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THE ALLIANCE PROCESS: AN EXAMINATION OF LOGISTICS ALLIANCES BETWEEN MANUFACTURERS AND MERCHANDISERS IN THE GROCERY INDUSTRY

By

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ABSTRACT

**THE ALLIANCE PROCESS:
AN EXAMINATION OF LOGISTICS ALLIANCES
BETWEEN MANUFACTURERS AND MERCHANDISERS
IN THE GROCERY INDUSTRY**

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The recent widespread development of logistics alliances is of considerable interest to both academic researchers and practicing managers. However, recent research has shown that the balance between theoretical and practical knowledge concerning alliances is far from equivalent. Specifically, guidelines which link alliance theory (what to do) and practice (how to do it) are lacking.

The purpose of this research was to develop clear managerial guidelines for conceptualizing, designing, implementing, controlling, modifying and when necessary terminating logistics alliances between manufacturers and merchandisers. A comprehensive general alliance model was developed based on previous research and the academic and managerial literature. The model consists of three vertical components which detail five alliance development *process* stages (need awareness, search, selection/decision, implementation/administration and assessment) as well as measures of *strategic* and *operational* success. The model was then tested for relevancy and modified as appropriate based on three dyadic case studies completed in the grocery industry. The comprehensive case studies were based on four sources of

evidence: (1) indepth interviews with multiple key informants; (2) interview questionnaires; (3) documentation provided by the companies; and (4) direct observation (site visits).

Among the key findings are specific guidelines for initiating (i.e., conceptualizing, designing), implementing and maintaining (i.e., controlling, modifying and when necessary terminating) logistics alliances between manufacturers and merchandisers. Four considerations which are unique to manufacturer-merchandiser alliances are identified: (1) acknowledgement of positional competencies; (2) inability to substitute partners; (3) advocacy and the united front; and (4) long-term damage from failure. Specific theoretical/methodological and managerial contributions and related implications are also provided.

To my wife, Beth, and my daughter, Megan,

for your love and encouragement.

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TABLE OF CONTENTS

III. RESEARCH DESIGN AND METHODOLOGY

IV. RESEARCH FINDINGS

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

INTRODUCTION

As firms experience increased global competition at all channel levels, business practices designed to improve efficiency and effectiveness have become a critical concern. Driven by industry consolidation, alternative distribution and retailing formats, shrinking margins and heightened consumer demands, leading firms throughout industry are rapidly developing strategies to improve operations and provide greater consumer value. Many firms have found "hidden resources" through intensive internal control coupled with expanded external relationships (Grunwald 1993). By spanning traditional organizational boundaries, firms have been able to eliminate waste and duplication in the channel while improving customer satisfaction.

This dissertation explores a specific business practice designed to improve the efficiency and effectiveness of interorganizational operations. By examining the process through which logistics alliances between manufacturers and merchandisers[1] are conceptualized, designed, implemented,

[1] The term merchandiser refers to any non-manufacturing business engaged in product wholesaling and/or retailing.

controlled, modified and when necessary terminated, significant theoretical and practical insight concerning the desirability and development requirements of such emerging consumer-driven business strategies can be gained.[2]

BACKGROUND

Logistics in the 1990s transcends the individual firm. The traditional managerial paradigm which centers on the firm and its internal structural/functional relationships has been replaced by a new vision which focuses on channel processes and network relationships. A primary facilitator of this shift has been development of highly sophisticated and formalized interorganizational business relationships such as strategic alliances.

Much has been written in the academic and business press regarding strategic alliances. Many different terms are used to describe the concept such as partnerships (Anderson and Narus 1990), value-adding partnerships (Johnston and Lawrence 1988) and networks (Miles and Snow 1986; Thorelli 1986) as well as a variety of notions based upon the concept of relational exchange (Dwyer, Schurr and Oh 1987; Frazier, Spekman and O'Neal 1988; O'Neal 1989; Bradach and Eccles 1989; Kaufman and Dant 1992; Robicheaux and Coleman 1994; Morgan and Hunt 1994). These terms essentially describe a similar

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[2] To simplify discussion, the process of conceptualizing and designing an alliance is referred to as "initiating" and the process of controlling, modifying and when necessary terminating an alliance is referred to as "maintaining."

proposition or process. In order to resolve these differences in terminology, this dissertation utilizes the following definition of an alliance:

> An alliance reflects a willingness of participants to modify their basic business practices to reduce duplication and waste while facilitating improved performance.[3]

Among the potential participants in these alliances are: (1) material and component suppliers; (2) manufacturers; (3) merchandisers; and/or (4) logistics service suppliers.

Recently, focus has increasingly shifted toward using logistics competency to achieve competitive advantage (Bowersox 1990). As such, strategic alliances focused on benefits achieved through logistics process have become more important. For the purposes of this dissertation, the following definition of logistics is utilized:

> Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.[4]

Logistics alliances, as a subset of the broader notion of strategic alliances, are focused primarily on interorganizational relationships which involve the movement and storage of products, services and/or related information.

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[3] This definition of a logistics alliance was developed by Dr. Donald J. Bowersox at Michigan State University for inclusion in a base-line survey instrument described later in this chapter and subsequently utilized in this dissertation. Research leading to development of this definition can be found in Bowersox, et. al. (1989) and Bowersox, et. al. (1992).

[4] This definition was adopted by the Council of Logistics Management in 1992 and was modified from a previous version to include transfer of information.

Alliances move beyond the traditional adversarial nature of channel relationships toward a more cooperative business posture. Alliances are relational, not transactional. Their focus is long-term and goal-specific. Successful alliances facilitate channel integration. Such vertical integration without ownership has only recently become practical (Schmitz, Frankel and Frayer 1994). Information technology and improved measurement techniques have progressed to the point that coordination, without actual ownership and the associated transaction costs (Williamson 1975), is now attainable.

According to Bowersox, et. al. (1992), logistics alliances offer a number of potential benefits including: (1) cost reduction; (2) joint synergy and planning; (3) improved customer service; (4) decreased risk; (5) increased creativity; and (6) the potential to establish competitive advantage. To achieve these benefits, companies must have compatible goals and management philosophies, be willing to share strategic and operational information and specify roles, responsibilities and procedures (Bowersox, et. al. 1992). Operational coordination between alliance partners is key to overcoming organizational boundaries to achieve true channel integration (Heide and John 1990).

ALLIANCE IMPORTANCE AND CURRENT DEVELOPMENT

Few doubt logistics alliances have become an important means for conducting business in today's rapidly changing environment. However, experience dictates such interorganiza-

tional relationships are difficult to establish and maintain. While numerous alliance examples have been discussed in the business press, comprehensive guidelines for the alliance process based on these experiences have not been derived.

Based on preliminary results of research being conducted at Michigan State University, research concerning alliances and relationship management is an important consideration for United States logistics professionals (see Table 1.1).[5]

Table 1.1
Major Research Topics Ranked by Importance

Topic	Manufacturer	Merchandiser	Service Supplier	Other	Rank
Information Technology	1.56	1.53	1.47	1.49	1
Performance Measurement	1.71	1.76	1.71	1.69	2
Alliances - Relationship Management (b)	1.87	1.82	1.70	1.76	3
Unique Distribution Strategies (b), (c)	1.91	2.05	1.65	1.88	4
Inventory Deployment (a), (c)	1.95	1.84	2.03	2.02	5
Logistics Network Reengineering (c)	2.00	1.99	2.15	1.91	6
Time Based Logistics Strategies	2.11	2.14	2.18	2.03	7
Globalization (a), (c)	2.13	2.42	2.10	2.09	8
Environmental Issues	2.41	2.41	2.52	2.50	9
Organization Structure	2.45	2.41	2.56	2.33	10

Scale: 1 = Very Important
5 = Not Important at All

Significant Differences: (a) Manufacturer-Merchandiser
(b) Manufacturer-Service Supplier
(c) Merchandiser-Service Supplier

Source: Michigan State University Global Logistics Research as originally reported in Bowersox, Donald J., David J. Closs, M. Bixby Cooper, Lloyd M. Rinehart and David J. Prayer (1993), "Adapting to the Global Environment," Proceedings of the Council of Logistics Management, p. 361.

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5 As part of three-year research being sponsored by The United Parcel Service Foundation, a base-line survey was conducted among logistics professionals concerning best management practices, including alliances. In May 1993, 6010 surveys were mailed to select United States members of the Council of Logistics Management. A total of 1224 usable surveys were returned, yielding a response rate of 20.4 percent. Among the respondents were 657 manufacturers, 156 merchandisers, 208 logistics service suppliers and 203 others (e.g., consultants). The survey was designed to elicit professional opinion concerning both industry-wide trends and specific manufacturer/ merchandiser practices. The tables in this section of the dissertation are based on results of this survey. Full research results will be published by the Council of Logistics Management in Fall 1995.

While importance rankings differ slightly for manufacturers and merchandisers concerning certain topics, information technology, performance measurement and alliances and relationship management are the top three research concerns for both groups.

Not only are logistics alliances an important research concern, but according to manufacturers and merchandisers logistics alliances are more common today than they were five years ago (see Table 1.2).

Table 1.2
Occurrence of Logistics Alliances

Manufacturers

Question	Mean Response	Number of Respondents
Logistics alliances with material suppliers are more common today than five years ago.	2.06 (a)	653
Logistics alliances with service suppliers are more common today than five years ago.	2.13	655
Logistics alliances with customers are more common today than five years ago.	1.97	656

Merchandisers

Question	Mean Response	Number of Respondents
Logistics alliances with material suppliers are more common today than five years ago.	2.17 (a)	156
Logistics alliances with service suppliers are more common today than five years ago.	2.13	156
Logistics alliances with customers are more common today than five years ago.	2.07	156

Scale: 1 = Strongly Agree
3 = Neutral
5 = Strongly Disagree

Significant Difference: (a) Manufacturer-Merchandiser

Source: Michigan State University Global Logistics Research.

Several additional questions were included in the base-line survey which addressed common complaints concerning logistics alliances. Results, which did not differ significantly for manufacturers and merchandisers, are listed in Table 1.3.

Table 1.3
Common Complaints Concerning Logistics Alliances

Manufacturers

Question	Mean Response	Number of Respondents
Logistics alliances are more lip service than reality.	3.49	657
Logistics alliances are thinly disguised ways for the powerful partner to maintain power/control.	3.62	656
Logistics alliances are typically dominated by the channel member who has the greatest power.	2.75	653
Logistics alliances are thinly disguised ways for the powerful partner to shift inventory responsibility.	3.30	655

Merchandisers

Question	Mean Response	Number of Respondents
Logistics alliances are more lip service than reality.	3.46	156
Logistics alliances are thinly disguised ways for the powerful partner to maintain power/control.	3.59	156
Logistics alliances are typically dominated by the channel member who has the greatest power.	2.82	156
Logistics alliances are thinly disguised ways for the powerful partner to shift inventory responsibility.	3.43	156

Scale: 1 = Strongly Agree
3 = Neutral
5 = Strongly Disagree

Source: Michigan State University Global Logistics Research.

The fact that manufacturer and merchandiser responses concerning these common complaints reveal no significant differences indicates that perceptions concerning alliances are beginning to coincide. Hence, trust and mutual understanding do not appear to be barriers to greater establishment of logistics alliances between manufacturers and merchandisers.

LOGISTICS ALLIANCE MOTIVES

Based on academic and trade publications, there are many different motives for establishing a logistics alliance. Ten

commonly cited motives were evaluated by base-line survey respondents. Results are summarized in Table 1.4.

Table 1.4
Motives for Establishing a Logistics Alliance

Motive	Manufacturer	Merchandiser	Service Supplier	Other	Rank
Competitive Advantage	1.65	1.66	1.73	1.68	1
Improved Quality	1.83	1.74	1.80	1.88	2
Leadtime Performance Improvement (b), (c)	1.87	1.86	2.09	1.81	3
Inventory Reduction (a), (b), (c)	1.93	1.79	2.13	1.82	4
Increased Customer Involvement	2.02	1.97	2.02	2.06	5
Exploiting Core Competency (c)	2.21	2.32	2.10	2.12	6
Supply/Demand Stability	2.17	2.26	2.29	2.15	7
Technological Access (b), (c)	2.24	2.30	2.01	2.26	8
Market Access/Globalization (b), (c)	2.39	2.50	2.22	2.26	9
Leveraging Capital (a), (b)	2.45	2.32	2.26	2.31	10

Scale: 1 = Very Important
5 = Not Important at All

Significant Differences: (a) Manufacturer-Merchandiser
(b) Manufacturer-Service Supplier
(c) Merchandiser-Service Supplier

Source: Michigan State University Global Logistics Research.

Based on these results, United States logistics professionals consider alliances a source of competitive advantage. Another motive for establishing a logistics alliance involves the desire to offset or take advantage of shifting power in the channel. It is widely acknowledged in the literature that channel power is shifting from manufacturers toward retailers. Manufacturers could conceivably initiate retailer alliances in an effort to use countervailing power to balance the relationship (Beier and Stern 1969). Similarly, retailers or wholesalers faced with a weak channel position relative to manufacturers may initiate manufacturer alliances to balance power. Such power-based motives for establishing logistics alliances are of significant concern in this research.

ADDITIONAL CONSIDERATIONS

Academic and trade publications identify several additional considerations necessary for the success of logistics alliances. Among these are: (1) the number of logistics alliances which can effectively be maintained; (2) the need for a written contract or agreement; and (3) the compatibility of alliances with a bidding process (see Table 1.5).

Table 1.5
Additional Logistics Alliance Considerations

Manufacturers

Question	Mean Response	Number of Respondents
A firm can be effectively involved in only a limited number of logistics alliances.	2.49 (a)	657
An effective logistics alliance must be supported by a written contract or agreement.	2.84 (a)	656
Having an alliance is not compatible with requiring a bidding process.	3.31	656

Merchandisers

Question	Mean Response	Number of Respondents
A firm can be effectively involved in only a limited number of logistics alliances.	2.76 (a)	155
An effective logistics alliance must be supported by a written contract or agreement.	3.12 (a)	155
Having an alliance is not compatible with requiring a bidding process.	3.42	155

Scale: 1 = Strongly Agree
3 = Neutral
5 = Strongly Disagree

Significant Difference: (a) Manufacturer-Merchandiser

Source: Michigan State University Global Logistics Research.

While overall the response for manufacturers and merchandisers is neutral, manufacturers are more likely to agree that firms can be effectively involved in only a limited number of alliances. Moreover, manufacturers are more likely to agree that a written contract or agreement is necessary. Both

manufacturers and merchandisers feel alliances are compatible with requiring a bidding process. These issues are important and are explored in this research.

LOGISTICS ALLIANCE GUIDELINES

As previously mentioned, comprehensive guidelines concerning the alliance process based on actual business experience have not been derived. While firms have made significant progress toward improving information technology, performance measurement and integrated logistics management competencies, little concrete development has occurred in terms of alliance guidelines and procedures (see Table 1.6).

Table 1.6
Existence of Logistics Alliance Guidelines and Procedures

Manufacturers

Question	Mean Response	Number of Respondents
My firm has clear guidelines and procedures for creating logistics alliances.	3.23	654
My firm has clear guidelines and procedures for monitoring logistics alliances.	3.24	653

Merchandisers

Question	Mean Response	Number of Respondents
My firm has clear guidelines and procedures for creating logistics alliances.	3.33	154
My firm has clear guidelines and procedures for monitoring logistics alliances.	3.26	154

Scale: 1 = Strongly Agree
3 = Neutral
5 = Strongly Disagree

Source: Michigan State University Global Logistics Research.

The research findings reported above indicate a need to develop and document clear guidelines and procedures concerning the alliance process.

RESEARCH PURPOSE

Based on the knowledge gaps identified in the preceding sections, the purpose of this research is to develop clear managerial guidelines for initiating, implementing and maintaining logistics alliances between manufacturers and merchandisers. More specifically, this research: (1) examines alliance development *process* stages and determines related facilitators and constraints; (2) examines alliance *strategic* effectiveness and determines related measures of alliance performance and success; and (3) examines alliance *operational* effectiveness and determines related measures of alliance performance and success.

RESEARCH SCOPE

The research scope is limited to logistics alliances between manufacturers and merchandisers in the grocery industry. Selection of this industry is based on: (1) the dynamic change potential present in the industry; (2) the highly visible role which it plays in North American logistics activities; and (3) the existence of previous research into emerging logistics practices in this industry which identified alliances as an important future research topic (Bowersox, Daugherty and Rogers 1989). Conventional industry wisdom also

suggests that the grocery industry offers the opportunity to provide valuable insight into industry-specific attitudes and strategies concerning logistics best practice in critical areas of information technology, customer service provision and quality measurement.

The focus on only one industry allows for increased data reliability, while not too severely limiting the generalizability of research results. Given the current embryonic stage of alliance theory development, a narrow research scope concentrating on a single, historically advanced industry would appear appropriate for investigation.

While efforts to achieve supply chain integration through improved channel relationships (e.g., logistics alliances) requires involvement of firms from raw material source of origin through site of final consumer purchase, this dissertation is limited to examination of relationships between manufacturers and merchandisers. These relationships are receiving increased attention, primarily due to: (1) the high profile and visibility of companies involved; (2) the implications of shifting channel power bases; and (3) industry integration initiatives, such as Efficient Consumer Response (ECR). While other channel relationships are important in the provision of consumer value, this dissertation focuses on the area of most significant potential cost savings and market impact (Kurt Salmon Associates 1993).

The case studies utilize a dyadic approach, matching responses by manufacturers to their corresponding merchandiser

partners across organizational levels. This requires access to key senior executives and various managers in logistics, distribution, marketing and in some cases information technology and merchandising. The goal is to achieve a holistic, multi-level perspective on the alliance process within each firm.

RESEARCH OBJECTIVES

The specific research objectives for this dissertation are as follows:

(1) Identify and document alliance development *process* stages, constraints and facilitators between manufacturers and merchandisers;

(2) Examine the formation and development of alliance member expectations and the measurement of expected versus perceived effectiveness in order to assess the *strategic* effectiveness and success of an alliance;

(3) Examine the formation and development of alliance member search and selection criteria and the establishment of joint operating standards and evaluation in order to assess the *operational* effectiveness and success of an alliance; and

(4) Generate future research topics and directions for logistics alliance theory and practice.

LIMITATIONS

While this research addresses existing practical and theoretical knowledge gaps, the limitations require explicit identification. The research is based on dyadic case studies involving a limited sample of manufacturers and merchandisers in a single industry. The firms identified for further study were not selected through random sampling techniques. Rather, inclusion was based on: (1) expert knowledge acquired through Michigan State University that firms were involved in manufacturer-merchandiser logistics alliances; and (2) willingness to participate in doctoral student research. These firms are potentially not representative of all firms in the grocery industry. They are indicative of progressive management teams at major firms who: (1) consider logistics alliances a key strategic competency; (2) exhibit leading edge alliance practices; and (3) value the contributions of scholarly research on logistics alliances.

The limited focus makes generalization across other industries and alliance situations tenuous when business characteristics are extremely different. The findings are heavily dependent on organizational culture and leadership capabilities. However, previous research concerning leading edge logistics practices, of which logistics alliances are a subset, indicates that best practice is not defined by size of firm, industry or channel position (Bowersox, et. al. 1989). Based on this proposition, exploratory research can be

adequately completed by studying the alliance process among leading firms in the grocery industry.

POTENTIAL CONTRIBUTIONS

The primary contribution of this research is to create guidelines for initiating, implementing and maintaining customer focused logistics alliances between manufacturers and merchandisers in the grocery industry. By exploring the nature of the relationship between manufacturers and merchandisers in the grocery industry, a significant gap in existing theoretical and practical knowledge can be narrowed.

Specifically, this research identifies alliance process stages, key success factors, implementation barriers and components of strategic and operational alliance effectiveness among manufacturers and merchandisers. The dissertation also generates future research topics and directions for future logistics alliance theory and practice.

PRESENTATION SEQUENCE (ORGANIZATION)

The remainder of this dissertation details research to investigate the alliance process between manufacturers and merchandisers in the grocery industry. The next chapter reviews and synthesizes the relevant literature concerning logistics alliances and channel relationships. Several knowledge gaps are identified which highlight the need for definitive alliance research. Information from both academic and trade journals is presented which supports a general

alliance model. Chapter III describes the appropriate research questions, design and methodology developed for implementation in this dissertation. Among the topics discussed are specific research procedures and analysis methods. Chapter IV highlights research findings including expected and unexpected results. Chapter V summarizes research conclusions including specific managerial guidelines concerning logistics alliances and unique considerations for manufacturer-merchandiser alliances. Contributions, implications and future research directions are also presented.

CHAPTER II

LITERATURE REVIEW

The purpose of this chapter is to review the relevant literature concerning logistics alliances to: (1) describe logistics alliances as an alternative to traditional adversarial practice; (2) position three drivers for formation of logistics alliances between manufacturers and merchandisers; (3) identify specific issues germane to alliances between manufacturers and merchandisers; (4) briefly discuss firm and industry specific initiatives frequently intertwined with the concept of logistics alliances; and (5) review the theoretical foundations of the general alliance model.

LOGISTICS ALLIANCES

According to Bowersox (1990), logistics alliances can be classified by the organizational types of participants. For example, alliances exist which combine the unique service offerings of several logistics service suppliers under a single purchase or invoice (Bowersox 1990). Similarly, logistics alliances exist between multiple shipper organizations, designed to coordinate delivery of a variety of

products and services in a single shipment (Bowersox 1990). Schmitz, Frankel and Frayer (1994) expanded that notion and developed a typology for classifying logistics alliances based on two dimensions: (1) the type of integration; and (2) the number of firms involved. Two types of channel integration may occur: (1) inter-channel alliances which link firms engaged in different channels; and (2) intra-channel alliances which link firms vertically within a single channel. The number of firms can vary from basic (two firms) to extended (several firms). While each alliance type shares a number of similarities, their specific level of complexity and unique formation processes require a more limited focus. Consistent with the desire to study logistics alliances between manufacturers and merchandisers, only basic intra-channel alliances are examined.

In order to distinguish logistics alliances from other types of exchange, it is important to understand the concept of acknowledged dependence. Bowersox, et. al. (1989) and Bowersox and Cooper (1992) describe an exchange continuum which distinguishes between relationship types based on the degree to which participants openly acknowledge their dependence. On the one hand, discrete or transactional exchange involves no acknowledged dependence. Single or repeat transactions in which no further expectation concerning the relationship exists, characterizes these types of exchange. The extent of cooperation, limits of power and lack of integration are primarily communicated through the

transaction price and product/service trade-offs (Dwyer, Schurr and Oh 1987; Webster 1992).

On the other hand, relational exchange acknowledges dependence between the trading parties and, in many cases, extends expectation beyond the transaction price and product/service trade-offs. The four types of relational exchange, administered, alliance, contractual and vertical integration, are discussed in order of increasing dependence. Administered relationships involve repeated exchange and frequently remain adversarial in nature. Often one party to the exchange occupies a position of significant power, suggesting an "exchange or else" attitude. Alliances are much more cooperative than administered relationships, relying on a long-term, goal specific focus. The advantage of alliances is their degree of interorganizational integration, achieved without the requisite financial burden of ownership (Schmitz, Frankel and Frayer 1994). Contractual relationships specify the degree of cooperation and interorganizational integration through written agreements. The dynamics of the current business environment make contractual specification of all potential contingencies highly improbable. Regardless, such relationships exhibit higher levels of acknowledged dependence. Vertical integration through ownership offers the best opportunity for integration, primarily due to singleness of focus. While transactions remain relational, price is no longer an issue, and cooperation is theoretically at its peak. However, the well-documented drawbacks of vertical integration

remain significant (Williamson 1971; Williamson 1975; Williamson 1979; Schmitz, Frankel and Frayer 1994).

Therefore, alliances involve relational exchange and acknowledged dependence, but do not rely upon the formal control mechanisms of contract or ownership. Interorganizational integration is achieved through other means, primarily cooperation and mutual sharing of risks and rewards (Bowersox, et. al. 1992).

FORCES INFLUENCING ALLIANCE DEVELOPMENT

Three key environmental and competitive forces are influencing the development of alliances between manufacturers and merchandisers: (1) the shift in channel power from manufacturers toward retailers; (2) heightened consumer demands; and (3) the growth in alternative distribution and retailing formats. The impact of these forces on manufacturers, wholesalers and retailers is described in the following sections.

SHIFT IN CHANNEL POWER

In recent years, there has been a widely acknowledged shift in channel power from manufacturers toward retailers across various industries (Bowersox, et al. 1993; Kim 1993). Based on their inherent historical position of power, manufacturers traditionally relied on product quality, strong consumer brand loyalty and extensive consumer preference research to effectively "push" products through distribution

channels (Bowersox and Cooper 1992). During the late 1970s, the ability of manufacturers to act as channel leaders began to decline for two reasons. First, mergers and acquisitions among retailers created volume buying power that threatened manufacturers' ability to dictate buying terms. Second, increased point-of-scale scanning provided retailers with accurate and timely information concerning consumer purchases. This information became more valuable than the manufacturers' consumer preference research because data on actual sales could be used to improve forecasting accuracy in a more timely manner. These changes, coupled with a general decline in consumer brand loyalty, made "push" strategies much more difficult to execute. As a result, manufacturers sought alliances with retailers to offset this shift in buying power and obtain access to more accurate and timely market information. For retailers, this power shift provided an opportunity to significantly alter trade practices. Retailers are now approaching manufacturers concerning development of quick response, continuous replenishment and vendor managed inventory programs to simplify distribution, while enhancing consumer value.

For wholesalers, this shift in channel power is particularly perplexing. As manufacturers and retailers seek closer relationships, the purpose of wholesalers is being challenged. Many wholesalers are refocusing their businesses on value-adding activities in an attempt to justify their involvement in product distribution and avoid elimination as

viable channel members. For example, many wholesalers are offering manufacturers simplified distribution solutions to more fully align the supply chain and provide themselves with additional security. Further, many wholesalers have elected to consolidate with other wholesalers or align with key retailers in an attempt to develop a stronger market presence. This presence is achieved when the wholesaler becomes large enough to offer manufacturers extensive market coverage at lower cost and to offer retailers a wide product variety through "one-stop shopping." Overall, manufacturer-merchandiser alliances have become a means for both parties to integrate their individual strengths and attempt to achieve their respective market objectives.

HEIGHTENED CONSUMER DEMANDS

The shift in channel power has coincided with a rapid expansion of consumer expectations and demands (Kardon 1992). Consumers are *simultaneously* demanding increased product variety, improved service performance and lower prices. For manufacturers, this has necessitated rapid product introductions, expanded product lines, increased service offerings and improved manufacturing and distribution efficiencies designed to decrease product prices. In combination, these activities require manufacturers to be extremely flexible. Traditionally, manufacturer flexibility was often achieved through expanded inventory safety stocks designed to meet unknown balances in demand and manufacturing

capacity (Armfield 1994). This ensured adequate product availability to meet merchandiser orders. For retailers, the impact of market/demand uncertainty was also minimized by holding significant inventory safety stocks at retail distribution centers or store locations. However, rapid changes in consumer demands often resulted in substantial quantities of obsolete or unsalable product.

Retailers recognized the inherent cost of this approach and sought to substitute product information for physical inventory. To reduce cost and achieve coordinated benefits, manufacturers and merchandisers began exploring the establishment of logistics alliances. Critical components of logistics alliances such as interorganizational integration, joint synergy and planning and real-time information exchange all serve to decrease uncertainty in distribution channels (Achrol and Stern 1988). As widely reported in trade publications, companies have been able to significantly address market/demand uncertainties through programs such as quick response and continuous replenishment (Kurt Salmon Associates, Inc. 1993). Germain, Dröge and Daugherty (1994) refer to these programs as industry-tailored just-in-time systems.

ALTERNATIVE DISTRIBUTION AND RETAILING FORMATS

The recent growth in alternative distribution and retailing formats has also influenced development of manufacturer-merchandiser alliances. The number of new

retailing formats (specialty, mass merchandise, wholesale club, mail order, home shopping) has changed the competitive environment for retailers (Food Marketing Institute 1992). Alternative retailing formats have provided consumers with broader choices and, in some cases, have been surprisingly more efficient at achieving value. This suggests that traditional retailers can no longer be complacent. As a result, merchandisers are motivated to increase efficiency through increased coordination with manufacturers.

Similarly, a number of new distribution options (third-party, direct-store delivery, cross-docking) have changed the competitive environment for wholesalers. For decades, wholesalers have been satisfied serving an undifferentiated intermediary role. In many cases, distribution costs became excessive and failed to justify continuing traditional business practice. The efficiencies achieved through alternative distribution formats have motivated wholesalers to change their competitive positioning by consolidation (to increase buying power) and refocusing on value-adding activities for both manufacturers and merchandisers. Alliances offer a single means to achieve each of these goals.

THEORETICAL AND PRACTICAL CONSIDERATIONS

While alliances which link material and component suppliers, manufacturers, merchandisers and logistics service suppliers share many common attributes, there are a number of theoretical and practical considerations specific to the

relationship between manufacturers and merchandisers. Among these are: (1) the nature of cooperation; (2) unique sources of power; (3) effort required to achieve interorganizational integration initiatives; and (4) the role of uncertainty.

COOPERATION

As previously discussed, logistics alliances require a significant degree of cooperation between partners to overcome organizational boundaries and achieve integration (Bowersox 1990). While the literature concerning interorganizational cooperation is extensive (MacNeil 1980; Axelrod 1984; Mohr and Nevin 1990), the specific nature of cooperation between manufacturers and merchandisers involved in logistics alliances is worth considering.

In addition to other value-adding functions, merchandisers provide an outlet through which manufacturers distribute products to consumers for final consumption (Bowersox and Cooper 1992). The unique positioning of such channel relationships distinguishes them from logistics alliances involving other channel members. Unlike logistics alliances between manufacturers and material, component or service suppliers, manufacturer-merchandiser alliances remain consumer-focused and market demand remains a critical component. In this context, cooperation can be viewed as a means for streamlining operations to provide greater consumer value. Such value can be derived through brand equity or store equity. Hence, cooperation between manufacturers and

merchandisers balances the inherent power differentials derived through brand or store equity.

POWER

While the influence and sources of power in distribution channels has been an area of significant theoretical research (Frazier 1983; Frazier and Summers 1984), the relevance of power in manufacturer-merchandiser relationships can be reduced to the difference between brand equity and store equity. Manufacturers rely on the strength of brand names to establish a consumer franchise. In the past, strong brands coupled with the lack of information at retail resulted in establishment of considerable power among manufacturers. However, changing consumer preferences, retail consolidation and improved information availability began to increase the value of store location. As a result, the widely acknowledged shift in power from manufacturers toward retailers has served to intensify power differentials.

Logistics alliances, based on cooperation and mutual sharing of risks and rewards, have become a means for manufacturers and merchandisers to combine the strengths of brand and store equity to provide greater consumer value. The unique nature of power in these relationships will likely lead to interorganizational integration far different from that achieved in logistics alliances involving other channel members (MacNeil 1980; Brown 1981; Anderson and Narus 1984; Anderson and Narus 1990).

INTERORGANIZATIONAL INTEGRATION

A general model was developed by Bowersox, et. al. (1992) which defines three key attributes necessary to achieve interorganizational integration. These are: (1) information access; (2) connectivity; and (3) formalization. Information access occurs when partners formally agree to allow key strategic and operational information to be shared without restriction. Connectivity refers to the ease with which information is transferred between partners. High connectivity results when partners provide tailored information in a highly responsive manner. Formalization occurs when rules and procedures are developed to guide operationalization of the relationship. High levels of these three attributes will lead to higher levels of interorganizational integration, assuming the internal mechanisms have been previously established.

This model is particularly relevant in the case of manufacturer-merchandiser alliances, since key information must be readily transferred between partners to achieve the combined benefits of brand and store equity. High levels of interorganizational integration can reduce the impact of market and competitive uncertainty.

UNCERTAINTY

According to Thompson (1967), the central problem among highly complex organizations is uncertainty. With regard to manufacturer-merchandiser relationships, uncertainty primarily

manifests itself in one of three forms: (1) competitive uncertainty; (2) regulatory uncertainty; or (3) market/demand uncertainty. Traditionally, manufacturers and merchandisers have minimized the impact of these uncertainties by holding significant inventory in the form of safety stock. An alternative means for minimizing these uncertainties is to initiate logistics alliances (Schmitz, Frankel and Frayer 1994). Interorganizational integration, joint synergy and planning and real-time information exchange, necessary for logistics alliances, all serve to decrease uncertainty in distribution channels (Achrol and Stern 1988).

As widely reported in trade publications, companies have been able to significantly address these uncertainties through programs such as quick response (QR) and continuous replenishment (CRP). Germain, Dröge and Daugherty (1994) refer to these programs as industry-tailored just-in-time (JIT) systems.

FIRM AND INDUSTRY SPECIFIC INITIATIVES

While many academics and practitioners use the terms interchangeably, this research does distinguish between logistics alliances, quick response arrangements, continuous replenishment programs and the food industry based Efficient Consumer Response initiative. While each is related, they are not synonymous.

Quick response (QR) programs, pioneered in the apparel industry, are designed to reduce channel inventories without

exposing firms to extreme levels of market uncertainty. Quick response programs typically involve more frequent, smaller shipments of product directly to retail stores. While quick response programs can be facilitated by the use of logistics alliances, they are not required. Quick response programs could be initiated in an administered, contractual or vertically integrated environment. It is imperative to understand the nature of the relationship before concluding that a quick response arrangement is based on a logistics alliance.

Continuous replenishment (CRP) programs, much like quick response, are designed to reduce channel inventories while minimizing market-based uncertainty (Andraski 1993). The primary difference between continuous replenishment and quick response programs is the point at which shipments are released. In quick response, shipments are initiated by consumer activity. In continuous replenishment, shipments are destined for retail locations, even before consumer purchases occur. Ideally, the concept involves shipments, sized by demand in the previous period, arriving right at the time of consumer sale. Again, continuous replenishment programs can be developed on a logistics alliance platform, but this is not required.

The final distinction involves a very specific industry-based initiative currently being developed in the food industry. Efficient Consumer Response (ECR), as described by Kurt Salmon Associates (1993), is designed to provide greater

consumer value through streamlined operations in four key areas: (1) efficient store assortments; (2) efficient replenishment; (3) efficient promotion; and (4) efficient product development. While logistics alliances are a key component of the initiative, ECR is much broader. It considers elements of marketing, merchandising and product development well outside the scope of traditional logistics alliances. With these distinctions in mind, the process through which logistics alliances are conceptualized, designed, implemented, controlled, modified and when necessary terminated can be more clearly operationalized.

THEORETICAL FOUNDATIONS FOR A GENERAL ALLIANCE MODEL

The general alliance model is comprised of three basic components: (1) process; (2) strategic; and (3) operational. The theoretical foundation and nature of each component is briefly discussed in the following sections.

PROCESS COMPONENT

Based on a comprehensive review and synthesis of the literature concerning the stages of successful organizational and planned change (Lippitt, Watson and Westley 1958; Rogers 1962; Greiner 1967; Zaltman, Duncan and Holbek 1973; Bennis 1987; Dwyer, Schurr and Oh 1987), a five stage model was developed to describe the alliance process (see Figure 2.1). The five stages include: (1) need awareness; (2) search; (3) selection/decision; (4) implementation/administration; and (5)

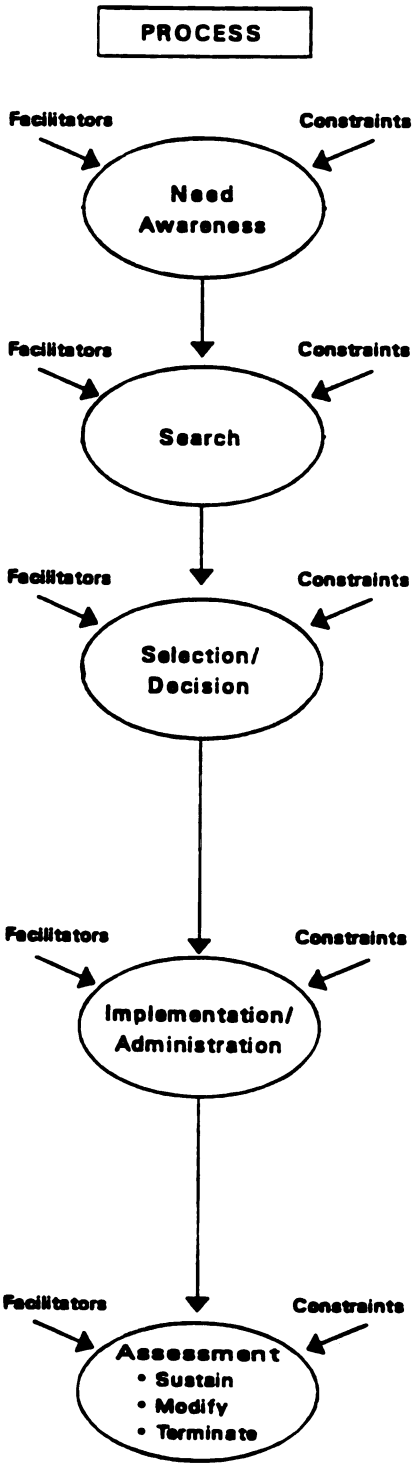

Figure 2.1
Stages of Alliance Formation

assessment. In the need awareness stage, the organization recognizes the potential for an improved system designed to reduce uncertainty and capitalize on existing opportunities. In the search stage, the organization is motivated to seek more detailed information concerning alliance potential, including partner alternatives as defined by the critical nature of the technical core under consideration. In the selection/decision stage, the pool of potential partners is narrowed to arrive at a preferred partner. At this stage, full commitment to change begins, including visible investment and contracts. In the implementation/administration stage, actual alliance formation occurs, including establishment of interorganizational integration mechanisms. Alliance partners also review original expectations and initial performance measures to determine relative success. Existence of exit barriers becomes a consideration at this stage. Finally, in the assessment stage, the alliance has achieved full implementation and partners are engaged in ongoing evaluation of alliance effectiveness leading to continuation, expansion or termination.

By providing detail concerning activities at each stage in the process, this model overcomes the shortcomings of previous stage models.

STRATEGIC COMPONENT

Integral and simultaneous to the alliance process stages are a series of strategic considerations leading to

measurement of alliance effectiveness. Bucklin and Sengupta (1992; 1993) developed a measure of alliance success based on mutual benefit and used this measure to evaluate co-marketing alliances. This measure, with minor modification, can be used to evaluate the effectiveness of logistics alliances (Schmitz 1994) (see Figure 2.2).

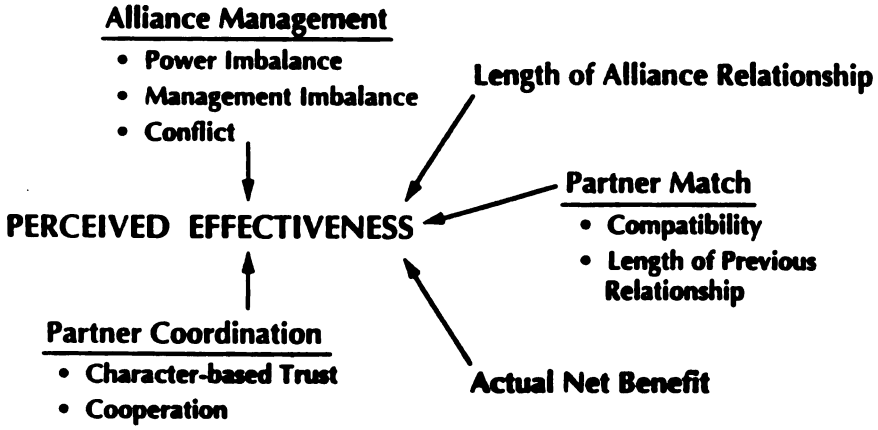

Figure 2.2
Measure of Alliance Effectiveness

The measure of alliance success developed by Bucklin and Sengupta (1992; 1993) is a dyadic measure which examines the perceived effectiveness of an alliance. Perceived effectiveness is expressed through four dimensions: (1) age; (2) project management; (3) project payoff; and (4) partner match. A fifth dimension, rate of technological change, was specific to conditions occurring in co-marketing alliances and was dropped from the analysis (Schmitz 1994). Age refers to the length of the relationship and is hypothesized to have a positive impact on perceived effectiveness. Project

management includes three dimensions which negatively impact alliance effectiveness: (1) power imbalance which hinders realization of mutual benefits; (2) managerial imbalance which signifies inconsistent commitment between partners; and (3) conflict which reflects ineffective leadership and intensifies power imbalance. Project payoff refers to the strategic value of the alliance net development cost. Logistics alliances formed on the basis of well-defined costs and benefits are more likely to result in perceptions of high performance. The fourth dimension, partner match, is based on cohesiveness of management styles and corporate cultures. It is defined by two dimensions which positively impact perceived effectiveness: (1) compatibility which is a measure of interorganizational integration; and (2) prior history which is a qualitative measure of the nature of the existing relationship.

A fifth dimension, partner coordination, was added to the model by Schmitz (1994). Partner coordination positively impacts perceived effectiveness and is based on two dimensions: (1) trust; and (2) cooperation. While these dimensions are indirectly included through other parts of the Bucklin and Sengupta (1992; 1993) measure of alliance effectiveness, the literature provides significant support for their explicit inclusion (Mallen 1967; Axelrod 1984; Anderson and Narus 1990).

With regard to trust, Gabarro (1978) identified three bases of trust that develop between superior-subordinates at

an executive level. These bases were character-based trust, competence-based trust and judgment (Gabarro 1978). In 1987, Gabarro collapsed judgement into competence-based trust, leaving only two trust bases. While Gabarro's research focused on two-person working relationships between superiors and their subordinates, his delineation of trust can be applied to other working relationships such as logistics alliances. Much like superior-subordinate relationships, manufacturers must consider the needs of their customers.

Character and competence-based trust are easily differentiated. Character-based trust examines the qualities or characteristics inherent in the partners' philosophies and cultures, while competence-based trust is concerned with specific behaviors. In other words, trust is evaluated in terms of a qualitative assessment of a partner's characteristics as well as quantitative assessment of a partner's actual behaviors and operational performance. This distinction is mirrored by Ganesan (1994) who examined determinants of buyer-seller relationship continuity and also used trust as a multidimensional construct.

The general alliance model utilizes this multi-dimensional characterization of trust. Character-based trust is evaluated on a strategic level such that a comparison of qualities and characteristics is made in terms of organizational philosophies, cultures, strategic intentions and goals. Competence-based trust is examined on an operational level to evaluate performance competency and

business expertise. Given this distinction, character-based trust is used as an element of partner coordination for evaluating strategic effectiveness. Competence-based trust is included as an element of information access for evaluating operating standards.

Gabarro (1978; 1987) identifies five sources of character-based trust. They are: (1) integrity as a perception of the partner's level of honesty; (2) identification of motives as a perception of the partner's true strategic intentions; (3) consistency of behavior as a perception of the reliability and predictability of the partner's actions under different situations; (4) openness as a perception of how up-front the partner really is about problems; and (5) discreetness as a perception that the partner will maintain confidentiality of strategic plans and related information. These five sources of character-based trust are very consistent with strategic level expectations of an alliance partner and focus on the similarity of corporate philosophies and culture. As such, character-based trust is hypothesized to have a positive impact on alliance effectiveness.

OPERATIONAL COMPONENT

Bowersox, et. al. (1990; 1992) discussed how successful alliances share three operational characteristics or attributes to achieve external integration. These attributes are: (1) formalization, occurring when operating rules and

procedures are developed to guide the alliance; (2) information access, where partners formally agree and allow key information to be shared regularly without restriction; and (3) connectivity, where partners provide tailored information in a highly responsive manner, emphasizing ease of transfer (Bowersox, Daugherty and Lundrigan 1990; Bowersox, et. al. 1992). The attributes can be used as an evaluation of operating standards developed for the alliance (see Figure 2.3).

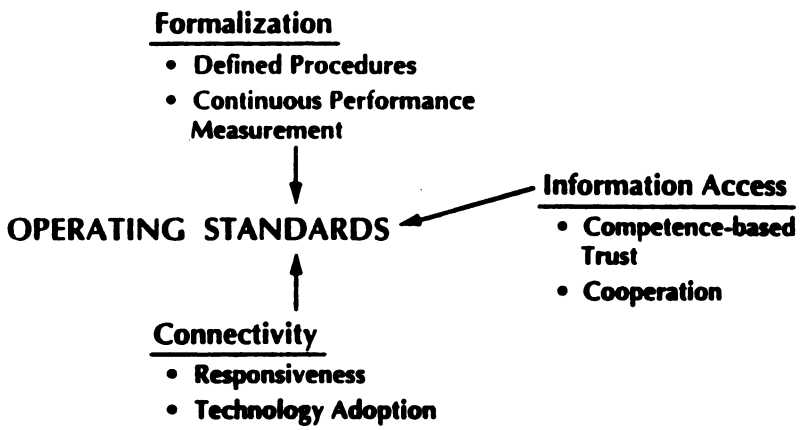

Figure 2.3
Measure of Joint Operating Standards

First, formalization refers to the development of operating plans, rules and procedures to guide day-to-day alliance activities. Not only does each partner have to create inter-firm operating rules and procedures, but they also have to develop intra-firm operating practices. While formalization has some connotation of rigidity, in actual

practice, it can lead to a more flexible operating structure (Bowersox, et. al. 1992).

Formalization has two elements that positively impact the evaluation of operating standards: (1) defined procedures; and (2) continuous performance measurement. Defined procedures enable the alliance partners to reduce duplication such that each partners knows exactly what its roles and responsibilities are and accountability is established (Bowersox, et. al. 1992). This allows logistics functions and activities to be managed in an integrative manner and enhances the benefits of specialization.

Dwyer, Schurr and Oh (1987) identified "measuring, specifying and quantifying" operational performance aspects as a key to successful relational exchange. This essentially equates to the need to develop operating performance measurements and then continually measure and improve those operational activities. Frazier, Spekman and O'Neal (1988) argue that not only is a specified performance measurement system critical, but also the system must include frequent, joint appraisal. Hendrick and Ellram (1993) found formal, detailed performance measurement procedures were in place and "taken seriously" by alliance partners and that these procedures continuously identified "potential areas for improvement in quality, service, and cost."

Second, information access stipulates what kind of information is shared between alliance partners and how frequently information transfer occurs. A key point to

information access is that the sharing of critical information is not restricted to a select few. Rather, pertinent strategic and operational information is shared with all the individuals involved in the alliance. Further, capabilities for regularly sharing information are established.

Information access has two elements that positively influence the evaluation of operating standards: (1) competence-based trust; and (2) cooperation. Competence-based trust emerges from four sources: (1) specific competence in terms of specialized operational knowledge and skills; (2) interpersonal competence in terms of individuals' ability to effectively perform their responsibilities; (3) competence in business sense in terms of specializing in a specific area of expertise; and (4) judgement in terms of decision making ability (Gabarro 1978). These four sources of trust are very consistent with achieving operating standards and focus on the necessary behaviors or tasks that facilitate operating performance. Cooperation results at an operational level such that partners coordinate to achieve mutual operating standards.

Third, the notion of connectivity has two aspects: (1) responsiveness; and (2) ease of communication (Bowersox, et. al. 1992). Responsiveness requires both speed of interaction and precision such that problems or requests are handled quickly as well as accurately (Bowersox, et. al. 1992). Ease of communication refers to the manner, regardless of level of sophistication, in which the information is shared. As stated

by Bowersox, et. al. (1992), "sophisticated communication systems do not guarantee high levels of connectivity." These three characteristics comprise the measure of operating standards, the key element in the operational component.

GENERAL ALLIANCE MODEL

By combining the alliance process stages with the measure of expected effectiveness and determination of joint operating standards, a complete general alliance model is derived (see Figure 2.4). Since the alliance process is dynamic, not static, strategic effectiveness becomes an evolutionary measure, beginning at initial implementation and potentially changing through assessment. Similarly, joint operating standards develop from the initial search and selection criteria and continue to evolve through assessment.

As is common in consumer choice models, expectations can be compared to measures of perceived effectiveness to guide behavior. In the strategic component of the general alliance model, initial expectations concerning alliance payoff, originating at need awareness and continuing through search, eventually evolve into a measure of expected effectiveness. This measure is identical to the measure of perceived effectiveness, allowing direct comparisons to be made. Similarly, in the operational component of the general alliance model, search criteria eventually evolve into determination of joint operating standards. These operating standards can be evaluated to determine operational

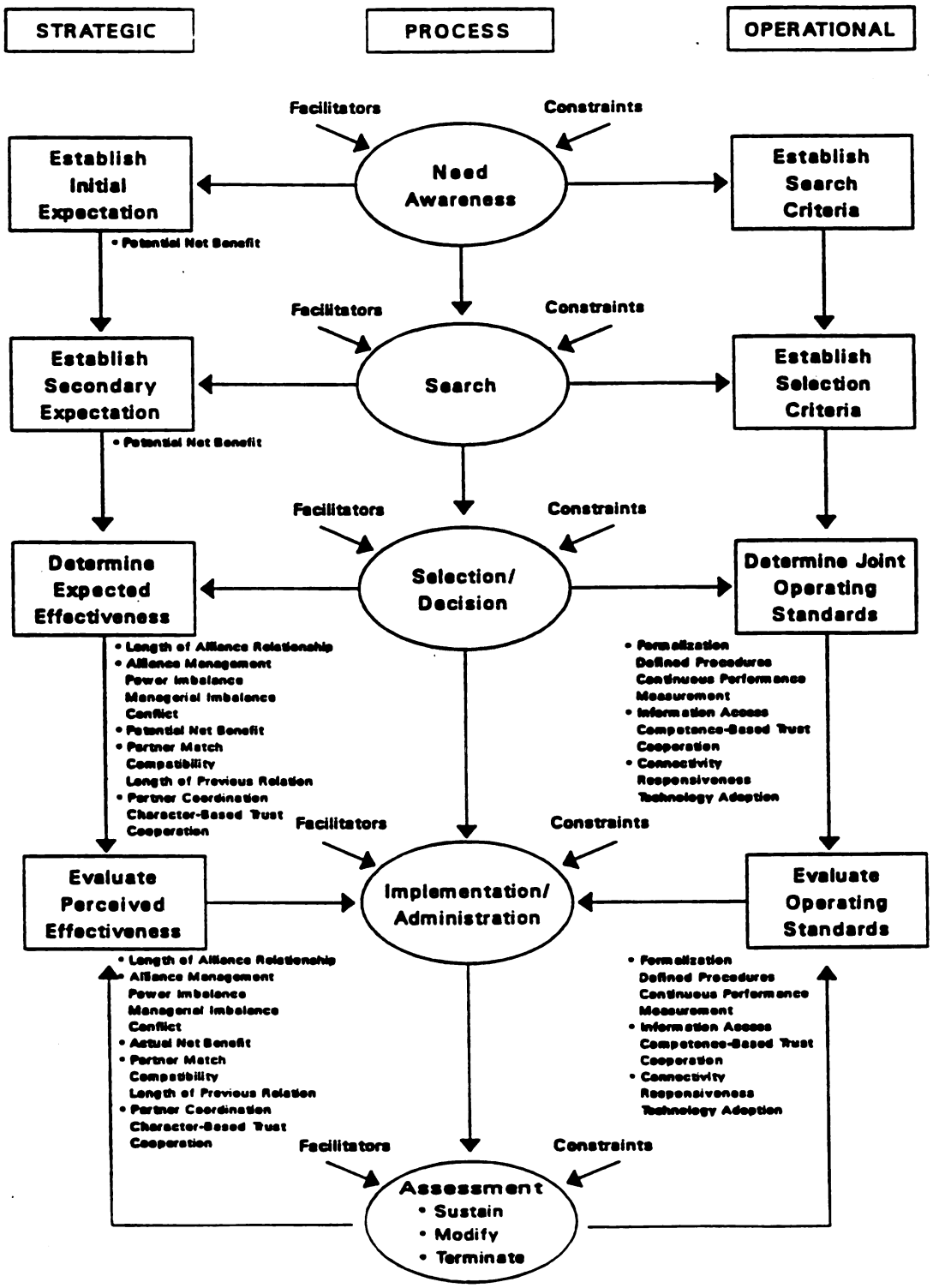

Figure 2.4
General Alliance Model

effectiveness. By combining the strategic and operational measures of effectiveness, assessment concerning sustaining, modifying or terminating the alliance can be made.

SUMMARY

This chapter has reviewed the relevant literature concerning logistics alliances as a means to position this research as an important contribution to theoretical and practical knowledge development. Logistics alliances, as a form of relational exchange, were distinguished from basic transactional relationships due to higher levels of acknowledged dependence between the transacting parties. Three factors influencing development of alliances between manufacturers and merchandisers were discussed including shifting channel power, heightened consumer demands and alternative distribution and retailing formats. Several theoretical and practical considerations, such as the nature of cooperation, unique sources of power, effort required to achieve interorganizational integration initiatives and the role of uncertainty, were positioned relative to the unique channel relationship shared by manufacturers and merchandisers. Several firm specific initiatives, such as quick response (QR) and continuous replenishment (CRP) programs, and a major industry specific initiative, Efficient Consumer Response (ECR) were discussed relative to logistics alliances. Finally, the relevant literature and support for the general alliance model, including the process, strategic

and operational components, was briefly presented and discussed.

CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

The purpose of this chapter is to describe the research design and methodology developed for implementation in this dissertation. First, the research purpose and objectives are described. Second, the research questions are presented and discussed. Third, the primary methodology is detailed including the selected unit of analysis and procedures for sample selection as well as data collection and coding techniques. Finally, data analysis and generalizability are discussed.

RESEARCH PURPOSE AND OBJECTIVES

The purpose of this research was to develop clear managerial guidelines for initiating, implementing and maintaining logistics alliances between manufacturers and merchandisers. The research purpose was carried out by conducting three indepth dyadic interview sets with manufacturers and merchandisers and comparing results across and between matched dyadic sets.

The specific objectives of this research were as follows: (1) identify and document alliance development *process* stages,

constraints and facilitators between manufacturers and merchandisers; (2) examine the formation and development of alliance member expectations and the measurement of expected versus perceived effectiveness in order to assess the *strategic* effectiveness and success of an alliance; (3) examine the formation and development of alliance member search and selection criteria and the establishment of joint operating standards and evaluation in order to assess the *operational* effectiveness and success of an alliance; and (4) generate future research topics and directions for logistics alliance theory and practice.

RESEARCH QUESTIONS

In order to achieve the research purpose and objectives, this section details the primary research questions based on the general alliance model developed in Chapter II (see Figure 3.1). The first series of questions address the process component of the general alliance model. The second series of questions address the strategic component of the general alliance model. The third series of questions address the operational component of the general alliance model.

ALLIANCE PROCESS STAGES

The research questions concerning the process component of the general alliance model were:

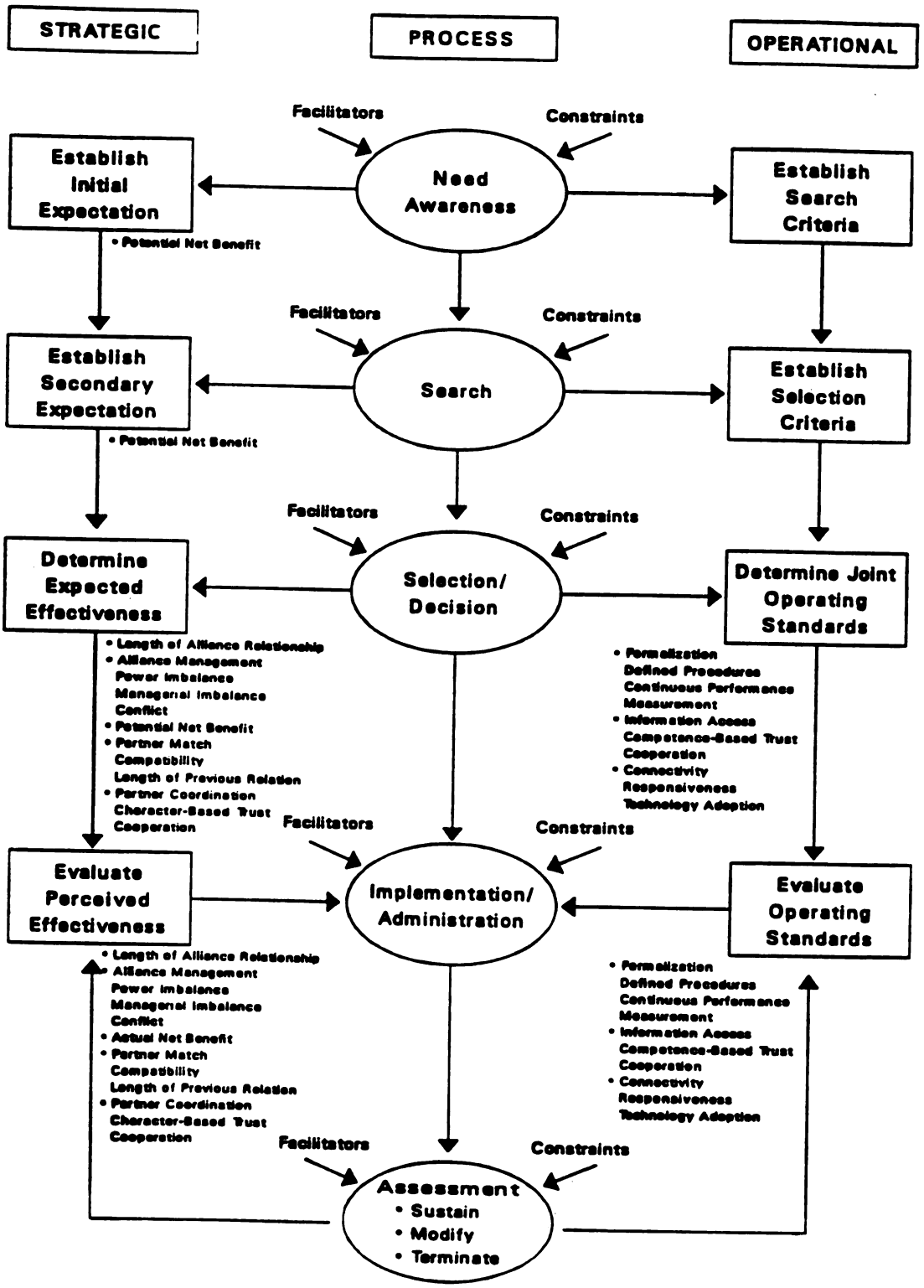

Figure 3.1
General Alliance Model

(1) To what extent do logistics alliances between manufacturers and merchandisers progress through the five process stages in the proposed general alliance model?

(2) What characteristics facilitate or constrain the logistics alliance process?

(3) What, if any, relationship exists between length of time in each stage and alliance success?

(4) What process activities impact managerial decision-making with regard to sustaining, modifying or terminating logistics alliances? How does this impact occur?

The first research question addresses to what extent logistics alliances between manufacturers and merchandisers progress through the five process stages of the general alliance model. Specifically, it is believed that logistics alliances proceed sequentially through all five stages, with activities at each previous stage influencing the next.

If firms progress sequentially through the identified stages as suggested in the previous question, the second research question addresses specific issues or activities which facilitate or constrain the alliance process stages. In the need awareness stage, it is believed that reduction in uncertainty (e.g., market/demand uncertainty) and business opportunities (e.g., leveraging capital, reducing inventory, etc...) influence formation of logistics alliances. In the search stage, it is believed that the number of alternative

sources and the critical nature of product/service under consideration influence formation of logistics alliances. In the selection process/decision stage, it is believed that visible capital and human resource investments and contractual arrangements influence the formation of logistics alliances. In the implementation/administration stage, it is believed that visible investments, contractual arrangements and existence of exit barriers influence the formation of logistics alliances. In the assessment stage, it is believed that the ability to measure the perceived effectiveness at the strategic level and the operating standards at the operational level facilitate or constrain the continuation of logistics alliances. Of course, other activities may be identified which facilitate or constrain each of the five process stages.

The third research question considers the length of time involved in the completion of each stage in the alliance process and its relationship to alliance success.

The fourth research question considers how alliance process activities lead to and impact managerial decision-making regarding sustaining, modifying or terminating logistics alliances. This question probes the interaction of process activities, strategic evolution of both partners' expectations and effectiveness measurements and operational standards and evaluations. Hence, the three components are, in fact, intertwined.

STRATEGIC EXPECTATIONS AND ALLIANCE EFFECTIVENESS

The research questions concerning the strategic component of the general alliance model were:

(1) How are initial and secondary alliance member expectations influenced by the alliance process?

(2) How do expectations evolve throughout the alliance process?

(3) How is alliance effectiveness measured?

(4) How, if at all, do firms measure and compare perceived effectiveness to expected effectiveness?

(5) How critical are the components of effectiveness to long-term alliance success?

(6) How are requisite levels of risk, benefit and trust established between alliance partners at the strategic level?

The first question addresses the relationship between a firm's initial need awareness and initial expectations of potential net benefit. For example, the need to improve customer impact will likely produce expectations of reduced stock-outs and improved customer service.

The second research question concerns the evolution of partner expectations throughout the alliance process. Expectations at each stage of the alliance process are believed to influence subsequent partner expectations. Specifically, the level of initial expectations influences the decision to continue alliance development and formation of secondary expectations.

The third research question is concerned with identifying measures of alliance effectiveness. While it is believed that potential net benefit alone influences expectations in early stages of the alliance process, it also believed to be combined with components of alliance management, length of alliance relationship, partner match and partner coordination to influence (expected and perceived) effectiveness at later stages of the process.

The fourth research question is concerned with whether firms specifically proceed through a comparative assessment between expectations of expected effectiveness and perceptions of actual effectiveness. It is assumed that such a procedure is necessary to make a proper assessment of alliance performance and success in the future.

The fifth research question suggests that several (or all) of the following components are critical to long-term alliance success: alliance management (power imbalance, management imbalance, and conflict); length of alliance relationship; partner match (compatibility and length of previous business relationship); partner coordination (character-based trust and cooperation) and potential net benefit.

The sixth research question addresses the manner in which alliance partners manage the risk and benefits and create and build trust within the relationship. These issues are expected to be clearly identified, explicitly planned for and measured within successful alliances.

OPERATIONAL CRITERIA AND STANDARDS

The research questions concerning the operational component of the general alliance model were:

(1) How, and to what extent, are search criteria influenced by the alliance process?

(2) How, and to what extent, are selection criteria influenced by the alliance process?

(3) How are joint operational standards established?

(4) How, if at all, do firms evaluate joint operational standards?

(5) How critical are the components of joint operational standards to long-term alliance success?

(6) How are requisite levels of risk, benefit and trust established between alliance partners at the operational level?

The first research question addresses the relationship between a firm's need awareness and the establishment of broad search criteria to meet the identified need. For example, it is expected that the need to improve customer impact will likely produce a list of necessary capabilities and firms which are able to provide such capabilities.

The second research question concerns the relationship between a firm's search process (for an alliance partner) and the recognition of more specific criteria concerning selection of a partner. It is expected that these selection criteria are heavily influenced by the nature of available partners.

The third research question concerns the establishment of operating requirements following the selection decision. It is expected that internal organizational integration is a necessary precursor to achieving joint operational standards.

The fourth research question addresses whether firms specifically perform an evaluative assessment of their joint operational standards. It is expected that such a procedure is necessary to make a proper assessment of alliance performance and success in the future.

The fifth research question addresses to what extent the establishment of joint operational standards is influenced by the ability to achieve interorganizational integration. It is expected that formalization, information access and connectivity are the critical building blocks necessary to create this common interorganizational efficiency and effectiveness.

The final research question concerns risk and benefit management by the alliance partners, and how they create and build trust within the relationship. These issues are expected to be clearly identified, explicitly planned for and measured within successful alliances.

RESEARCH METHODOLOGY

This section describes the research methodology utilized in this dissertation. First, the relevant unit of analysis is identified and described. Second, the sample selection

process is defined. Third, the data collection and coding procedures are explained.

UNIT OF ANALYSIS

According to Achrol, Reve and Stern (1983), the fundamental activity in marketing channels is the transaction, the act of exchange between two economic agents. Focusing on transactions as the basic activity compels a dyadic perspective in which the relationship between the two transacting parties is studied. The focus in transactional level analysis is on how and why different transactions are created, carried out or avoided between channel members (John and Reve 1982; Achrol, Reve and Stern 1983; Reve and Stern 1986).

In alliances, partners voluntarily enter relationships designed to improve the efficiency and effectiveness of basic exchange. Since exchange involves more than simply economic activities, other considerations such as information exchange and joint decision-making processes must be examined. For this dissertation, the dyad between manufacturers and merchandisers in a logistics alliance was the highlighted unit of analysis.

SAMPLE SELECTION

According to Churchill (1991), sampling procedures can be broadly categorized as probability samples (derived through random selection) and non-probability samples (based on

personal judgment). Non-probability samples are particularly effective when certain criteria are explicitly required in the sample. Since the dyadic case pairs utilized in this research required partner matching, non-probability samples were most appropriate.

The particular type of non-probability sampling utilized in this research is known as judgment or purposive sampling. This technique insured that the potential participants all met the necessary conditions for final selection (Gay and Diehl 1992). More specifically, the type of purposive sampling utilized is known as functionally directive referrals. Expert judgment was utilized to identify manufacturers in the grocery industry who are leaders in alliance practice. From among this initial sample, manufacturers who are directly involved in alliances with merchandisers were identified. Once identified, each manufacturer was asked to select the merchandiser that represented its best logistics alliance to complete the dyad. Specifically, the manufacturers were contacted by formal letter and/or telephone and requested to participate in the research. A condition of manufacturer participation was their willingness to: (1) identify their best alliance with a merchandiser; (2) contact the merchandiser and request their involvement in the research; and (3) provide appropriate contact names and phone numbers to establish a research relationship with the merchandiser. Upon the agreement of both firms, an established research dyad was created. Three such dyads were utilized.

If selected manufacturer-merchandiser logistics alliances included other parties (e.g., logistics service suppliers), these were considered logistics facilitators. If the other party was an equal and integral part of the alliance process, providing joint performance expectations, the manufacturer was asked to select an alternative alliance relationship.

DATA COLLECTION AND CODING PROCEDURES

Each participating firm was mailed a brief letter which details the research scope, purpose and structure. The specific information contained in this letter is detailed in the case study protocol (see Appendix B).

The research structure utilized indepth interviews with multiple key informants within and across both the manufacturer and merchandiser. According to Campbell (1955), key informants should: (1) occupy roles that make them knowledgeable about the issues being researched; and (2) be able and willing to communicate with the researcher. The use of multiple respondents at multiple organizational levels from both sides of a channel dyad was designed to provide greater reliability and validity of reports of interorganizational relationships (Campbell and Fiske 1959; John and Reve 1982; Phillips and Bagozzi 1986).

Representatives at the senior executive, middle management and day-to-day (operational) management levels were interviewed (see Figure 3.2). The interviews consisted of a series of structured and open-ended questions discussing

perceptions of past, current and future alliance practice. Participating managers were matched across organizations to provide both strategic and operational perspectives.

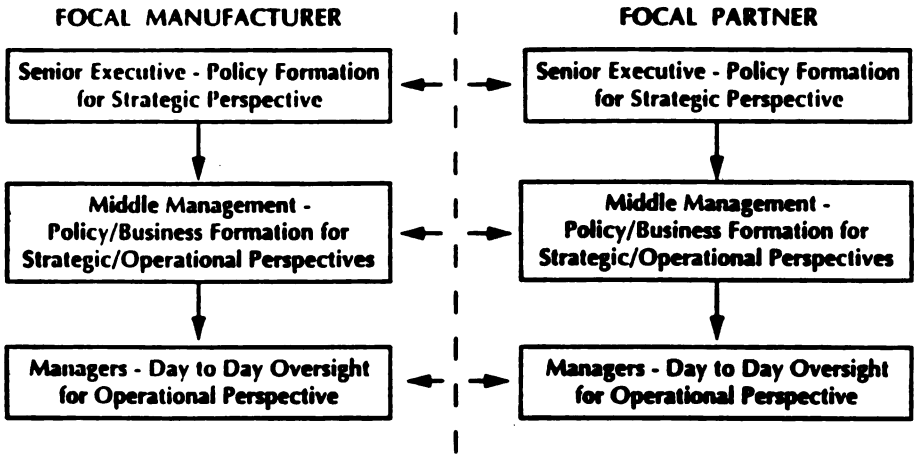

Figure 3.2
Interview Structure

Interviews focused on, but were not limited to, the following topics: (1) the alliance process, including initial conceptualization, implementation, performance evaluation, maintenance and assessment of success; (2) day-to-day activities required to manage the alliance; (3) the degree of multi-functional involvement; and (4) other activities that help or hinder the alliance process. Table 3.1 provides a structured view of the interview topics. Follow-up contact was used where appropriate to clarify responses. Finally, selected interview participants were asked to complete a brief questionnaire following completion of the interview (see Appendix A). The questionnaires, along with the indepth

Table 3.1
Interview Topics

Key Informant	Process Component	Strategic Component	Operational Component
Senior Executive	• Alliance policy formation	• Alliance strategic positioning	• Alliance operations as related to strategy
Middle Management	• Alliance policy and conversion into operational practice	• Transforming goals into operational practice	• Alliance operations transformed through strategy
Day-to-Day Management	• Changes due to alliance	• Relationship of strategy to specific role	• Operating procedures

interviews, relevant company documentation provided by the interview participants and direct observation made during facility visits, comprised the four primary sources of evidence. Collectively, this information was used to support the development of case reports for each alliance studied.

The data collection method utilized in this dissertation addressed weaknesses previously identified regarding single key informant reporting capability on large organizations (Seidler 1974), on complex social judgments in channel relationships (Phillips 1980; 1981) and dyadic channel relationships (John and Reve 1982). Following data collection, the case study interviews were coded and prepared for analysis.

Strauss and Corbin (1990) discuss a coding protocol for developing grounded theory which involves three steps: (1) open coding; (2) axial coding; and (3) selective coding.

Open coding involves breaking the data down to facilitate examination and conceptualization. The data is categorized based on comparisons of similarities and differences across properties and dimensions. Categories are given labels that illustrate higher order abstraction of the similarities within each category. This is similar to factor analysis.

Axial coding makes logical connections between categories, combining the data in "new ways." These connections are formed based on the causal relations, context, external conditions and interaction between categories. Categories may also be given more detail in terms of their unique properties and characteristics.

Selective coding creates a core category that explains the main phenomenon of the case. This core category is developed by integrating the other categories into a higher level of abstraction. At this point, the data is at a "broad conceptual level" and each category has "property and dimensional levels." This provides a comparison of data to theory for "grounding."

DATA ANALYSIS AND GENERALIZABILITY OF DATA

Substantial anecdotal evidence coexists with limited empirical research concerning the alliance process. As a result, this exploratory research was designed to characterize and quantify the process. According to Campbell and Stanley (1966), methodological tradeoffs between internal and external data validity exist due to unique characteristics of research

methods. While survey methods yield high internal validity, or data integrity (Bonoma 1985), case studies offer high external validity, or currency (Bonoma 1985). Yin (1989) compares other research methods to case studies and concludes:

> ...case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.

Since this research was designed to address such fundamental questions, case studies were the most appropriate method.

Gummesson (1991) highlights the importance of case studies as a means for theory to be "grounded in actual empirical observations rather than governed by established, traditional approaches." The grounded theory approach to qualitative research involves a systematic set of procedures to develop an inductively derived theory about a phenomenon. First, a theory was defined and developed based on the extant literature. A general alliance model was developed and positioned relative to the literature to serve as the initial theory. Next, data collection and coding procedures were developed and cases were selected to "ground" the theory. Following data collection, cases were analyzed and compared to the initial model. In order to more clearly define an emerging field, case study was the methodology employed in this dissertation.

One of the often cited concerns about qualitative research is its generalizability. Bonoma (1985) compares quantitative and qualitative methods, suggesting that

experiments, models and simulation have high statistical conclusion validity, but low real world validity. Field studies and case research, on the other hand, exhibit the opposite qualities. Bonoma argues for a case research process of theory/data/theory revision. This results in theory confirmation much like Yin's "pattern matching."

Pattern matching involves comparing theory to actual observation. If predicted observations are found and alternative values (patterns) are not found, strong causal inferences can be made (Yin 1989).

SUMMARY

This chapter has outlined the research design and methodology employed in this dissertation. The research purpose and objectives were stated and supporting questions were detailed. The primary methodology employed was case studies across three manufacturer-merchandiser dyads in the grocery industry. The unit of analysis was defined as the dyadic relationship between the manufacturer and merchandiser in an alliance. The sample selection procedures were discussed. Data collection and coding techniques, including open, axial and selective coding, were described. Finally, analysis techniques and generalizability of the data was discussed.

CHAPTER IV

RESEARCH FINDINGS

This chapter details research findings derived from the case study interviews and subsequent analysis. First, the participating firms are identified and described, including organizational positions of key informants. Second, the scope of each alliance is briefly summarized. Third, the research questions, posed in Chapter III, are discussed. To facilitate clarity, the research questions are discussed sequentially by vertical component of the general alliance model (process, strategic, operational).

CASE STUDY INTERVIEWS

As previously discussed, three grocery manufacturers were identified and selected for participation in case study interviews. These manufacturers were Hershey Chocolate USA, Nabisco Foods Group and The Procter & Gamble Company. Each was selected based on its acknowledged best practice alliance leadership with merchandisers.[1]

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[1] This acknowledged leadership was based on the expert opinion of a sixteen member industry advisory board combined with the results of best practice research previously conducted at Michigan State University.

Each manufacturer identified its best merchandiser alliance and requested the corresponding partner participate in the research. The three merchandisers were CVS Corporation, The Kroger Company and Spartan Stores, Inc. It should be noted that CVS Corporation does not directly participate in the grocery industry, but operates chain drug stores throughout the eastern United States. CVS Corporation was included in the research because of the nature and sophistication of its manufacturer alliance. To illustrate the diversity of participating companies, Tables 4.1A and 4.1B provide publicly-available background information concerning each firm.

Table 4.1A
Background Information Concerning
Participating Manufacturers

Company Name	Hershey Chocolate USA	Nabisco Foods Group	Procter & Gamble Company
Primary Manufactured Products	Packaged Confection-eries	Packaged Food Products	Health, Personal Care and Food Products
Ownership Status	Public	Public	Public
1993 Sales Revenue	$3.488 billion	$7.025 billion	$30.296 billion
1993 Operating Income	$297 million	$624 million	$167 million

Table 4.1B
Background Information Concerning
Participating Merchandisers

Company Name	CVS Corporation	The Kroger Company	Spartan Stores, Inc.
Primary Business Focus	Chain Drug Stores	Chain Grocery Stores	Wholesale Operations
Ownership Status	Public	Public	Retailer Owned
1993 Sales Revenue	$3.948 billion	$22.384 billion	$2.110 billion
1993 Operating Income	$196 million	$171 million	$3.2 million

The diversity of participating companies strengthens the research design by providing variability at each channel level. Each manufacturer produces and distributes a different type of grocery product (e.g., packaged confectioneries, packaged food products and health, personal care and food products). This permits broader generalization concerning other manufacturers in the grocery industry. Each merchandiser maintains a different business focus (e.g., chain drug stores, chain grocery stores and wholesale operations). This diversity permits broader generalization concerning other merchandisers and classes of trade not directly studied.

In order to maintain confidentiality, specific names of companies and key informants in each dyadic relationship are not identified. Generic references are made to both companies (Manufacturer A, Merchandiser C) and dyadic relationships (Alliance A, Alliance B). Dyadic relationships are profiled

in subsequent sections. To position the scope of each interview, Table 4.2 provides a listing of the organizational position for each of the key informants.

Table 4.2
Organizational Position of Key Informants

Manufacturers

Manufacturer A

- Vice President Logistics
- Director Customer Service
- Production Superintendent
- Manager Customer Service
- Manager Logistics Planning
- Senior Key Account Representative
- Associate Key Account Representative

Manufacturer B

- President Sales and Logistics
- Vice President Logistics
- Vice President Broker Sales
- Senior Director Information Systems
- Director Customer Service
- Director Trade Marketing
- Director Sales Operations
- Manager Finance

Manufacturer C

- Vice President Logistics
- Manager Business Development
- Manager Finance
- Manager Systems
- Manager Field Sales

Merchandisers

Merchandiser A

- Manager Alliance Program
- Manager Accounts Payable

Merchandiser B

- Senior Vice President Logistics
- Director Logistics
- Manager Logistics
- Buyer
- Manager Field Distribution Center

Merchandiser C

- Vice President Logistics
- Director Human Resources
- Director Retail Operations
- Manager Purchasing

The number and diversity of key informants also strengthens the research design by establishing respondent variability within each company and between alliance partners. This variability permits analysis of strategic and operational differences by organizational position of key informants within, between and across participating companies.

The overall variability, then, permits focused analysis, interpretation and comparison at three distinct levels (see Table 4.3).

Table 4.3
Case Study Analysis Levels

- Channel position: Analysis and interpretation concerning the participating manufacturers or merchandisers (permits comparison *across* companies).
- Alliance: Analysis and interpretation concerning a particular dyadic relationship (permits comparison *between* and *across* companies).
- Key informant: Analysis and interpretation of an individual point of view, not necessarily reflective of the dyad (permits comparison *within* and *between* companies).

The information used to make comparisons at the channel position and alliance levels was obtained through four sources described in Chapter III: (1) interviews; (2) questionnaires; (3) documentation; and (4) observation. While the questionnaire response rate was high (72.2%), the number of questionnaires received (13) is not sufficient for meaningful statistical analysis. As such, the questionnaires are used primarily to provide additional support for points raised in

the interviews. Comparisons at the key informant level relied primarily on information obtained through the interviews.

Based on the protocol described in Appendix A, case study reports were developed for each alliance. These reports were comprised of detailed notes from each key informant interview, related questionnaire responses, company documentation and direct observation of alliance practice. The case reports are not included as part of the published dissertation to maintain confidentiality and protect company identities.

ALLIANCE DESCRIPTIONS

The following three sections briefly describe and position the scope of the three alliances studied.

ALLIANCE A

This alliance was designed to improve the in-stock performance of products which experience variable consumer demand based on manufacturer and merchandiser promotional periods. Basically, the merchandiser designs and prepares store-level product orders, which are combined and communicated to the manufacturer via facsimile from a centralized purchasing operation. The order, organized by store, is prepared and delivered directly from the manufacturer's plant to individual stores at specific times through standing appointments. Performance reports are generated by the merchandiser and communicated weekly on diskette.

The alliance was initiated to maintain product freshness and reduce product damage by more accurately matching shipments with store-level consumer demand. Additional benefits included increased invoicing accuracy and reduced delivery delays.

ALLIANCE B

This alliance was designed to better coordinate the flow of highly perishable, temperature-controlled products from the manufacturing site directly into the merchandiser's distribution network. The alliance involves time-synchronized delivery of products from the manufacturing site directly to a distribution center operated by an independent third-party. The manufacturer receives shipment information via EDI from regional merchandise distribution centers and occasionally directly from stores. The manufacturer determines the appropriate order quantity and designs the order. These orders are compiled and consolidated at the manufacturer's distribution center or plant for delivery to the third-party distribution center. Exception-based performance measurement reports are generated by the manufacturer based on information provided via EDI from the merchandiser.

The alliance was initiated to reduce distribution cost, reduce inventory, increase product freshness through reduced lead times and facilitate broader supply chain initiatives involving other manufacturers and multiple product lines.

Some unanticipated benefits included improved in-stock performance and increased sales volume.

ALLIANCE C

This alliance was designed to improve strategic and operational alignment between the manufacturer and merchandiser to counter a decline in product sales volume and revenue. Among the specific goals were better understanding of distribution costs and marketing requirements, inventory reduction and improved performance measurement.

Operationally, the alliance involves coordinated delivery of palletized product to merchandiser distribution centers using drop shipments, standing appointments and a streamlined ordering process. Performance is tracked via a monthly "score card" which jointly considers volume and operating expenses.

Among the benefits achieved were reduced inventory, increased volume, increased inventory turnover, improved ordering and reduced operating expenses. The alliance facilitated development of a continuous replenishment program to be implemented in the near future.

PROCESS COMPONENT

The remainder of this chapter is organized around the research questions presented in Chapter III. The order of presentation follows the three components of the general alliance model (process, strategic and operational). The following sections address the four research questions

concerning the process component of the general alliance model.

> ***Research Question One*: To what extent do logistics alliances between manufacturers and merchandisers progress through the five process stages in the proposed alliance model?**

The first research question was concerned with the extent to which logistics alliances between manufacturers and merchandisers progress through the five process stages of the proposed alliance model. In general, the case study evidence supports a five stage alliance development process. Each of the process stages is reviewed.

Need Awareness Stage

In all three alliances studied, need awareness was driven by strategic and operational considerations brought about by the existence of a previous business relationship. In all cases, the partners had conducted business through traditional means over a considerable period of time prior to alliance consideration. This served both to enhance and hinder alliance need awareness.

Need awareness was enhanced by the existence of significant, widely acknowledged strategic and operational problems. Among the most common of these were an inability to accurately forecast consumer demand, excessive inventory throughout the system, numerous product shortages and stock-outs, unacceptable product damage and high distribution costs.

Unfortunately, the rhetoric of the traditional adversarial business relationship hindered identification of solutions for these common problems. In other words, the problems were known, but the firms lacked the joint strategic and operational vision to identify solutions. Even if solutions were identified, the firms also lacked the means to achieve system improvements. In these three cases, a cooperative alliance relationship provided a means to achieve these joint improvements.

In general, there was surprisingly little recognition and understanding of individual roles, positions and responsibilities concerning product ordering and replenishment in any of the alliances studied. This was in spite of the fact that transactional business had been conducted between the partners for many years. This failure to understand and communicate roles and responsibilities also made recognition of system improvement opportunities more difficult.

The initiation pattern of each alliance also provides some interesting insight concerning need awareness. In all three cases, the alliance was initiated by the merchandiser partner. This would imply that the merchandisers were more aware of system improvement opportunities and more actively sought supply chain alliance solutions. However, based on interview accounts of the activities leading up to alliance initiation, it became apparent that in two of the three cases, the manufacturer had been suggesting improvement opportunities prior to "official" alliance initiation. This suggests that

initiation is more likely to occur from customer (merchandiser) to supplier (manufacturer), but this initiation pattern may not be unilateral. In fact, joint behavior during the initial process stages was common in all three alliances studied.

Finally, in the case of manufacturer-merchandiser alliances, the nature of the particular need often simplifies the search and selection process. For example, inability to adequately stock product to meet promotional requirements in a particular channel suggests a closer working relationship between the manufacturer and merchandiser might contribute system improvements. The implications of this reality are detailed in the following sections.

Search Stage

In all three cases, the search stage required minimal activities on the part of either manufacturers or merchandisers. The nature of the identified problems (e.g., high distribution cost) and their subsequent potential solutions (e.g., reduced storage and handling) made a broad search for alternative partners unnecessary. The problems identified by manufacturers were merchandiser-specific and the problems identified by merchandisers were manufacturer-specific. For example, the inability to maintain adequate product supply during promotional periods was a problem specific to the a particular manufacturer and a particular merchandiser. There was no need to formally search for

alternative partners. However, there was some consideration concerning allocation of human and financial resources between different alliance opportunities.

Selection/Decision Stage

At the selection/decision stage, actual commitment was preceded by careful evaluation of partner willingness to consider forming an alliance. Since in all cases a broader business relationship already existed, there was some concern about damaging the existing relationship by turning down an alliance overture. Across the alliances, key informants indicated significant concern for this issue. As a result, careful consideration of the likely response was incorporated into the selection/decision stage.

Additionally, the decision of manufacturers and merchandisers to enter into an alliance did not involve formal written contracts. Rather, informal "hand-shake" agreements were the norm. In one case, a written letter of intent was circulated between the potential partners, signalling general agreement to proceed.

Implementation/Administration Stage

Implementation of manufacturer-merchandiser alliances was preceded by varying levels of two activities: (1) joint visits; and (2) visible investment. In all three cases, managers from various organizational levels met face-to-face to discuss, plan and implement the alliances. At the senior

management level, these face-to-face visits served to solidify top-management support and the strategic direction of the alliance. These visits, which helped to build communication and trust, were more critical in the initial stages of alliance development. At the middle management level, face-to-face visits occurred to plan actual implementation from both a strategic and operational perspective. These visits began early in the alliance development process and continued through assessment. These face-to-face meetings were also used to reach agreement concerning key implementation issues (e.g., performance measures, communication standards). At the day-to-day operational management level, face-to-face visits occurred to solidify operational practices. These visits emphasized the importance of human relationships within the broader alliance relationship. In fact, more so than the personal contact established at the senior management and middle management levels, these meetings signalled an end to the previous adversarial practices and a shift to a more cooperative posture. These joint visits also served to improve elements of character and competence-based trust.

Visible capital and human resource investment is generally considered critical in alliance implementation. In all three cases, visible capital investment was not critical. In fact, two of the alliances were void of substantial capital investment and capital investments in the third were driven largely by other company-wide initiatives. This lack of substantial capital investment has two basic implications: (1)

significant improvement can be made without high levels of investment; and (2) technology/physical investment need not be alliance specific to benefit the alliance.

On the other hand, extensive human resource investments (e.g., dedicated employees, time) were made by companies in all three alliances. Manufacturers and merchandisers dedicated management personnel to coordinate one or a small number of alliances. In two alliances, the roles of carrier representatives were also modified to assume greater control over distribution activity. This requirement for human resource investment was quite substantial in organizations frequently faced with the need to reduce human resource commitments.

It is interesting to note the relationship between the lack of technological sophistication and the need for human resource investment. As indicated, two of the alliances required little investment of sophisticated technology, but did invest heavily in human resources. Over time, these alliances will be in a position to reduce dedicated human resources as work patterns are established and institutionalized. This institutionalization process likely will involve application of technology. Additional information concerning the human resource/technology relationship is provided in a subsequent section.

None of the alliances utilized formal written contracts to guide alliance implementation. However, implementation did

require joint agreement concerning key operational performance measures and these were documented in writing.

First, survey results indicate contracts are not generally an essential strategic consideration among logistics managers (see Table 4.4). Specifically, alliance participants reported difficulty in using contracts to unify firms already conducting business operations. Adequate strategic positioning among manufacturers and merchandisers had already been achieved during the course of the previous business relationship. As previously mentioned, one merchandiser did report the existence of a letter signaling intent to enter into an alliance with the manufacturer, but this was not considered a contractual obligation. In fact, such letters were frequently used to communicate strategic direction and confirm verbal agreements.

Table 4.4
Contract Issue Viability
[Mean Response (Sample Size)]

	Manufacturer	Merchandiser
An effective logistics alliance must be supported by a written contract or agreement.(a)	2.83 (721)	3.08 (183)
My firm requires a written contract or agreement to be an integral part of all alliances.(a)	3.02 (639)	3.29 (150)

Scale: 1 = Strongly Agree
5 = Strongly Disagree

Significant Difference: (a) Manufacturer-Merchandiser

Source: Michigan State University Global Logistics Research.

Second, contracts were also not viewed as an essential operational consideration. While certain contracts existed between all manufacturers and merchandisers concerning transactional matters (e.g., terms of sale), such contracts were not considered part of the alliance scope. In fact, these contracts were no different than those in place with other non-alliance firms. In addition, all alliances studied required joint agreement concerning operational performance measures. These agreements were generally documented in the form of a letter and did not necessarily constitute the requirements for a formal written contract. In reality, the social contract established between parties served to guide implementation more than formal written contracts.

Moreover, several respondents felt that formal written contracts served to hinder alliance implementation. In one case, the key informant reported that the broad experimental nature of the alliance precluded documentation of every conceivable contingency. As a result, it was more appropriate to use judgment and trust to govern the relationship. A second respondent reported that if a contract was required to guide implementation, the partners would not be likely to receive the full benefits of individual creativity and joint synergy. The respondent believed the contract would inhibit the partners from exploring unexpected or unusual opportunities.

Overall, there were no inconsistencies in the reported importance of contracts (questionnaire response) and their

actual use (see Table 4.5). None of the alliances utilized formal contracts and almost without exception, the respondents did not believe contracts were required for an effective alliance.

Table 4.5
Contract Importance

Informant	Contract Status in the Alliance	Mean Response "Written Contract is Required for an Effective Alliance"	Agreement with Actual Alliance Behavior
Manufacturer A	No	1.50 - strongly disagree	Yes
Manufacturer B	No	2.00 - disagree	Yes
Manufacturer C	No	2.67 - disagree	Yes
Merchandiser A	No	1.50 - strongly disagree	Yes
Merchandiser B	No	1.67 - disagree	Yes
Merchandiser C	No	2.00 - disagree	Yes

Scale: 1 = Strongly Disagree; 5 = Strongly Agree

Assessment Stage

Following initial implementation, all three alliances were assessed to determine achievement levels. In one case, this assessment was made to provide senior management with evidence of alliance success. In another case, the assessment was to determine the potential for expansion of the alliance. The specific nature and composition of the assessment varied for each alliance. In one case, the assessment involved a combination of strategic considerations (e.g., partner compatibility, trust and overall satisfaction with progress)

and operational considerations (e.g., jointly established performance "score card"). In a second case, the assessment was more operational, focusing on goal achievement (e.g., improved in-stock performance). In the third alliance, assessment was more limited and strategic in nature. Implementation was very slow and the key alliance managers were asked to evaluate the potential for long-term alliance success. This evaluation explicitly considered the value and potential of organizational learning opportunities.

Overall, all three alliances were assessed positively. Two were maintained in their original form while the third was expanded. Conclusions concerning the five-stage alliance development process are summarized in Table 4.6.

Table 4.6
Five-Stage Alliance Development Process

- The research found general support for a five stage alliance development process comprised of need awareness, search, selection, implementation/administration and assessment.
- While the stages occur sequentially, the amount of time required for each varies based on the extent of the prior relationship and the nature and scope of the alliance.

Research Question Two: What characteristics facilitate or constrain the logistics alliance process?

The second research question considered the characteristics that facilitate or constrain the logistics

alliance process. A number of characteristics facilitate the alliance process: (1) achievement of early wins; (2) top management support; (3) common understanding of roles/responsibilities; and (4) benefit sharing. Each is briefly discussed.

While almost all key informants indicated the importance of tangible, measurable results in facilitating alliance development, one alliance in particular made this consideration paramount. While the pre-alliance business relationship between the manufacturer and merchandiser was viewed positively by both parties, recent decreases in sales volume and revenue raised concerns among senior management. Both firm's senior management believed considerable barriers to efficiency existed in the pre-alliance relationship and sought to redress this situation through a closer working relationship. This belief was directly translated into a goal by the managers responsible for alliance development. In fact, it became a type of alliance credo: "Break down barriers, then build successes." This focus insured the availability of measurable benefits early in the process to signal success to senior management.

Whether or not early wins are achieved, top management support is critical in facilitating the alliance process. Since senior management is primarily responsible for alliance policy formation, their desires and intent must be accurately communicated and supported. Middle management is responsible for translating policy into strategic direction and for

preparing operational guidelines. Day-to-day managers are responsible for translating the strategy and operational guidelines into workplans for daily activities. If senior management withdraws support, it is more difficult to maintain the human and financial resources necessary to insure success. Day-to-day managers may shift priorities to other, non-alliance matters.

Common understanding of roles/responsibilities was the primary goal of one alliance. In order to better understand distribution cost and facilitate inventory reduction, the key alliance managers studied the current process to identify areas for improvement. It was determined that dock congestion was a primary cause of lost productivity. To combat this problem, the manufacturer and merchandiser developed a time-definite appointment scheduling system and implemented drop shipments during periods of congestion. By clarifying roles and rethinking responsibilities, the manufacturer and merchandiser facilitated success.

While benefit sharing is among the most widely acknowledged facilitators of alliance success, the actual means for sharing benefits is more complex. One alliance imbedded the expectation that any cost savings would be equally distributed between the parties. This was not contractually obligated, but provided a strong means for binding alliance contacts together.

As for the importance of other factors in alliance success, Table 4.7 lists manufacturer and merchandiser

Table 4.7
Key Alliance Success Factors

Logistics Alliance Success Factors	Importance To Manufacturers (N = 8)	Importance To Merchandisers (N = 5)
Trust	4.75	5.00
Clear goals	4.63	4.60
Senior management support	4.88	4.80
Ability to meet performance expectations	4.13	4.80
Consistent goals	4.00	4.60
Willingness to be flexible	4.38	5.00
Partner compatibility	4.38	4.80
Sharing of critical information	4.25	4.80
Leadership on our part	4.63	3.80
Equivalent human resource commitment	3.88	3.40
Compatible information systems	3.75	3.60
Accomplishment of original objectives	4.13	4.40
Equivalent physical resource commitment	3.88	3.20
Lack of individual financial constraints	2.88	3.80
Written agreement or contract	2.00	1.60

Scale: 1 = Not Important; 5 = Extremely Important

responses concerning a list of fifteen tangible and intangible alliance components. Some characteristics constrain the alliance process: (1) inability to translate business problems into alliance goals; and (2) incompatible information systems. Others did not seem to facilitate or constrain the alliance process: (1) the number of alliances; (2) the scope of alliances; (3) contracts; and (4) investment.

Conclusions concerning facilitators and constraints of the alliance process stages are summarized in Table 4.8.

Table 4.8
Facilitators/Constraints

- Facilitators: (1) achievement of early wins; (2) top management support; (3) common understanding of roles/responsibilities; and (4) benefit sharing.
- Constraints: (1) inability to translate business problems into alliance goals; and (2) incompatible information systems.
- Neither: (1) the number of alliances; (2) the scope of alliances; (3) contracts; and (4) investment.

***Research Question Three*: What, if any, relationship exists between length of time in each stage and alliance success?**

The third research question examined the relationship between length of time in each stage and alliance success. In general, the length of time in each stage is unrelated to alliance success, except to the extent that common understanding is achieved through time. In other words, the ability to reach common understanding concerning alliance goals and partner roles/responsibilities is the key, not necessarily the length of time in a particular process stage.

Based on the alliances studied, three considerations may be related to the duration of stages: (1) length of the previous relationship; (2) difficulty of implementation; and (3) positioning. Each is briefly discussed.

First, the longer the previous business relationship, the better the understanding between partners. This can reduce the time necessary for establishing new personal relationships

and trust, but it also may slow the process if the relationship was extremely adversarial. This is particularly true for manufacturer-merchandiser alliances. In all the alliances studied, early stages evolved and developed rapidly (two - six months). This was most attributable to the nature of the previous business relationship.

Second, the more complex and difficult actual implementation, the longer those stages last. This is best illustrated when considering development of a complex, technology-intensive alliance (similar to Alliance B). In order to implement a new technology, time is required for development, testing and training. Even if the technology has been applied in other settings, specific personnel must become familiar and comfortable with the technology before full-scale implementation.

Finally, if the alliance is positioned only to break down barriers, implementation and assessment do not require substantial time. If the alliance is designed to build broader success, implementation and assessment do require more time. Table 4.9 summarizes key conclusions.

Table 4.9
Duration of Stages

- Length of time in each stage is unrelated to alliance success
- Three factors may influence the duration of a particular stage: (1) length of the previous relationship; (2) difficulty of implementation; and (3) positioning.

***Research Question Four*: What process activities impact managerial decision-making with regard to sustaining, modifying or terminating logistics alliances?**

The fourth research question determined the process activities that impact managerial decision-making with regard to sustaining, modifying or terminating logistics alliances. In general, assessment occurred at three intervals: (1) annual; (2) periodic; and (3) daily. Annual reviews were focused on broad strategic issues concerning direction and achievement. Specifically, they consider long-term alliance vitality and are more likely to involve senior management. Periodic reviews were more operational, tending to be concerned with resolution of broad alliance operational concerns (e.g., elimination of dock congestion, appointment scheduling). Daily reviews, which often occurred via telephone, were designed to address the day-to-day operational issues that hinder alliance success. In one alliance, day-to-day managers were provided with specific telephone numbers and responsibilities for those individuals involved in the alliance. This facilitated daily review and trouble-shooting.

Collectively, these assessments permit decisions concerning sustaining, modifying or terminating the alliance. Such assessments are important for all levels of management (senior executive, middle management, day-to-day management).

Conclusions concerning the impact of process activities are summarized in Table 4.10.

Table 4.10
Impact of Process Activities

• Assessment occurs at three levels: (1) annual; (2) periodic; and (3) daily. • These assessments permit decisions concerning sustaining, modifying or terminating the alliance.

STRATEGIC COMPONENT

The following sections address the six research questions concerning the strategic component of the general alliance model.

Research Question One: How are initial and secondary alliance member expectations influenced by the alliance process?

The first research question concerning the strategic component of the general alliance model considered how initial and secondary alliance member expectations are influenced by the alliance process. In general, broad, unilateral expectations become more focused, more specific and more action-oriented over the course of alliance development.

As previously noted, a unilateral pattern of alliance initiation was not supported by two of the alliances studied. The implication of this bilateral initiation pattern is that initial and secondary alliance expectations can be jointly influenced based on relationship-specific factors. This leads

to development of more specific expectations that are based on the potential and characteristics of a particular alliance.

In the other case, the expectations began as broad notions concerning the potential areas for improvement. These expectations were refined as opportunities were clarified and expanded through search and selection procedures. By the decision point, these expectations had become very action-oriented and quantifiable.

Conclusions concerning initial/secondary expectations are summarized in Table 4.11.

Table 4.11
Initial/Secondary Expectations

- Broad expectations become more focused, more specific and more action-oriented over the course of alliance development.
- In cases of unilateral initiation, refinement occurs over time leading to more quantifiable results.
- In cases of bilateral initiation, expectations are jointly influenced by relationship-specific considerations.

***Research Question Two*: How do expectations evolve throughout the alliance process?**

The second research question examined how expectations evolve throughout the alliance process. In general, as knowledge expands concerning the specific opportunity and associated partner, specificity of alliance expectations increases.

As previously mentioned, one manufacturer-merchandiser alliance was grounded in the principle of first breaking down relationship barriers before building broader notions of success. In this case, as individual barriers were removed (improper dock heights, long waiting times at receiving docks, inconsistent delivery scheduling), expectations increased concerning the broader potential for success. Perhaps most interesting about this alliance was the apparent lack of understanding and synchronization. Prior to alliance initiation, the barriers mentioned above were widely known and acknowledged at lower organizational levels. However, they were never communicated to managers with the authority to resolve the problems.

This basic lack of understanding was also present in the other two alliances. In one case, paper-based performance reports were eliminated in favor of an unformatted diskette. As is turns out, the performance reports were so voluminous, they were never actually used. They were sent from the merchandiser to the manufacturer, collected and stored in a room. The move toward an unformatted diskette raised expectations concerning the potential for improved communication of information between the companies. This communication was eventually further enhanced through face-to-face visits and key contact lists.

Conclusions concerning the evolution of expectations are summarized in Table 4.12.

Table 4.12
Evolution of Expectations

• As knowledge expands concerning the specific opportunity and associated partner, specificity of alliance expectations increases.

***Research Question Three*: How is alliance effectiveness measured?**

The third research question determined how alliance effectiveness is measured. In general, the five attributes of alliance effectiveness included in the general alliance model were used, to a greater or lesser extent, in determination of alliance effectiveness.

Of the five attributes of alliance effectiveness (length of alliance relationship, alliance management, net benefit, partner match and partner coordination), alliance management, net benefit and partner coordination appeared to have the most influence. In all three alliances, acknowledged differences in company size and focus resulted in unique positions of power. These power differentials did not seem to adversely affect alliance effectiveness, since they were acknowledged and dismissed during the initial stages of alliance formation. Moreover, when minor conflict occurred, it strengthened the relationship through established resolution mechanisms. Even managerial imbalances were acknowledged and dismissed.

In all three alliances, the most tangible measure of alliance effectiveness (net benefit) was used. In one case, informal provisions were even included to evenly distribute these benefits through volume/price reductions.

Partner coordination, though not referred to in exactly this manner, was also used to determine alliance effectiveness at the strategic level. Assessments were made concerning the general levels of trust (character-based) and cooperation. These were used collectively with the other attributes to determine alliance effectiveness.

Conclusions concerning the determination of alliance effectiveness are summarized in Table 4.13.

Table 4.13
Alliance Effectiveness

- The five attributes of alliance effectiveness included in the general alliance model were used, to a greater or lesser extent, in determination of alliance effectiveness.
- Alliance management, net benefit and partner coordination appeared to have the most influence.

***Research Question Four*: How, if at all, do firms measure and compare perceived effectiveness to expected effectiveness?**

The fourth research question considered whether firms measure and compare perceived effectiveness and expected effectiveness. On a rudimentary level, perceived and expected

effectiveness are measured and compared using some, but not all proposed attributes.

In all alliances studied, the key managers reported alliance success in terms of expectations met. Upon further questioning, these expectations were most often stated in terms of goal achievement (net benefit) and cooperation and trust (partner coordination). Still, other attributes impact this assessment. For example, in one alliance there was an acknowledgement by both partners that their respective roles were an important consideration in alliance success. In fact, one of the primary benefits of this relationship was a clearer understanding of these strategic/operational roles.

While individual attributes may have been explicitly measured, the broader alliance success appeared to be an implicit notion. No score cards or grade sheets were used for these more intangible characteristics.

Conclusions concerning the comparison of perceived and expected effectiveness are summarized in Table 4.14.

Table 4.14
Comparison of Perceived and Expected Effectiveness

- On a rudimentary level, perceived and expected effectiveness are measured and compared using some, but not all proposed attributes.
- While individual attributes were often explicitly measured, broader alliance success was a more implicit notion.

***Research Question Five*: How critical are the components of effectiveness to long-term alliance success?**

The fifth research question determined how critical each component of effectiveness is to long-term alliance success. In general, clear understanding of all five effectiveness attributes is important for long-term alliance success.

Length of Alliance Relationship

The length of the current alliance relationship is an important attribute of success because it demonstrates longevity and strength. In all three alliances studied, the relationship had been in existence for at least two years. During this time, strategic understanding developed between the partners. As the alliance continues, additional experience with conflict resolution and change is gained. This is important for long-term success.

Interestingly, in one alliance, the desire to expand objectives beyond the original alliance scope resulted in the alliance being temporarily placed on "hiatus." The manufacturer was prepared to expand the alliance scope, but the merchandiser did not yet have the ability to institute the technological changes desired. Rather than risk failure, the alliance was temporarily frozen. This permitted time for technological development without endangering previous or future successes.

Alliance Management

The ability to manage the alliance is also critical to long-term success. In particular, the ability to offset the impact of power imbalances, managerial imbalances and conflict lead to success.

As previously mentioned, power imbalances were characteristic in all three alliances studied. However, acknowledgement of requisite roles and responsibilities effectively eliminated this power imbalance. Key alliance managers stressed the importance of "unexercised" power. The potential for overt actions designed to influence partner behavior was sufficient. If the power was to be "exercised," the nature of the relationship would be negatively impacted.

Managerial imbalance, while less prevalent, was present in one alliance in particular. This imbalance did not affect alliance operation since again it was acknowledged in advance and considered within the basic alliance structure.

Conflict did occur occasionally in the various alliances. In one case, the invoicing discrepancy led to an alliance enhancement, once the source of the discrepancy was isolated. The primary difference between alliance and non-alliance relationships identified by the interview participants was the fact that in alliances, conflicts are immediately addressed. This permits achievement of functional results. In other relationships, conflict is generally hidden and eventually becomes dysfunctional.

Net Benefit

As previously discussed, net benefit is one of the most widely considered measures of alliance effectiveness. As such, it is also critical to the long-term success of alliances. Often, the ability to provide tangible results to senior management is critical to maintaining senior management support. Among the strategic benefits encountered in these alliances were reduced product damage, improved invoicing accuracy, better demand forecasting, reduced inventory and reduced cycle time.

Partner Match

Partner match is also critical to long-term alliance success. In particular, organizational compatibility and the length of previous relationship are important considerations.

Organizational compatibility focuses on the strategic fit between the partners. This is an important consideration when defining roles and responsibilities. In one case, the key informant suggested the strength of the relationship was directly related to the strategic compatibility of the organizations. The alliance was contrasted to another relationship in which strategic compatibility was not as strong. Compatibility is also related to innovation and specialization.

The length of the previous business relationship can positively impact alliance success if the relationship contributed to strategic coordination and understanding. If

not, the length of the previous business relationship may actually hinder alliance success.

Partner Coordination

Partner coordination is very important to long-term alliance success. In particular, character-based trust and coordination are critical to success.

Competence-based trust is based on five attributes: (1) integrity; (2) motives; (3) consistency of behavior; (4) openness; and (5) discreetness. The existence of trust in a relationship facilitates achievement of broader strategic objectives. In one case, the key informant suggested that evidence of trust validated the selection decision.

Cooperation is also a critical concern. In fact, many of the most significant achievements were derived from eliminating adversarial practices in favor of cooperative ones. For example, willingness to examine basic problems such as dock height and develop immediate solutions exhibits a form of cooperation not available in the grocery industry over the past several decades. Not because it was illegal, but because no one had considered it. Table 4.15 summarizes key findings.

Table 4.15
Components of Alliance Effectiveness

- Clear understanding of all five effectiveness attributes is important for long-term alliance success.
- Each attribute individually and collectively contributes to this success.

***Research Question Six*: How are requisite levels of risk, benefit and trust established between alliance partners at the strategic level?**

The sixth research question examined how requisite levels of risk, benefit and trust are established between alliance partners at the strategic level. In general, four characteristics seem to facilitate establishment of risk, benefit and trust: (1) time; (2) experience; (3) negotiation; and (4) business judgment and logic. Each is briefly discussed.

Perhaps the most important consideration in establishing requisite levels of risk, benefit and trust is time. Passage of time permits development and assessment by both parties of each of these considerations. Compression of early process stages can negatively impact their development, unless the previous business relationship was positive and extensive. Similarly, experience is required to adequately and equitably distribute risk, benefit and trust. Intimate knowledge of partner expectations, as they evolve through process stages, is necessary. Occasionally, equitable distribution requires negotiation between partners to reach an acceptable solution. In the final analysis, sound business judgment and logic becomes the real determining factors.

Conclusions concerning strategic establishment of risk, benefit and trust are summarized in Table 4.16.

Table 4.16
Strategic Establishment of Risk, Benefit and Trust

- Four characteristics facilitate establishment of risk, benefit and trust: (1) time; (2) experience; (3) negotiation; and (4) logic.
- In combination, these four characteristics lead to equitable solutions.

OPERATIONAL COMPONENT

The following sections address the six research questions concerning the operational component of the general alliance model.

Research Question One: How, and to what extent, are search criteria influenced by the alliance process?

The first research question examined the extent to which search criteria are influenced by the alliance process. In general, search criteria are most heavily influenced by the problem identification/need awareness.

As previously stated, the nature of the identified problem in manufacturer-merchandiser alliances often makes the search/selection of a partner appear obvious. For example, to reduce product damage in a particular channel may involve an alliance with a single merchandiser. From a merchandiser perspective, category management may necessitate coupling with the leading manufacturer in the target category. In all of the alliances studied, the partner search/selection decision was defined by the nature of the problem. In other words, the

merchandisers did not decide to form alliances and then conduct comprehensive searches. Rather, they identified problems and then sought appropriate solutions.

Table 4.17 summarizes the key conclusions concerning search criteria.

Table 4.17
Search Criteria

- Search criteria are most heavily influenced by problem identification/need awareness.
- Merchandisers did not decide to form alliances and then conduct comprehensive searches, rather they identified problems and then sought appropriate solutions.

***Research Question Two*: How, and to what extent, are selection criteria influenced by the alliance process?**

The second research question examined the extent to which selection criteria are influenced by the alliance process. Similar to search criteria, selection criteria are most heavily influenced by problem identification/need awareness. However, selection criteria are also influenced by the search process itself. For example, merchandisers may determine that no single manufacturer accounts for all of their most problematic, high-inventory products. As a result, the selection criteria are narrowed from the original search criteria.

In all the alliances studied, the identified problem made selection of a partner appear obvious. However, it should be noted that the likelihood of the partner actually entering into an alliance was a consideration. Specifically, alliances were not actively pursued with companies who were not likely to carefully consider an alliance request. The potential long-term relationship damage brought about by a rejected overture, made this consideration critical.

Conclusions concerning selection criteria are summarized in Table 4.18.

Table 4.18
Selection Criteria

- Selection criteria are most heavily influenced by problem identification/need awareness.
- Likelihood of partner actually entering into an alliance was also a consideration.

Research Question Three: How are joint operational standards established?

The third research question considered how joint operational standards are established. In general, the three attributes of joint operating standards included in the general alliance model were used, to a greater or lesser extent, in establishment of joint operating standards.

Alliance formalization was important in terms of establishing joint performance measures and definable policies

and procedures. In all alliances studied, performance measurement was conducted unilaterally and shared on a basic level. In two of the alliances, performance measurement was conducted bilaterally using a broader measure of perfect order performance. This jointly established, quantitative measurement was key to the development and monitoring of joint operating standards. Similarly, all alliances studied had definable policies and procedures in place to guide day-to-day operations. In one alliance, contact lists were distributed to facilitate communication following the face-to-face visits. Policies and procedures were used for many purposes including conflict resolution, training (for replacement employees) and organizational learning.

Connectivity, defined in terms of responsiveness and information technology, was also an important consideration. The ability to rapidly respond to partner requests was critical in all alliances studied. However, the results concerning application of technology were mixed, at best. One alliance relied upon very sophisticated information technology to manage a continuous replenishment program across a limited line of products. While EDI and barcoding were used extensively in this alliance, these technologies were not developed specifically for this alliance. Rather, they were part of much broader initiatives being implemented with multiple alliance and non-alliance partners. Another alliance used information technology to facilitate replenishment. However, the technology applications were limited such that

extension was not currently feasible. The alliance, which was operating quite successfully in spite of these limitations, was put on hiatus pending further development. The third alliance was not technologically sophisticated. In fact, one of the most significant achievements was the elimination of paper-based performance reports (which were not being used). Instead, a diskette with the raw data was shipped regularly to the manufacturer who downloaded the material into its own performance system. Sophisticated levels of technology are not required for successful alliances. However, in all cases, technology initiatives were being considered for improving the overall alliance performance.

Finally, information access, defined as competence-based trust and cooperation, was critical to establishing joint operating standards. Cooperation and trust were necessary to facilitate exchange of information between partners. Key conclusions are summarized in Table 4.19.

Table 4.19
Establishment of Joint Operational Standards

- The three attributes of joint operating standards included in the general alliance model were used, to a greater or lesser extent, in establishment of joint operating standards.
- While joint performance measurement and policies and procedures (formalization), competence-based trust and cooperation (information access) and responsiveness (connectivity) were all important considerations, sophisticated technology does not appear to be a requirement

***Research Question Four*: How, if at all, do firms evaluate joint operational standards?**

The fourth research question examined how firms evaluate joint operational standards. In general, quantitative assessments of joint operating standards are made and compared to adherence with those standards.

Unlike the subjective assessment of alliance effectiveness in the strategic component, evaluation of joint operational standards is quantitatively based. Actual performance measures are tracked and compared to standards over time. In addition, quantitative assessment is made of operational trust (competence-based) and cooperation in terms of how well the partners facilitate information access. While technological sophistication is not prerequisite for alliance success, information technology applications can facilitate timely evaluation of joint operating standards. In all alliances studied, technology initiatives were planned to achieve a more timely and consistent evaluation capability.

Conclusions concerning evaluation of joint operational standards are summarized in Table 4.20.

Table 4.20
Evaluation of Joint Operational Standards

- Quantitative assessments of joint operating standards are made and compared to adherence with those standards.
- Formalization, connectivity and information access, and their respective attributes, are routinely used to evaluate joint operating standards.

***Research Question Five*: How critical are the components of joint operational standards to long-term alliance success?**

The fifth research question determined how critical each component of joint operational standards is to long-term alliance success. In general, understanding and use of all three attributes of joint operating standards is critical for long-term alliance success.

Information Access

Information access is an important consideration for long-term alliance success. As previously discussed, information access at the operational level is comprised of two key attributes: (1) competence-based trust; and (2) cooperation.

Competence-based trust is based on the existence of four quantifiable characteristics: (1) specific competence in operating skill and knowledge; (2) individuals' competence to effectively perform their responsibilities; (3) competence in business sense in terms of specialization and expertise; and (4) judgement reflected through decision-making ability. The existence of trust in a relationship facilitates measurement of joint operating standards. In all the alliances studied, high levels of competence-based trust facilitated sharing of performance information and decisions concerning the application of that information.

Closely related to competence-based trust is the notion of operational cooperation. This involves coordination and communication of operating requirements and problems between partners. A spirit of cooperation permeated all alliances studied, in particular with regard to operating issues.

Connectivity

Connectivity is also an important consideration in achieving long-term alliance success at an operational level. As previously discussed, connectivity is comprised of two attributes: (1) responsiveness; and (2) information technology.

The ability to provide timely and accurate response to partner operational concerns is integral to the long-term success of alliances. In one alliance, the willingness and ability to provide an expedited product shipment to support a local promotion avoided a stock-out and thus insured adherence to operating standards. Interestingly, responsiveness can be facilitated by application of information technology. However, sophisticated technology is not a requirement for long-term alliance success.

As previously suggested, alliances can achieve tremendous connectivity simply through appropriate use of telephone/facsimile communication. While this is not necessarily the most efficient means for communicating, it can be very effective in limited applications.

Based on the three alliances studied, information technology can be an outstanding means for achieving connectivity, but it is not the only means available. This is particularly relevant for development of small-scale alliances among companies with limited resources.

Formalization

Finally, formalization is an important consideration for achieving long-term operational success. Formalization is comprised of two key attributes: (1) defined policies and procedures; and (2) performance measurement. Each is briefly discussed.

In all the alliances studied, detailed policies and procedures existed to guide day-to-day operations. These policies and procedures were not contractual, but rather were informally documented and used to guide day-to-day activities. The importance of these guidelines becomes particularly evident in times of conflict, transition and/or assessment. In one alliance, the manufacturer maintained binders which contained meeting minutes and all related correspondence. When one of the functional managers left the company, this historical information was used for rapidly updating the replacement. Moreover, procedural manuals also existed to guide managers in carrying out their responsibilities. In one situation, these manuals became a conflict resolution mechanism in a dispute. For one manufacturer, a manual also

existed which documented an array of available service and pricing options.

As previously discussed, performance measurement is critical to maintaining long-term alliance success. In fact, the alliances studied extensively measured most business processes and shared this information across organizations. Two alliances utilized measures of perfect order performance to integrate activities across the alliance partners. The other alliance maintained extensive measurement without an all encompassing order measure. Consistent with previous findings, performance measurement is a key consideration.

Table 4.21 summarizes the key conclusions concerning the components of joint operating standards.

Table 4.21
Components of Joint Operating Standards

- Understanding and use of all three attributes of joint operating standards is critical for long-term alliance success.
- Each attribute individually and collectively contributes to this success.

***Research Question Six*: How are requisite levels of risk, benefit and trust established between alliance partners at the operational level?**

The sixth research question considers how requisite levels of risk, benefit and trust are established between alliance partners at the operational level. In general, four

characteristics seem to facilitate establishment of risk, benefit and trust: (1) experience; (2) concrete evaluation; (3) goal achievement; and (4) negotiation. Each is briefly discussed.

Experience is perhaps the best means for operationally establishing requisite levels of risk, benefit and trust. As alliance experience is gained, equitable distribution can better be assessed and adjusted. Unlike the strategic component, concrete evaluation and measurement is possible within the operational component. This actual measurement, based primarily on experience, can be used to benchmark the current status. Benefits and trust, in particular, are also established through specific goal achievement. Successful, predictable performance leads to achievement of long-term benefits and trust. In the event of unequitable distribution of risk, benefits or trust, negotiation is always an option.

Conclusions concerning the operational establishment of risk, benefit and trust are summarized in Table 4.22.

Table 4.22
Operational Establishment of Risk, Benefit and Trust

- Four characteristics seem to facilitate establishment of risk, benefit and trust: (1) experience; (2) concrete evaluation; (3) goal achievement; and (4) negotiation.
- In combination, these four characteristics lead to equitable solutions.

SUMMARY

The preceding discussion detailed research findings derived from the case study interviews and subsequent analysis. In particular, the participating firms were identified and described, the scope of each alliance was briefly summarized, and the research questions for each component of the general alliance model were discussed. In general, support was provided for each research question. Interesting and/or unusual findings were also highlighted.

CHAPTER V

GUIDELINES, UNIQUE CONSIDERATIONS AND CONCLUSIONS

This chapter summarizes findings derived from the case studies and provides specific guidelines for: (1) initiating; (2) implementing; and (3) maintaining successful logistics alliances. Summary tables highlighting key guidelines for each development level are provided. Four considerations unique to manufacturer-merchandiser alliances are discussed: (1) acknowledgement of positional competencies; (2) inability to substitute partners; (3) advocacy and the united front; and (4) long-term damage from failure. Theoretical and managerial contributions and implications of the research are discussed. The chapter concludes with directions for future alliance research.

GUIDELINES FOR MANUFACTURER-MERCHANDISER ALLIANCES

In Chapter IV, research questions were discussed sequentially for each vertical component of the general alliance model (process, strategic, operational). In this chapter, findings are repositioned and summarized for each of three horizontal alliance development levels (initiation, implementation, maintenance). This format was first proposed

by Schmitz (1994) and more closely matches the logical progression management utilizes when developing manufacturer-merchandiser alliances.

It should be noted that while some manufacturer-merchandiser relationships have become intense enough to warrant alliance development, not all firms are interested in or suitable for the required levels of information sharing, trust and cooperation necessary to make logistics alliances successful. Alliances represent a new type of relationship that challenges traditional "business as usual" notions. However, not all "business as usual" relationships are appropriate for alliances. The ability of a firm to manage a wide variety of relationship types and to successfully transition partners between these types is an important consideration for both manufacturers and merchandisers. The implications of this emerging business reality are varied. Collectively, these implications are discussed throughout the remainder of this chapter.

SUCCESSFULLY INITIATING AN ALLIANCE

As manufacturers and merchandisers contemplate the potential of logistics alliances, a few strategic and operational guidelines should be considered. These guidelines apply to the process stages and corresponding operational and strategic component elements shown in Figure 5.1.

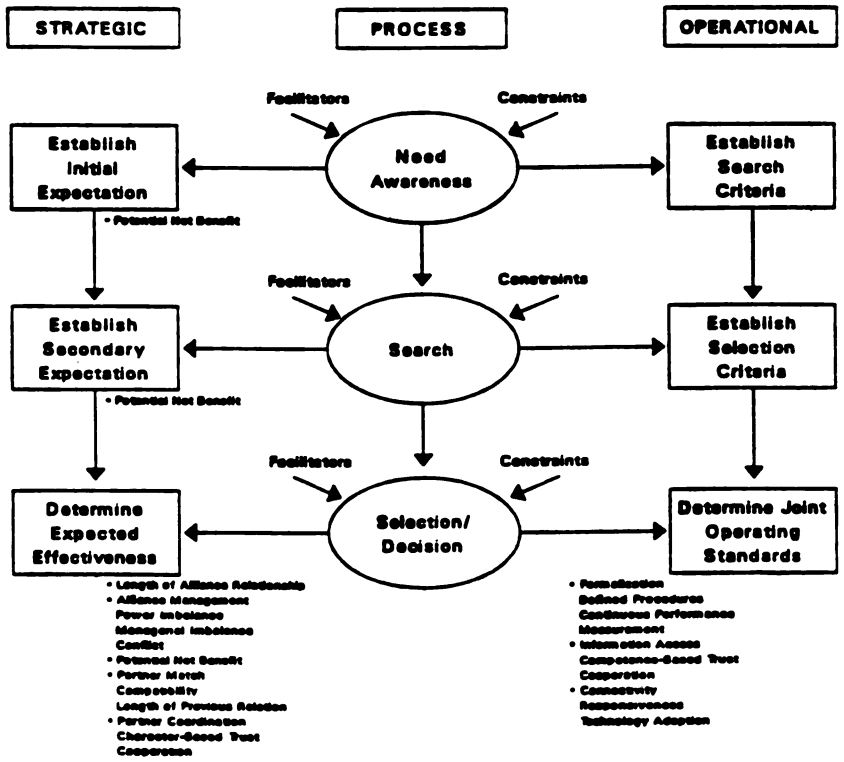

Figure 5.1
Alliance Initiation

In particular, when initiating an alliance, manufacturers and merchandisers must: (1) assess individual organizational competencies; (2) determine clear goals and objectives; (3) identify and select a complementary partner; and (4) complete comprehensive preparation when initiating or responding to a request. Initiation guidelines, as well as related limitations, are discussed.

Assess Individual Organizational Competencies

Prior to alliance involvement, firms should individually complete a comprehensive self-assessment to identify internal

strengths and weaknesses which may facilitate or hinder alliance development. In order to insure the assessment reflects the differing perceptions of managers at various organizational levels, members of the senior management team (e.g., vice president of logistics) as well as day-to-day operating managers (e.g., information systems manager) should be involved. This self-assessment should consider the availability of human, physical and capital resources as well as the strength of strategic (e.g., information sharing) and operational (e.g., information system) capabilities. Those strengths identified through self-assessment can be viewed as core competencies which should be beneficial or necessary for alliance development. Weaknesses can, to some extent, be offset by involvement with a partner that exhibits complementary strengths. The interorganizational matching of strengths and weaknesses is a critical foundation for alliance success.

Among the firms studied, the understanding of individual strengths and weaknesses led to the development of initial alliance goals. The inability to consistently provide timely delivery of sufficient product quantities to meet fluctuating consumer demands, a weakness of one manufacturer, became a primary goal of the alliance. As discussed in Chapter IV, this situation was remedied through better sharing of the merchandiser's promotional plans and warehouse delivery appointments.

It is important to understand, while a firm's strengths and weaknesses may be fairly consistent over time, this does not mean the goals of every alliance must be the same. In fact, the exact combination of complementary strengths and weaknesses is different for each alliance. Furthermore, the organizations will likely improve capabilities through alliance involvement. As such, it is important to regularly assess strategic and operational strengths and weaknesses in order to position the firm to capitalize on specific opportunities.

Determine Clear Goals and Objectives

In order to provide clear direction and focus, firms must establish explicit individual goals and objectives for each alliance under consideration. Each firm must identify a problem and/or business need and then establish the specific role of the alliance relationship in achieving the desired improvement. As discussed in Chapter IV, general goals and objectives (i.e., strategic and operational expectations) established during early process stages become more specific as the development process proceeds. This provides a concrete basis for alliance evaluation in later stages since goal and objective expectations can be directly compared to those actually achieved. If goals and objectives are not clearly established early in the alliance development process, evaluations of alliance success are more difficult to ascertain.

It should also be emphasized that each alliance should have different goals and objectives based on the specific business need and partner selected. While alliance development can proceed through a standard process (as outlined in the general alliance model), individual strategic and operational decisions are alliance-specific. That is, customization of goals and objectives is necessary to insure alliance success. A "cookie-cutter" approach to goal and objective determination does not work.

Identify and Select a Complementary Partner

While partner identification/selection is critical to all logistics alliances, manufacturer-merchandiser alliances face a number of challenges. First, the existence of a previous business relationship in almost all circumstances tends to compress early process stages. The more familiar firms are with one another, the more likely to skip or pay lip service to establishment of formal search and selection criteria. The existence of a previous business relationship can lead to preconceived judgments concerning partner strategic and operational capabilities. This is a common, but dangerous tendency. The foundations of strategic and operational understanding developed in early process stages directly impact perceptions of success in later stages. It is recommended that firms contemplating alliance development pursue a slow and methodical approach, much like the "break

down barriers and then build successes" philosophy discussed in Chapter IV.

Second, the nature of business problems encountered between manufacturers and merchandisers frequently makes partner choice appear obvious. In other words, many alliance goals and objectives are partner-specific. For example, manufacturers tend not to enter alliances to improve overall customer service performance. Rather, the goal more frequently is to improve customer service performance with a specific merchandiser. Therefore, the process often does not reflect a traditional "search and selection" procedure. This has critical implications for long-term alliance success as previously discussed.

Finally, partner identification/selection must target compatible cultures, not necessarily similar cultures. This concept was reinforced in several alliance interviews. In one case, the alliance under study was compared and contrasted to another alliance in which the manufacturer was involved. In the alliance under study, the two organizations shared similar cultures which made personal communication much easier, but did not necessarily insure strategic and operational success. In fact, this alliance was eventually put on "hiatus" until the merchandiser's operational capabilities (i.e., information systems) were enhanced. This was directly contrasted to another alliance in which the cultures were very different, but there was significant strategic and operational compatibility. In spite of some personal differences between

individuals within the partnering firms, the alliance remains successful. The alliance was successful because performance achievements more than compensated for cultural differences. In fact, the cultural differences were minimized by the joint attention to performance exhibited by the key alliance managers.

The recommendation to actively seek partners with similar cultures has been overemphasized. This research demonstrated that compatible cultures and performance achievement are much more important. Firms should actively seek compatible partners who can leverage individual strengths for the joint benefit of the alliance.

Complete Comprehensive Preparation

When initiating or responding to an alliance request, the appropriate preparation is roughly the same. First, conduct a thorough self-assessment to better understand key strengths and weaknesses. Second, establish clear goals and objectives to guide early process stages. Third, identify and select a partner based on qualitative (e.g., strategic positioning, compatible culture) and quantitative (e.g., performance capability) considerations, not "gut feel." No matter how obvious the decision to pursue an alliance may seem, managers must take time to carefully consider the long-term impact such a relationship can have on their business.

If approached by another channel member with a request to form an alliance, caution must be taken to avoid excitement

which could impair sound business judgment. Take the time necessary to carefully evaluate the request and formulate a considered response. An honest response that the firm is not prepared to enter an alliance is preferable to a false acceptance that wastes the human and financial resources of both parties.

If selection is joint and simultaneous, as is often the case in manufacturer-merchandiser alliances, take time to revisit and clarify initial goals and objectives. This helps avoid development of unrealistic expectations by both parties.

Limitations

Limited resources and lack of organizational support can hinder successful initiation of logistics alliances. While this research determined that capital investment was not essential to alliance success (see Chapter IV), appropriate application of human resources is necessary to insure success. In the early process stages, consumption of human resources is extensive as the firms individually develop strategic and operational foundations. It is important to assign not only an appropriate number of individuals, but the correct individuals themselves to insure coordination during early stages. Limited human resource availability or capability adversely affects alliance success, especially during initiation.

Moreover, lack of organizational support can hinder alliance initiation. In order to devote the human resources,

including time, necessary for alliance development, adequate organizational support must be provided. If managers do not perceive adequate support, they will not establish suitable priorities and allocate the necessary time to insure success. Senior management must reinforce early decisions and provide workload relief for those involved. If these limitations are acknowledged and their impact minimized or even eliminated, alliance initiation following the guidelines listed in Table 5.1 will more likely be successful.

Table 5.1
Alliance Initiation Guidelines

- Assess individual organizational competencies.
- Determine clear goals and objectives.
- Identify and select a complementary partner.
- Complete comprehensive preparation when initiating or responding to an alliance request.

IMPLEMENTING AN ALLIANCE

Once initiated, manufacturers and merchandisers must jointly develop and implement the alliance. Guidelines concerning implementation apply to the process stages and corresponding strategic and operational component elements shown in Figure 5.2.

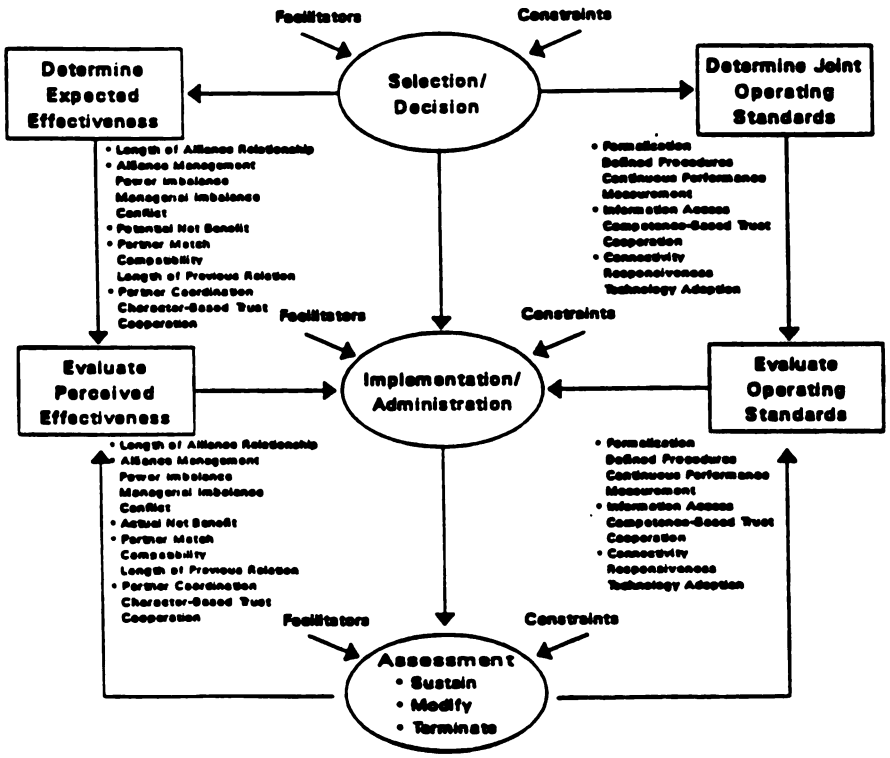

Figure 5.2
Alliance Implementation

In particular, when implementing an alliance, manufacturers and merchandisers must: (1) conduct comprehensive joint strategic assessment; (2) conduct comprehensive joint operational assessment; (3) develop personal relationships; and (4) consider character-based and competence-based trust. Implementation guidelines, as well as related limitations, are discussed.

Conduct Comprehensive Joint Strategic Assessment

Having completed individual organizational self-assessments, the alliance partners must jointly assess the

strategic potential of the relationship. This assessment should include consideration of individual roles and responsibilities as well as the synergistic benefits and potential of the broader alliance. At this development level, examination and acknowledgement of existing power imbalances, desired cooperation and potential strategic net benefit help lead to a unified strategic direction for the alliance. Joint strategic assessment can be formal (e.g., written evaluation) or informal (e.g., discussion). Regardless of the format, joint assessment must include the active participation of senior management. This insures consideration of long-term corporate strategic direction. The most important feature of joint assessment is to move beyond a single organizational focus to adopt a joint strategic perspective.

In a sense, joint strategic assessment can be compared to the individual organizational assessments completed during the initiation process. Whereas failure to complete an organizational assessment prior to alliance initiation will likely result in suboptimal interorganizational matching, failure to complete joint strategic assessment will likely result in suboptimal strategic performance.

Conduct Comprehensive Joint Operational Assessment

Nearly as important as strategic assessment is joint operational assessment. After all, unless the alliance can achieve acceptable operational performance, strategic intentions may not materialize. Functional managers with day-

to-day operational responsibilities such as information systems, traffic and procurement, must be included in this assessment. This insures comprehensive understanding of operational constraints. Joint operational assessment should consider issues such as operating policies and procedures, performance measurement and control, technology applications and communication processes.

In order to effectively conduct alliance business on a daily basis, operating policies and procedures (e.g., appointment scheduling) must be established and refined during implementation. As the partners proceed to develop and operate the alliance, these operating policies help facilitate problem resolution and also ease necessary personnel transitions.

To evaluate and control operations, joint performance measures and procedures must also be established and refined. These procedures should move beyond traditional individual performance toward system oriented measures which target continuous improvement toward "perfect order" goals. In two of the alliances studied, there were distinct differences between manufacturers and merchandisers in the individual performance measures being employed. These differences needed to be reconciled and refocused toward measurement of meaningful overall supply chain performance. Such performance measures are critical to the assessment of alliance achievement and success during implementation.

While Chapter IV established that sophisticated technology applications were not required for alliance success, technology can facilitate logistics operations. If used, interorganizational communication standards must be determined and plans to address individual technological differences must be developed. Lack of adequate supporting technology led to the temporary suspension of one manufacturer-merchandiser alliance examined. Once the deficiency was addressed, alliance operations were resumed.

Finally, connectivity must be detailed and evaluated throughout alliance implementation. The associated communication processes can range in sophistication from detailed phone lists to electronic data interchange. The exact nature of the communication (i.e., technological sophistication) is not as important as its consistency with the operational requirements of the alliance. Complex alliances with many operating variables may require sophisticated communication processes simply to insure adequate control. In the three alliances studied, operational complexity dictated the level of connectivity and associated communication processes employed.

Develop Personal Relationships

Throughout the research, the importance of personal relationships during alliance implementation was confirmed. The general lack of sophisticated technology created a need for managerial relationships to develop. These relationships,

facilitated by face-to-face visits, improved job satisfaction and generated positive enthusiasm among the managers involved. This enthusiasm extended throughout the alliances and back to the individual organizations involved.

The development of personal relationships also helps to overcome the remnants of previous adversarial practices and signals a new orientation within both firms. In one alliance, the development of personal relationships marked a departure from previous adversarial practices. The ability to communicate with a specific person (e.g., John or Mary) as opposed to the designated representative of the "enemy," is a powerful reminder of the human requirements of alliances.

As alliance implementation progresses, the tendency is to routinize basic responsibilities to free managerial resources to focus on more complex problems. Based on this research, such routinization should only proceed after implementation and following careful consideration of broader human impact.

Consider Character-Based and Competence-Based Trust

In this research, trust has been conceptualized as a multidimensional construct composed of character-based and competence-based elements. Trust is not inherent in an alliance, but is earned and develops over time. In some regards, the development of trust on an individual level is closely associated with the development of personal relationships. However, trust also considers organizational commitments (e.g., senior management) and actual performance.

In terms of organizational commitments, consistency of behavior is critical in developing trust. One of the primary reasons for conducting organizational self-assessment during alliance initiation is to avoid over or under-committing to an alliance. Over-commitment can create managerial imbalance, while under-commitment can lead to empty promises. In terms of actual performance, the ability to fulfill operating commitments can also influence the development of trust. Low product availability or frequent late shipments can cause trust to decline and may jeopardize the entire relationship.

The strength of trust developed during implementation impacts the long-term success of the alliance as it enters long-term maintenance. Every effort should be made to insure an environment in which strategic (character-based) and operational (competence-based) trust can develop.

Limitations

While the alliance may strategically and operationally seem ideal, implementation can be hindered by a lack of measurable results and/or senior management impatience. It is important to acknowledge that tangible proof of benefits may be required, and as such, small initial successes may be preferred to a single long-term objective. This commitment was reflected in all three alliances studied.

Moreover, senior management may become impatient with progress and demand more rapid or more substantial results. Managers involved in alliances must acknowledge this

possibility and make explicit a realistic results time line for senior management early in the relationship. As deviations occur, the ability to clearly communicate with senior management may impact the ability to garner continued support and required resources. If these limitations are explicitly acknowledged and their impact is minimized, alliance implementation following the guidelines listed in Table 5.2 is more likely to be successful.

Table 5.2
Alliance Implementation Guidelines

• Conduct comprehensive joint strategic assessment. • Conduct comprehensive joint operational assessment. • Develop personal relationships. • Consider character-based and competence-based trust.

MAINTAINING AN ALLIANCE

Once an alliance is successfully implemented, managerial attention shifts to the process of maintaining strategic and operational performance.[1] Considerations at this development level apply to the process stages and strategic and operational component elements illustrated in Figure 5.3.

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[1] The process of maintaining an alliance involves controlling, modifying and when necessary terminating the relationship.

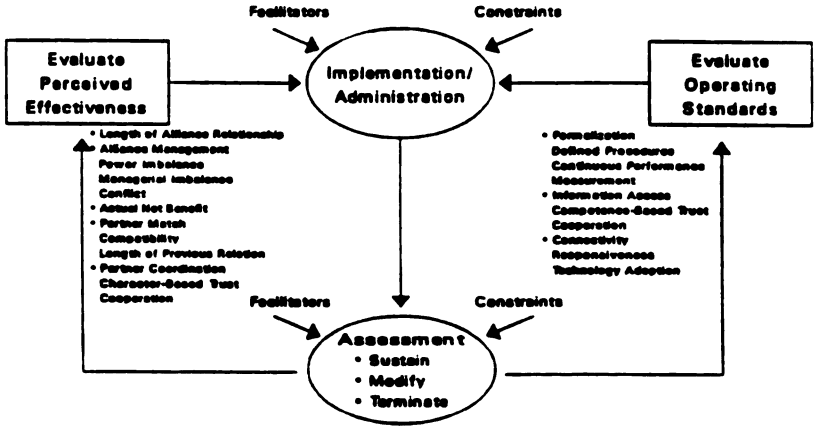

Figure 5.3
Alliance Maintenance

In particular, when maintaining an alliance, manufacturers and merchandisers must: (1) acknowledge shifting power differentials; (2) maintain continuous communication; (3) incorporate selected technologies; and (4) consider provisions for alliance termination. Maintenance guidelines, as well as related limitations, are discussed.

Acknowledge Shifting Power Differentials

The long-term success of any alliance is dependent on the ability of partners to acknowledge shifting power differentials. This is especially problematic for manufacturer-merchandiser alliances because of the different bases of power (described in Chapter II) and the continuing power shift forward in the channel. Moreover, unlike many supplier relationships for which reasonable substitutes exist, the dependence of manufacturers and merchandisers is extensive

and not easily substituted. Each participant provides a unique and complementary strength for the alliance (branded merchandise or locational loyalty).

The impact of these different bases of power is further complicated by the size and stature of the firms involved in the alliance. Alliances are frequently formed among companies of disparate sizes, which can lead to situations of widely different power. Recent consolidation among wholesalers and retailers has reduced some of the power differentials brought about by firm size. Nevertheless, power differentials must be acknowledged and addressed to insure long-term alliance success.

Surprisingly, power differentials are much less pronounced in today's competitive business environment. In spite of the widely acknowledged power shift forward in the channel, firms are more concerned with creating joint competencies than protecting power positions. This was confirmed through survey results presented in Chapter I. As a result, power differentials only tend to surface during periods of conflict, suggesting that they are manifest in more operational than strategic situations.

Moreover, several key alliance managers reported the importance of "unexercised" power. Unlike traditional notions of power which rely on the active use of expertise, penalties and other sources to influence alliance partner behavior, unexercised power is rarely used. Alliance firms acknowledge existing power differentials and focus on the commingling of

individual resources and competencies to achieve improved performance and market impact. Unexercised power is generally considered a "trump" card and is only played when absolutely necessary.

Maintain Continuous Communication

There is a tendency once an alliance has been implemented to shift attention away from both strategic and day-to-day operational considerations. Personnel are frequently reassigned or accept additional responsibilities which draw attention away from the alliance. Once the strategic and operational considerations have been implemented, much of the basic communication and extensive involvement of significant individuals is no longer necessary.

In spite of this, maintaining continuous communication is essential if the alliance is to prosper over the long-term. As previously suggested, one means for achieving high levels of communication without continued involvement of significant human resources is to implement selected technology applications. If technology can be applied to routinize day-to-day activities, the alliance can operate much more efficiently. However, this could impact the continuation of personal relationships previously described. Additional research is necessary to explore the human/technology relationship dichotomy which can arise following basic achievement of alliance success.

Incorporate Selected Technologies

One means through which technology can facilitate communication is by inclusion of exception-based reporting mechanisms, which highlight problems for managerial attention. Exception-based reports can vastly simplify the process of analyzing and interpreting performance data and were well established in two of the three alliances studied. Selected application of technology can be very beneficial for an alliance, but it is important not to simply add technology for technology's sake. Technology should only be added where it can make a significant contribution.

The three alliances studied ranged from a very technologically sophisticated continuous replenishment relationship to a non-technological promotion-driven system. In each alliance, the potential existed for expanded technology applications to facilitate alliance maintenance. Most systems relied on the existing technological foundation and utilized small, continuous enhancements to provide improved alliance operations. However, some of the greatest improvement potential can be achieved by implementing discontinuous, breakthrough technology applications. While such applications usually require substantial financial investment, another important concern is achieving critical mass. In the most technologically sophisticated alliance studied, critical mass was achieved by leveraging the technology across many different relationships. In other words, the technology was used to support the alliance, but

was not alliance-specific. Such sharing arrangements are critical for long-term success.

Consider Provisions for Alliance Termination

One of the most important long-term considerations for manufacturer-merchandiser alliance maintenance is to provide concrete provisions for terminating the alliance. As discussed in Chapter IV, alliances may be terminated when perceived effectiveness over time is less than expected effectiveness. This guideline provides insight into *when* an alliance should be terminated, but not necessarily *how* to terminate. The implications of termination on manufacturer-merchandiser alliances are discussed in a subsequent section. However, the more specific the termination guidelines, the easier it is to discontinue operations and minimize the long-term damage should it become necessary.

Limitations

In spite of efforts to acknowledge shifting power differentials, maintain continuous communication, incorporate selected technologies and consider provisions for alliance termination, successful alliance maintenance can be hindered by limited resources and significant market/organization change. The fact that an alliance has entered a maintenance phase, does not imply an end to resource requirements. Rather, the nature of resource requirements changes. As previously discussed, technology applications may be necessary

to insure continued communication at an acceptable level. If senior management is unwilling or unable to commit the necessary resources, long-term alliance success can be negatively impacted.

Moreover, the dynamic nature of organizations may eventually necessitate alliance termination. Over time, core competencies and strengths identified during initiation and incorporated during implementation may change, altering the need for an alliance. In these cases, the alliance may need to dramatically change or be terminated. Such decisions can only be made after careful consideration and consultation between partners with the best long-term interests of each in mind. If these limitations are explicitly acknowledged and their impact minimized, long-term alliance maintenance following the guidelines listed in Table 5.3 is more likely to be successful.

Table 5.3
Alliance Maintenance Guidelines

- Acknowledge shifting power differentials.
- Maintain continuous communication.
- Incorporate selected technologies.
- Consider provisions for alliance termination.

UNIQUE ALLIANCE CONSIDERATIONS

Synthesis of the preceding guidelines has resulted in improved understanding of four considerations unique to

manufacturer-merchandiser alliances. These are: (1) acknowledgement of positional competencies; (2) inability to substitute partners; (3) advocacy and the united front; and (4) long-term damage from failure. Each consideration is discussed.

POSITIONAL COMPETENCIES

The widely acknowledged shift in channel power from manufacturers toward retailers, referenced in Chapters I and II, has resulted in the recognition of different bases of power possessed by manufacturers and merchandisers. This recognition has created an opportunity for manufacturers and merchandisers to rely on positional competencies when seeking broader alliance involvement.

Manufacturers traditionally have relied on the strength of branded products to provide competitive advantage and leverage with customers. Merchandisers, on the other hand, have relied on the strength of store location and product assortment to achieve competitive advantage and consumer loyalty. Manufacturer-merchandiser alliances frequently attempt to combine these power bases to achieve synergistic benefits not available to either party individually.

Another way to view this situation is to consider the opportunity alliances offer to leverage manufacturer volume and merchandiser price. Volume efficiencies can best be achieved by manufacturers at the source of production, while market-based pricing programs are best implemented by

merchandisers at the point of purchase. This suggests that manufacturer-merchandiser alliances should seek to maintain volume efficiencies at the point of manufacture, while encouraging unique marketing programs tailored to consumer preferences. This type of volume/price leveraging is not possible in manufacturer-material supplier or manufacturer-service supplier relationships and requires development of specific measures for assessment. Supply chain measures such as "perfect order" were used to gauge the combined impact of more narrow individual measures.

A second consideration when reviewing positional competencies is the common desire to substitute alliance involvement for actual performance improvement. As discussed in a previous section, organizational self-assessment is necessary to identify strengths and weaknesses prior to alliance commitment.[2] The decision to pursue alliance involvement should be motivated by the desire to capitalize on joint strengths or compensate for individual weaknesses. Alliances should never be considered a means to shield unwillingness or inability to achieve required performance improvement. In other words, an alliance does not release a company from performance obligations, but requires high-level performance to insure success.

Positional competencies offer the opportunity to leverage interorganizational synergies in ways not available to other

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[2] For additional information concerning individual organizational self-assessment, see discussion on pages 110-112.

supply chain members (e.g., material or service suppliers) and should be acknowledged and incorporated throughout the alliance process.

PARTNER SUBSTITUTION - WHAT IS THE ALTERNATIVE

In the case of manufacturer-merchandiser alliances in the grocery industry, partner substitution is not a realistic alternative. While one alliance may be dissolved and another alliance formed, there is no substitution of partners due to the positional competencies described above.

In order to maintain broad distribution, manufacturers rely simultaneously on many competitive merchandisers to achieve market closure. To date, few if any sole-distribution options have been available to manufacturers like sole-sourcing arrangements for material and service suppliers. This suggests that the partner search and selection process for manufacturers and merchandisers does not involve competitive bidding, but is more reflective of strategic and operational alignment.

The alternative to one merchandiser is another merchandiser with distinct competencies and capabilities. The implications of this manufacturer-merchandiser reality are: (1) multiple, overlapping alliances must be co-managed; (2) broad initiatives can simultaneously satisfy multiple alliance objectives while achieving critical mass; and (3) failure can adversely impact the long-term business relationship beyond the alliance. First, individual strategic alignment with a

merchandiser (manufacturer) does not preclude creation of additional overlapping alliances with other merchandisers (manufacturers). This is due to the individual, non-competitive evaluation process employed. Second, broad-scale initiatives can leverage critical mass across alliances, relieving some of the financial pressure on individual alliances. The long-term impact of a failed relationship is discussed in a subsequent section.

The inability to substitute partners in manufacturer-merchandiser alliances creates unusual business opportunities for the companies involved.

ADVOCACY - AN EXTENSION OF THE UNITED FRONT

One of the most important contributions of this research confirms and extends the findings of related research by Schmitz (1994). Over time, key alliance managers develop strong loyalty to each other and to the alliance, thus forming a "united front." The organizational boundaries that once separated the two firms become invisible or transparent and the alliance develops its own culture. The united front represents the "social contract" for the alliance and often serves as a better indicator of long term commitment than formal contractual documents. The existence of a united front makes an alliance extremely productive because its members become committed to continuous improvement and more carefully administer the activities required to accomplish strategic goals and objectives.

The united front was exhibited in this research. In fact, in one alliance, the united front had matured to the point that the key alliance manager at the manufacturer had regular, direct access to senior management at the merchandiser. From this point, the manager was able to communicate ideas, notions and changes which could strengthen both the alliance and the overall joint business direction. In effect, the key alliance manager became a spokesperson or advocate for alliance interests and also an agent of change within the partner firm. Such boundary spanning activity helps strengthen and extend the united front.

The concept of alliance advocacy also facilitates organizational learning. Learning organizations recognize their shortcomings (e.g., technology applications, performance measurement information) and use alliances as a means to learn critical skills and gain knowledge from their partners which can resolve these shortcomings. The key alliance manager performs a critical role in this process, disseminating new information and knowledge throughout the organization. The key alliance manager also disseminates new information and knowledge in the partner organization and, acting as a change agent, uses this knowledge to encourage alternative practices which enhance the longevity of the alliance and the companies involved.

The advocacy process and development of a united front strengthens an alliance and provides a means for achieving interorganizational change.

LONG-TERM DAMAGE FROM FAILURE

Given the positional advantages possessed by manufacturers and merchandisers and the lack of partner substitutability, the decision to initiate and develop an alliance poses some long-term risks should the alliance fail. If strategic and operational expectations are not met, the alliance may need to be terminated. If both parties acknowledge failure and recommend termination because the alliance is not achieving specified goals, the firms still must reestablish a "business as usual" relationship. Employee bitterness, feelings of failure and depression and/or revenge need to be dealt with. Assuming mutual need, such employee feelings need to be identified and altered if any further relationship is to exist. In a sense, alliance failure may require reengineering of the relationship in order to resume "regular" business. Much like generic conflict, the termination may have functional or dysfunctional consequences. Unlike other types of relationships (e.g., manufacturer-material supplier) in which termination means an end to the broader business relationship, manufacturers and merchandisers need to continue business beyond the alliance. The need to reestablish business as usual remains.

Most likely, the need to reengineer a relationship is not going to be the top priority of management faced with alliance termination. However, it is necessary to ensure the continued long-term success of both partners outside the alliance. Much like a firm foundation of strategic and operational

understanding was required for alliance implementation, a similar foundation must be established for alliance termination.

RESEARCH CONTRIBUTIONS AND IMPLICATIONS

The following sections discuss the primary contributions and related implications of the results for academic researchers (theoretical/methodological) and practicing managers (managerial). While the theoretical/methodological and managerial contributions and implications are discussed separately to facilitate clarity, it should be emphasized they have been derived through a comprehensive and unified research approach.

THEORETICAL/METHODOLOGICAL

The results of this research offer two primary theoretical/methodological contributions for academic researchers. First, the general alliance model offers a comprehensive normative framework which can be utilized for structuring future alliance research. Second, the methodology employed in this research successfully addresses several limitations common to previous alliance research. The implications of these contributions for academic researchers are briefly discussed.

Development of a general alliance model has several implications for academic researchers. First, the model successfully integrates several different literatures

including theories concerning organization, systems and stages as well as marketing (relationship and channels) and logistics. The result is a robust and widely applicable model of alliance theory and practice. Second, the identified process stages include clear transition points, a characteristic absent in most previous stage models. The stages can be used to classify data from both point-in-time and longitudinal studies of alliance practice. Moreover, the model incorporates strategic and operational measures of success. This expands the research of Bucklin and Sengupta (1992; 1993) and Bowersox, et. al. (1992) by providing an integrated approach to strategic and operational alliance measurement. While the model defines measurement considerations, it does not offer specific metrics. This is left to future research efforts. Finally, the model defines a dynamic process and puts structure to commonly held notions of "win-win" relationships. It defines trust as a multi-dimensional construct (character-based and competence-based trust) which influences both strategic and operational success. All of these are important theoretical implications for academic researchers.

The methodology developed and employed in this research also has several implications for academic researchers. First, dyadic case studies offer a robust, qualitative alternative to traditional quantitative survey research. The comparison of managerial perceptions across firms provides improved understanding of alliance practice. As basic

alliances are extended to other firms in the channel, a triadic or consortium approach to key informant research will likely become necessary to achieve similar levels of understanding. Research into such extended alliances should also examine the impact and role of non-dominant partners (e.g., service suppliers). Second, the use of multiple key informants helped develop both a strategic and operational perspective concerning the alliance process. Interviews with multiple informants at different organizational levels permitted isolation of maturation effects on individual informants. Finally, multiple sources of evidence also helped to reduce bias and isolate maturation effects. All of these are important methodological implications for academic researchers.

MANAGERIAL

The results of this research also offer two primary managerial contributions. First, the general alliance model provides a "roadmap" for alliance initiation, implementation and maintenance. Second, the research provides specific means for achieving long-term interorganizational change. The implications of these contributions are briefly discussed.

Development of a general alliance model has several implications for practicing managers. First, the model provides specific guidelines for each stage of alliance development. Specifically, managers must consider the impact and influence of the previous business relationship on the

alliance process. Managers must not allow preconceived judgment to negatively impact decision-making abilities. The compression of early process stages, common in alliances with an extensive previous business relationship, impacts the ability to formulate expectations. Second, two specific types of evaluation exist (strategic and operational) and these must consider performance from both a joint and individual perspective. Strategic and operational expectations develop and change over time and these changes must be constantly monitored to insure alliance success. The development of trust, critical to manufacturer-merchandiser alliances, includes both a strategic (character-based) and operational (competence-based) manifestation. Moreover, the roles of technology and personal relationships are intertwined and are markedly different in early and later process stages. Finally, the model provides a dynamic feedback mechanism for on-going evaluation of alliance success. The model can be used by firms with various levels of alliance experience to isolate areas for potential improvement. All of these are important implications for practicing managers.

The research has also provided three specific means for achieving interorganizational change. First, advocacy and the united front provide a means for achieving joint strategic influence. Through this process, strategic and operational goals established by the key alliance managers are communicated to senior management, strengthening the alliance and enhancing the overall alignment of the partnering firms.

Such strategic and operational alignment is critical for long-term alliance success. Second, organizational learning provides a means for transferring operational information within and between alliance partners. The knowledge gained through alliance involvement can be used not only to improve the alliance, but other relationships as well. Finally, it was determined that critical mass could be achieved across multiple alliances and other business relationships. Failure to achieve critical mass has often been cited as a reason for alliance failure. However, this research showed that critical mass is not specific to a particular alliance. Technology and other broad-based initiatives can and should be leveraged across multiple relationships. These implications are particularly important for managers struggling to establish change across multiple firms.

FUTURE RESEARCH DIRECTIONS

This dissertation has identified specific areas for future alliance research. First, the case method has established support for the general alliance model and its related components, constructs and elements. Additional research which quantitatively explores individual attributes and their specific application and use is still necessary. Specific metrics must be defined for each construct and element of the model to permit further quantitative testing of causal relationships. Methodological replication in other industries would also be useful in determining whether

findings are specific to the grocery industry or can be more broadly applied.

In addition, this research suggests further exploration of trust in terms of how it develops, changes and is lost between partners. The strategic application of character-based trust and the operational application of competence-based trust also offers excellent research potential.

The nature of different power bases among manufacturers (brand equity) and merchandisers (location equity) suggests the need for further broad-scale research to investigate the impact beyond alliance relationships. The role and application of unexercised power offers an excellent opportunity to reexamine the relevance of more traditional notions of power.

The strategic and operational benefits of organizational learning are also of critical concern, especially within the context of interorganizational change management. The existence and application of advocacy and the united front is another important area for research examining interorganizational change.

Finally, the whole notion of long-term alliance management offers an area for continued research. All of the alliances studied were relatively new. The continuing development of comprehensive alliances permits opportunities to examine factors beyond alliance success. For example, what is the long-term impact of advocacy? How can interorganizational rewards be applied? What is the impact of job turnover

on the united front? These questions exceed the scope of this research. However, these issues will become increasingly important as companies extend existing alliances throughout the supply chain.

SUMMARY

This chapter reviewed findings derived from the case studies and provided specific guidelines for initiating, implementing and maintaining successful logistics alliances. Guidelines for successfully initiating an alliance were to: (1) assess individual organizational competencies; (2) determine clear goals and objectives; (3) identify and select a complementary partner; and (4) complete comprehensive preparation when initiating or responding to an alliance request. Guidelines for implementing an alliance were to: (1) conduct comprehensive joint strategic assessment; (2) conduct comprehensive joint operational assessment; (3) develop personal relationships; and (4) consider character-based and competence-based trust. Guidelines for maintaining an alliance were to: (1) acknowledge shifting power differentials; (2) maintain continuous communication; (3) incorporate selected technologies; and (4) consider provisions for alliance termination.

Four unique alliance considerations for manufacturers and merchandisers were also discussed. These included: (1) acknowledgement of positional competencies; (2) inability to

substitute partners; (3) advocacy and the united front; and (4) long-term damage from failure.

Theoretical/methodological and managerial contributions and implications were also discussed. In particular, the general alliance model offers a comprehensive framework for structuring both future alliance research and business practice. The methodology employed provides a robust, qualitative alternative for exploratory research. Finally, the research offers a means for achieving long-term interorganizational change management.

The chapter concluded with proposed directions for future alliance research including quantitative substantiation in the grocery industry and methodological replication in other industries.

APPENDICES

APPENDIX A

INTERVIEW GUIDE AND QUESTIONNAIRE

Firm Interviewed: _____

Date: _____

Location of Interview: _____

Informant Name: _____

Informant Title: _____

The role of this interview guide is to facilitate discussion. The questions are designed as a guide and not as a formal sequential procedure. Some questions are more relevant to certain partner/particular informant. The goal is to understand the alliance in its entirety.

Opening Question:

To provide background on your organization structure, please describe your role and job responsibilities, including the length of time that you have been with the present company, your various responsibilities and your current position.

Process Component:

Describe your firm's business relationship with the focal alliance partner. How long has this business relationship existed and how was it initiated? Were you involved with the partner originally?

When and how did the idea of forming an alliance originate? Who was the initiating party? Who were the key contacts involved? What prompted your firm's interest in an alliance? How did your firm determine an alliance was needed? Were criteria developed to determine if an alliance was a viable alternative?

How was the partner selected? What process did the initiating party use to choose the focal partner? Were criteria developed to aid in this decision process? Were

alternative partners considered? Did any activities facilitate or constrain the initial interest in alliance formation? The decision to form an alliance? The partner selection process?

Describe the agreement process that your firm and the partner engaged in to form the alliance? Was the process standardized or tailored to the specific partner? What activities facilitated or constrained the agreement? Was a formal contract created and, if so, what was the length of the contract and its content? Who is involved in the contractual process? Do you feel a formal contract is important and, if so, why?

Did each partner form expectations about the alliance before it was implemented? Were the expectations discussed openly? Were formal goals developed, and, if so, how were the goals determined? Please describe the initial expectations and goals.

Describe how the alliance was implemented. What changes occurred in your firm's operating practices and in the partner firm's operating practices? What activities facilitated or constrained implementation? What investments were required in physical or human resources to implement the alliance? Who was involved in implementation?

Describe the alliance operating structure. How is business conducted in the alliance? What are each partners' roles and responsibilities and who are the contacts involved? Describe the exchange process (formal and informal aspects; frequency and form).

Describe how the alliance is maintained. What investments were required in physical and/or human resources to maintain the alliance? Do the partners meet to review alliance performance? Please describe. Has the alliance met its original goals? Has the alliance been modified strategically or operationally since implementation? If so, please describe.

In your opinion, is the alliance successful? What factors have contributed to this success (or failure)? What problems exist in the alliance that hinder or limit success? How important is the alliance relationship to your firm? How important is the relationship to the partner firm? How easily could each firm substitute or replace the alliance partner?

Strategic Component:

Describe how your expectations for the alliance evolved as the relationship was formed and developed. How did you initially feel about an alliance? Has the alliance met your firm's expectations and your personal expectations? Please describe.

What did you initially perceive the costs and benefits of the alliance would be? What were the actual costs and benefits?

Do you measure alliance effectiveness? If so, how? What elements are critical to the measurement process?

How is your firm's strategic vision for the alliance communicated to the partner firm and throughout your organization? How is the partner's strategic vision for the alliance communicated to your firm and within its own firm? Is the communication sufficient? Please describe.

Probe for responses concerning expectations and actual realization in these areas:

Power Imbalance (e.g., Are the benefits balanced? Which party, if any, has the greatest power/leverage and has it changed over time?)

Managerial Imbalance (e.g., Does each partner contribute equally in terms of the number of key contacts?)

Conflict (e.g., How is conflict managed and resolved? What are the formal and informal resolution mechanism?)

Compatibility (e.g., Is the alliance partner's philosophy and organization culture compatible with your firm's)

Net Benefit (e.g., Have the alliance benefits been greater than the cost and effort? What economic and strategic benefits have been achieved? What is the key strategic contribution from your firm and from the partner firm?)

Character-Based Trust (e.g., Do you trust the partner's motives?)

Cooperation (e.g., How do you work together to accomplish goals?)

Operational Component:

Describe how the operational procedures were determined. What did you initially expect in terms of the operating structure? Has the alliance met these expectations? Please describe.

How is the alliance managed? Who is involved at both partners' firms at strategic and operational levels?

Describe how performance is measured. Describe the measures used by each partner. How were the measures developed? Are these measures shared -- provide frequency and communication format? How is performance related to piece price?

What information is shared between the partners? How frequently does sharing occur? Who has access to the information and how is it utilized? What role does technology play in the transmission of information? Is it easy to get the necessary information from the partner firm? Is the information timely and accurate? What information is necessary, but not shared? Why?

Probe for responses concerning expectations and actual realization in these areas:

Defined Procedures (e.g., Are operating procedures detailed and in written format?)

Continuous Performance Measurement (e.g., How is performance tracked and shared? How could it be improved?)

Competence-Based Trust (e.g., Do you trust the partner's expertise on important decisions?)

Cooperation (e.g., How do you work together to accomplish operational tasks?)

Responsiveness (e.g., Are you responsive to the partner's special requests?)

Technology Adoption (e.g., How is information transmitted?)

Closing Questions:

Please describe the similarities and differences between this alliance and typical relationships with a manufacturer/merchandiser. What differentiates this alliance from others and from non-alliance relationships? How could this alliance be improved? Where do you see

the alliance heading in the future? Would you recommend your firm continue to develop alliances? Would you recommend other firms develop alliances?

Please discuss any activities or factors that were critical to the alliance, but have not been covered in the interview.

I will conduct interviews with the following contacts at your firm and the partner's firm. Are there any other contacts that you recommend I interview to fully understand the alliance process?

MICHIGAN STATE UNIVERSITY
ALLIANCE RESEARCH
BACKGROUND QUESTIONNAIRE

Date: _____

Company Name: _____

Please answer the following questions about your firm's policies and procedures in general or as they pertain to the key alliance relationship discussed in our personal interview. The questions will indicate whether a general or specific focus is appropriate.

Upon Completion, Please Fax to:

David J. Frayer
Doctoral Candidate
Department of Marketing and Logistics
The Eli Broad Graduate School of Management
Michigan State University
N351 North Business Complex
East Lansing, MI 48824-1122

Facsimile: (517) 432-1112

Please indicate whether you disagree or agree with the following statements.

1. In general, I believe my firm's involvement in logistics alliances will increase in the future.

   Strongly Disagree 1 2 3 4 5 Strongly Agree

2. In general, how accurate are the following assumptions concerning most alliances with merchandisers:

   a. A firm can be effectively involved in only a limited number of logistics alliances.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   b. Logistics alliances are thinly disguised ways for the powerful partner to maintain power/control.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   c. Logistics alliances are thinly disguised ways for the powerful partner to shift inventory responsibility.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   d. An effective logistics alliance must be supported by a written contract or agreement.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   e. Logistics alliances are more lip service than reality.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   f. Logistics alliances are typically dominated by the channel member who has the greatest power.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   g. A key to successful logistics alliances is information sharing.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

   h. Joint establishment of performance measures is critical to ultimate alliance success.

      Strongly Disagree 1 2 3 4 5 Strongly Agree

3. Ability to effectively share <u>operational</u> information was critical in the selection of this key alliance partner.

   Strongly Disagree 1 2 3 4 5 Strongly Agree

4. My firm has increased the amount of <u>operational</u> information shared with this key alliance partner since the alliance was initiated.

   Strongly Disagree 1 2 3 4 5 Strongly Agree

5. The key alliance partner has increased the amount of <u>operational</u> information shared with my firm since the alliance was initiated.

   Strongly Disagree 1 2 3 4 5 Strongly Agree

6. Ability to effectively share strategic information was critical in the selection of this key alliance partner.

Strongly Disagree 1 2 3 4 5 Strongly Agree

7. My firm has increased the amount of strategic information shared with this key alliance partner since the alliance was initiated.

Strongly Disagree 1 2 3 4 5 Strongly Agree

8. The key alliance partner has increased the amount of strategic information shared with my firm since the alliance was initiated.

Strongly Disagree 1 2 3 4 5 Strongly Agree

9. In general, I believe channel power has shifted from manufacturers to retailers over the past five years.

Strongly Disagree 1 2 3 4 5 Strongly Agree

10. In the market the alliance partner serves, uncertainties in production or distribution of supplies are a real problem.

Strongly Disagree 1 2 3 4 5 Strongly Agree

11. The market in which I buy supplies from the alliance partner is complex.

Strongly Disagree 1 2 3 4 5 Strongly Agree

12. If this alliance relationship was terminated, my firm would suffer a significant loss.

Strongly Disagree 1 2 3 4 5 Strongly Agree

13. I could easily replace my present alliance partner with another.

Strongly Disagree 1 2 3 4 5 Strongly Agree

14. My firm has made significant investments in assets (e.g., tooling, equipment, information technology) dedicated to the relationship with this alliance partner.

Strongly Disagree 1 2 3 4 5 Strongly Agree

15. The alliance partner has made significant investments in assets (e.g., tooling, equipment, information technology) dedicated to the relationship with my firm.

Strongly Disagree 1 2 3 4 5 Strongly Agree

16. My firm has some unusual norms and expectations of the technology used in this relationship, which required adaptation by the alliance partner's organization.

Strongly Disagree 1 2 3 4 5 Strongly Agree

17. The alliance partner has some unusual norms and expectations of the technology used in this relationship, which required adaptation by my organization.

Strongly Disagree 1 2 3 4 5 Strongly Agree

18. Training and qualifying this alliance partner has involved substantial commitments of my firm's time and money.

Strongly Disagree 1 2 3 4 5 Strongly Agree

19. Training and qualifying my firm has involved substantial commitments of the alliance partner's time and money.

Strongly Disagree 1 2 3 4 5 Strongly Agree

20. My operations have been tailored to the constraints established by the alliance partner's operations.

Strongly Disagree 1 2 3 4 5 Strongly Agree

21. The alliance partner's operations have been tailored to the constraints established by my firm's operations.

Strongly Disagree 1 2 3 4 5 Strongly Agree

22. Either my firm or the alliance partner could terminate the agreement without penalty by giving notice to the other partner.

Strongly Disagree 1 2 3 4 5 Strongly Agree

23. The alliance partner could sign similar agreements with our competitors.

Strongly Disagree 1 2 3 4 5 Strongly Agree

24. My firm could sign similar agreements with the partner firm's competitors.

Strongly Disagree 1 2 3 4 5 Strongly Agree

25. Responsibility for the day-to-day operation of my side of the alliance is at the proper level in the management hierarchy.

Strongly Disagree 1 2 3 4 5 Strongly Agree

26. In my firm, insufficient personnel have been assigned to the task of managing this alliance.

Strongly Disagree 1 2 3 4 5 Strongly Agree

27. Responsibility for the day-to-day operation of the partner side of the alliance is at the proper level in the management hierarchy.

Strongly Disagree 1 2 3 4 5 Strongly Agree

28. In the partner firm, insufficient personnel have been assigned to the task of managing this alliance.

Strongly Disagree 1 2 3 4 5 Strongly Agree

29. My firm has influenced the partner firm to change its policies and practices with respect to logistics/distribution.

Strongly Disagree 1 2 3 4 5 Strongly Agree

30. The partner firm has influenced my firm to change its policies and practices with respect to logistics/distribution.

Strongly Disagree 1 2 3 4 5 Strongly Agree

31. During the last three months, there were significant disagreements or disputes between my firm and the partner firm.

Strongly Disagree 1 2 3 4 5 Strongly Agree

32. My firm's goals and objectives are consistent with those of the partner firm.

Strongly Disagree 1 2 3 4 5 Strongly Agree

33. Do you and the personnel from the partner firm agree on

a. The way work is done or service is provided by my firm?

Strongly Disagree 1 2 3 4 5 Strongly Agree

b. The way work is done or service is provided by the partner firm?

Strongly Disagree 1 2 3 4 5 Strongly Agree

c. The interpretation of the terms of the alliance agreement?

Strongly Disagree 1 2 3 4 5 Strongly Agree

34. Executives in my firm have a management system different from that of executives in the partner firm.

Strongly Disagree 1 2 3 4 5 Strongly Agree

35. Based upon your past and present experience, how would you characterize the level of trust in the alliance.

Little Trust with the Alliance partner 1 2 3 4 5 High Trust with the Alliance partner

36. Prior to this partnership

a. My firm had a continuous business relationship with the partner firm for several years.

Strongly Disagree 1 2 3 4 5 Strongly Agree

b. My firm did very little business with the partner firm.

Strongly Disagree 1 2 3 4 5 Strongly Agree

c. The history of relations between my firm and the partner firm may be characterized as stable and enduring.

Strongly Disagree 1 2 3 4 5 Strongly Agree

37. Based on your past and present experience, to what extent do you believe the following:

a. The partner firm has carried out its responsibilities and commitments with respect to the alliance

Strongly Disagree 1 2 3 4 5 Strongly Agree

b. My firm has carried out its responsibilities and commitments with respect to the alliance

Strongly Disagree 1 2 3 4 5 Strongly Agree

c. The alliance has been productive

Strongly Disagree 1 2 3 4 5 Strongly Agree

d. The time and effort spent in developing and maintaining the alliance has been worthwhile

Strongly Disagree 1 2 3 4 5 Strongly Agree

e. The alliance has been satisfactory

Strongly Disagree 1 2 3 4 5 Strongly Agree

38. In your opinion, what is the relative importance of each of the following motivations for establishing this key alliance? Please rate using the following scale:

Not Important 1 2 3 4 5 Extremely Important

a. Competitive advantage	_____	j. Supply stability	_____
b. Exploiting core competency	_____	k. Demand stability	_____
c. Increased customer satisfaction	_____	l. Cost reduction	_____
		m. Access to technology	_____
d. Improved quality	_____	n. Capacity constraints	_____
e. Inventory reduction	_____	o. Risk avoidance/sharing	_____
f. Leadtime improvement	_____	p. Improved profitability	_____
g. Leveraging capital	_____	q. The other party initiated it	_____
h. Domestic market access	_____		
i. Global market access	_____		

39. In your opinion, what has actually been achieved through this key alliance? Please rate using the following scale:

My firm has not achieved this objective 1 2 3 4 5 My firm has definitely achieved this objective

a. Competitive advantage	_____	i. Global market access	_____
b. Exploiting core competency	_____	j. Supply stability	_____
c. Increased customer satisfaction	_____	k. Demand stability	_____
		l. Cost reduction	_____
d. Improved quality	_____	m. Access to technology	_____
e. Inventory reduction	_____	n. Capacity constraints	_____
f. Leadtime improvement	_____	o. Risk avoidance/sharing	_____
g. Leveraging capital	_____	p. Improved profitability	_____
h. Domestic market access	_____		

40. In general, to what degree do each of the following lead to the success of logistics alliances with merchandisers? Please rate using the following scale:

Not Important 1 2 3 4 5 Extremely Important

a. Senior management support _____
b. Trust _____
c. Partner compatibility _____
d. Clear goals _____
e. Consistent goals _____
f. Equivalent human resource commitment _____
g. Equivalent physical resource commitment _____
h. Ability to meet performance expectations _____
i. Accomplishment of original objectives _____
j. Lack of individual financial constraints _____
k. Sharing of critical information _____
l. Compatible information systems _____
m. Willingness to be flexible _____
n. Leadership on our part _____
o. Written agreement or contract _____

QUESTIONNAIRE REFERENCES

Question Number	Reference
2	Michigan State University Baseline Survey conducted in May 1993 and described in Chapter I.
9	Michigan State University Baseline Survey conducted in May 1993 and described in Chapter I.
10,11	Uncertainty Elements -- Noordewier, John and Nevin (1990)
12,13	Dependency -- Dant and Schul (1992)
14-21	Specific Assets -- Heide and John (1992)
22	Exit Barriers -- Bucklin and Sengupta (1992; 1993)
23,24	Exclusivity -- Bucklin and Sengupta (1992; 1993)
25-28	Managerial Imbalance -- Bucklin and Sengupta (1992; 1993)
29-30	Power -- Emerson (1962); Etgar (1976); Gaski (1984); and Bucklin and Sengupta (1992; 1993)
31,33	Conflict -- Van de Ven and Ferry (1980); Ruekert and Walker (1987); and Bucklin and Sengupta (1992; 1993)
32,34	Organizational Compatibility -- Van de Ven and Ferry (1980); Ruekert and Walker (1987); and Bucklin and Sengupta (1992; 1993)

Question Number	Reference
35	Trust -- Anderson and Narus (1990)
36	Prior History of Business -- Van de Ven and Ferry (1980); Ruekert and Walker (1987); and Bucklin and Sengupta (1992; 1993)
37	Perceived Effectiveness -- Van de Ven and Ferry (1980); Ruekert and Walker (1987); and Bucklin and Sengupta (1992; 1993)

Note: Full Citations Found in Bibliography

APPENDIX B

CASE STUDY PROTOCOL

I. Overview of Study, including Objectives and Issues

A. Research Purpose

The purpose of this research is to develop clear managerial guidelines for initiating, implementing and maintaining logistics alliances between manufacturers and merchandisers.

B. Research Objectives

The specific objectives of this research are as follows:

1. Identify and document alliance development *process* stages, constraints and facilitators between manufacturers and merchandisers;

2. Examine the formation and development of alliance member expectations and the measurement of expected versus perceived effectiveness in order to assess the *strategic* effectiveness and success of an alliance;

3. Examine the formation and development of alliance member search and selection criteria and the establishment of joint operating standards and evaluation in order to assess the *operational* effectiveness and success of an alliance; and

4. Generate future research topics and directions for logistics alliance theory and practice.

C. Sample Letter to Participants to Provide Case Study Background

I am a doctoral candidate at Michigan State University and am contacting you concerning my dissertation which is

focusing on alliance relationships. To provide a little background on the dissertation, I have enclosed a short write-up concerning the research. Basically, I have chosen to interview three manufacturers in the grocery industry and have asked each manufacturer to identify a merchandiser that they feel they have the best alliance relationship with. Your company has been chosen to participate and your name was given as a potential contact.

These interviews will take approximately 2-3 hours each. I am hoping that your company will agree to participate and that I can schedule a one-day visit to see your operations. I would like to interview you and any other personnel at your company that you feel would be appropriate. The interviews will concentrate on how the alliance relationship was formed as well as how the relationship currently operates.

I will call you next week to discuss the dissertation research and answer any questions you may have. I understand you may need internal approval prior to agreeing to participate. Let me assure you that all information provided in the interview will be kept strictly confidential and I am willing to sign any statements to that affect. Company specific material will not be used without approval from the appropriate channels. Let me know if I can be of any assistance in the internal approval process with regard to providing more in-depth material or answering any questions concerning the research.

D. Written Description of the Research for Participants

RESEARCH ON LOGISTICS ALLIANCES
Michigan State University Doctoral Research

As firms experience increased global competition, industry consolidation, alternative distribution and retail formats, shrinking margins and heightened consumer demands, leading firms throughout industry are rapidly developing strategies to improve efficiency and effectiveness and to provide greater consumer value. The traditional mindset which centered on the firm and its internal functional relationships has been replaced by a new vision which focuses on channel processes and network relationships. A primary facilitator of this shift has been the development of highly sophisticated and formalized business relationships commonly referred to as logistics alliances.

Few doubt that logistics alliances have become an important means for conducting business in today's rapidly changing environment. However, experience shows that such relationships are difficult to establish and maintain. While numerous alliance examples have been discussed in the business press, comprehensive guidelines for building alliances have not been developed.

KNOWLEDGE GAPS

Most industry and academic publications focus on broad attributes of an ideal alliance. The focus basically suggests generalized goals such as "win-win" solutions, "information sharing" and "mutual trust." While such general goals appeal to common sense, they lack detailed description concerning how alliances are formed and evaluated regarding their performance and effectiveness. Further, these generalizations have not been examined in terms of long-term alliance success. For companies to utilize alliances to their full potential and gain maximum benefits for all partners, research focusing on the process is critical.

RESEARCH STRUCTURE

The research structure utilizes in-depth interviews with the three grocery manufacturers and their best alliance partners. Interviews will be conducted with logistics managers from multiple organizational levels at each manufacturer and their respective alliance partners. The interviews will consist of a series of structured and open-ended questions discussing perceptions of past, current and future alliance practice.

Manufacturers will be asked to identify a successful alliance with a merchandiser. Interviews with both the alliance partners will focus on: (1) the alliance process, including initial conceptualization, implementation, performance evaluation and long-term maintenance; (2) day-to-day activities required to manage the alliance; (3) the involvement with different departments including marketing, distribution, transportation, warehousing, purchasing, production, information systems and/or accounting; and (4) other internal/external activities that helped or hindered the alliance process. Discussion with other managers or additional information, not specifically mentioned above, which addresses alliance issues should be included in the interview process. The expertise and cooperation of the manufacturers and merchandisers will be critical in guiding the interviews.

II. Field Guidelines

A. Access to Interview Candidates

Key organizations and interview candidates will be approached through relationships at Michigan State University. The senior level executive at each manufacturer will be contacted and asked to participate. If agreement is confirmed, the executives will be asked to determine the focal alliance partner and provide a key contact at that firm. The executive will also be asked to arrange meetings with key contacts in his/her organization who operate and administer the alliance. A visit to the manufacturer's main and auxiliary locations will be arranged and interviews with the key contacts will be scheduled.

The partner firm will be approached and asked to participate. The manufacturer will be asked to help confirm the focal merchandiser's participation. Key informants will be identified at the merchandiser. A visit to the merchandiser's main and auxiliary locations will be arranged and interviews with the key contacts will be scheduled.

B. Preparing for the Visits/Interviews

The following resources will be required for the scheduled visit: (1) the secondary data compiled on the focal company; (2) the interview guide; (3) a sufficient number of copies of the interview questionnaires; (4) paper; and (5) itinerary for the trip.

The following items should be reviewed before each interview: (1) the secondary data compiled on the focal company; (2) the interview protocol; and (3) the interview guide.

C. Statement to the Interviewee

The purpose of this interview is to focus on the alliance between your firm and the focal partner. Specifically, the interview will facilitate discussion of how this alliance was initiated and implemented as well as how it is currently administered and maintained. In order to provide an in-depth understanding of how your company operates in this alliance, the interview will focus on three broad areas: (1) alliance development; (2) strategic expectations; and (3) operational performance.

Before the interview begins, the informant should be assured that any responses will be kept completely confidential not only from informants at the partner firm, but also from informants within the same firm.

D. Questionnaire

The questionnaire will be provided to informants that are (1) currently involved in strategic and/or operational aspects of the alliance; and (2) considered by the interviewer to be a key contact in the alliance. The following statement explains the interview questionnaire.

The purpose of the five page questionnaire is to examine specific issues in more detail. The average completion time for the questionnaire is ten to fifteen minutes. This questionnaire can be returned via fax or regular mail. Please take some time over the next week to complete and return the questionnaire. Your response is very important to the research.

III. Case Questions

A. Interview Guide (see Appendix A)

B. Questionnaire (see Appendix A)

IV. Format for Completing the Case Study Reports

Maintain/Develop a file on each individual participating company. The file should include the informants' names, addresses and titles; detailed information on the time and location of each interview; completed questionnaires; documentation received during or after the interview; correspondence; and secondary data.

Complete a case report on each individual alliance. The report should begin with descriptive information such as company backgrounds and demographics, informant titles and organization positions, and questionnaire status. Next, explanatory information should be documented that details the similarities and differences in perceptions within each firm as well as across the alliance. This information should be organized by the process stages and the three components. Environmental factors that explain anomalies, different opinions and evidence that does not converge across multiple sources should also be noted.

Develop a story of each alliance. This story should be sequential, starting with the formation of a business relationship and progressing through alliance conceptualization and implementation and reviewing the current alliance structure. Specific informant information should be noted and cited.

Complete a cross-case analysis beginning with descriptive information such as company backgrounds and demographics, informant titles and organization positions, and questionnaire status. Next, explanatory information should be documented that details the similarities and differences in perceptions across the alliances. This information should be organized by the process stages and the three components. Environmental factors that explain anomalies, different opinions and evidence that does not converge across multiple sources should also be noted.

Proceed with the case analysis in the coding stages identified by Strauss and Corbin (1990) to develop grounded theory. The coding method involves three steps: (1) open coding; (2) axial coding; and (3) selective coding. Open coding involves breaking the data down to facilitate examination and conceptualization. Categorized the data based on comparisons of similarities and differences as noted in the case study reports developed above. Give each categories a labels that describes these similarities.

In axial coding the data is combined in "new ways" by making logical connections between categories. These connections are formed based on the causal relations, context, external conditions and interaction between categories (Strauss and Corbin 1990). Categories should be given more detail in terms of their unique properties and characteristics.

The final step, selective coding, creates a core category that explains the main phenomenon of the case. This core category is developed by integrating the other categories into a higher level of abstraction. At this point, the data is at a "broad conceptual level" and each category has "property and dimensional levels" (Strauss and Corbin 1990). This provides a comparison of data to theory for grounding. This coding protocol can be envisioned as a pyramid where the first step (open coding) builds the foundation for the structure by combining the case evidence. The middle section (axial coding) organizes the evidence into a higher level of abstraction and understanding. Finally, the pinnacle is created (selective coding) by integrating the categories in a new, unique manner to explain the essence of the research findings.

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