a difficult time supporting our alliance initiatives, because many times the various resources and skills needed to support a particular alliance are located in different functions around the company… You have to go begging to each unit and hope that they will support you. But that’s time consuming, and we don’t always get the support we should” (Cited in Dyer, Kale, & Singh, 2001)

• Promote accountability
CONCLUSION

- **Ambiguity management** is at the heart of alliance management.

- **Effective management of ambiguity** is dependent on:
  
  (a) a clarity of vision and the development of a shared strategic intent

  (b) avoiding the possibility of both an *overreaction* or an *undereaction* to any potential problems

  (c) the selection of the alliance manager

  (d) the development over time of an organization’s alliance capability