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A GENERAL ALLIANCE MODEL: AN EXAMINATION AND DESIGN OF ALLIANCES BETWEEN MANUFACTURERS AND SERVICE SUPPLIERS

By

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ABSTRACT

A GENERAL ALLIANCE MODEL: AN EXAMINATION AND DESIGN OF ALLIANCES BETWEEN MANUFACTURERS AND SERVICE SUPPLIERS

By

Robert Frankel

While appealing from a theoretical perspective, the strategic alliance has proven to be an elusive, difficult concept to execute in practice. General guidelines for design and implementation are typically broad, lack specificity and have neither been carefully documented nor validated (Kanter 1989). Given this condition, an implementation gap exists between alliance theory (what to do) and alliance practice (how to do it).

This research develops clear managerial guidelines for building and maintaining logistics alliances between manufacturers and service suppliers. A general alliance model is developed and utilized to detail (1) the stages of alliance development and maintenance; (2) the strategic success of an alliance; and (3) the operational success of an alliance. The process of alliance development and maintenance was based upon the organizational systems and stages literature. The assessment of an alliance's strategic success was based upon the research of Bucklin and Sengupta (1992, 1993) and Schmitz (1994). The assessment of an alliance's operational success was based upon the research conducted by Bowersox et al.

(1990, 1992) which examined attributes of successful alliances. The integration of these three components of the general alliance model facilitated a comprehensive, dynamic understanding of alliance practice.

The model was evaluated based on three dyadic manufacturer-service supplier case studies conducted in the grocery industry in North America. The case evidence relied primarily upon extensive key informant interviews conducted at multiple organizational levels (e.g., senior executives, middle managers and managers with functional daily responsibility) within the participating firms. Case evidence was also generated via questionnaires, company documentation and observed business practice. Business practices and perceptions were then compared between allying firms as well as across each alliance.

Principal findings support the General Alliance Model as a meaningful framework for academic and practitioner use. Research conclusions suggest that productive alliance relationships must consider: (1) requirements (e.g., certain activities, perspectives and skills) that position a firm to achieve initial alliance success; and (2) requirements (e.g., different activities, perspectives and skills) that position a firm to achieve long-term alliance success. Additionally, operationalizing the considerations includes both organizational and individual requirements.

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CHAPTER I - INTRODUCTION

Contemporary business is characterized by rapid change. Traditional business practices that appeared inviolate and offered profitability, security and a strong power base are being challenged by circumstances that make success a much more elusive target than it has been in the past.

In particular, economic globalization is forcing firms to assess alternative geographic sourcing, production and market locations. Implicit within these expanded alternatives are more complex channel arrangements and escalating customer service expectations. A variety of market conditions -- industry consolidation, power shift from manufacturers to retailers, heightened awareness of consumer demographics and demand patterns, development of alternative distribution and retail formats, and focus on competition between channels of distribution as well as between individual firms -- further complicate the assessment process. Furthermore, the availability of faster, more efficient low-cost computing and continuous advancements in information technology which collect and distribute data provide considerable latitude regarding the assessment, decision-making and execution process.

Traditionally, the design and performance of such

business activities were essentially limited to the alternatives of internal provision, e.g. vertical integration, or external purchase, e.g. outsourcing in the marketplace (Coase 1937; Williamson 1975, 1979). In recent years, however, leading edge firms have begun to develop and implement innovative, alternative business arrangements in an effort to respond to these complex competitive conditions. The purpose of these alternative arrangements is to improve the efficiency and effectiveness of business practice and to create and maintain a competitive advantage in the marketplace. Specifically, rather than consider the traditional alternatives of vertical integration and outsourcing as mutually exclusive options, leading edge firms have identified and combined the strengths of each alternative to create an additional organizational option -- the strategic alliance.

Strategic alliances are, in essence, an organizational form that provides the benefits of vertical integration without financial ownership. That is, strategic alliances span traditional organizational boundaries in an effort to combine, integrate and leverage interorganizational processes and resources. Individual firms are able to leverage their internal resources by specializing with regard to their particular core competencies. The costs and benefits of total business resources are thereby shared. Application of these joint processes and resources improve total supply chain performance by eliminating waste and duplication throughout

the channel and offer the potential to build or enhance customer loyalty.

While appealing theoretically, the strategic alliance has proven to be an elusive, difficult concept to execute in practice. General guidelines for design and implementation are typically broad, lack specificity and have neither been carefully documented or validated (Kanter 1989).

This research concerns a subset of the broader notion of strategic alliances: the logistical alliance. Logistical alliances focus on the interorganizational relationships in which firms integrate their human, physical, financial and information resources in order to more efficiently and effectively bring goods and services to market. The focus of this research is the conceptualization, design, implementation and management of logistical alliances between manufacturers and suppliers of logistical services. Examination and understanding of this business process will provide valuable theoretical and practical knowledge to academics and practitioners.

CURRENT STATUS OF STRATEGIC ALLIANCE THEORY

The concept of strategic alliances has been described, analyzed and embraced enthusiastically by academics and practitioners alike. Reaching a definition of consensus regarding what a strategic alliance is, however, has proven to be much more difficult. For example, strategic alliances have been defined as an innovative attempt by a firm to buffer

itself from uncertainty (Spekman and Sawhney 1990); clans (Ouchi 1980); a value-adding partnership (Johnston and Lawrence 1988); agreements that take place in the context of a company's long-term strategic plan and seek to improve or dramatically change a firm's competitive position (Devlin and Bleackley 1988); and networks (Miles and Snow 1986; Thorelli 1986). In the past few years, a great deal of the research on strategic alliances has utilized MacNeil's (1980) work to develop the concept of relational exchange (Dwyer, Schurr and Oh 1987; Frazier, Spekman and O'Neal 1988; O'Neal 1989; Bradach and Eccles 1989; Kaufmann and Dant 1992; Robicheaux and Coleman 1994). Webster (1992) notes that with regard to new forms of business organizations

> "All are characterized by flexibility, specialization, and an emphasis on relationship management instead of market transactions. The purpose of these new organization forms is to respond quickly and flexibly to accelerating change in technology, competition and customer preference."

Consistent with Webster's commentary, these varying definitions of strategic alliances essentially describe a similar proposition or process. A limiting element of these definitions, however, is a somewhat theoretical emphasis that lacks application with respect to day-to-day business practice. Given the focus of this research on logistical alliances (and a related desire for insight regarding business practice and theoretical development), the following definition will be utilized:

> An alliance reflects a willingness of participants to modify their basic business practices to reduce

> duplication and waste while facilitating improved performance. Participants may include material suppliers, manufacturers, retailers/wholesalers and/or service suppliers.[1]

Alliances are formed with the intention to achieve specific benefits. Although the circumstances of every alliance are situation-specific, the following are the most commonly perceived benefits: cost reduction through specialization, joint synergy, increased information to support joint planning, enhanced customer service, reduction of risk and uncertainty, shared creativity and gaining competitive advantage (Bowersox et al. 1992).

Benefits are rarely achieved in any business arrangement without corresponding required investment. Companies must have compatible goals and corporate cultures, willingly share strategic and operational information, specify roles and responsibilities and clearly establish procedures or ground rules for both expected and unexpected events (Bowersox et al. 1992). The ability to overcome organizational boundaries and achieve interorganizational coordination requires operational coordination between alliance partners (Heide and John 1990).

In summary, alliances reflect a cooperative, relational perspective rather than an adversarial, transactional posture. The need to acknowledge and desire dependence is critical (Bowersox and Cooper 1992). Implicit within this viewpoint is a focus on long-term, mutually satisfying goals rather than

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[1]This definition was developed by Dr. Donald J. Bowersox at Michigan State University and was included in a baseline survey instrument described later in this chapter and utilized in this dissertation.

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short-term objectives. Cooperation is thus a precursor to the development of trust between alliance partners. Trust is displayed through sharing of information and joint planning of performance measurement and creativity.

LOGISTICS ALLIANCES

A critical component to integrate interorganizational processes is the provision and execution of crucial logistical services of order processing, handling and storage, packaging, transportation and information support that facilitates ownership transfer. Although responsibility for performance of logistical functions may be shifted and or shared in a variety of ways, no function can be completely eliminated (McCarthy and Perreault 1987).

Logistical alliances serve to highlight two critical facilitating elements of cooperation. First, because logistics is information-intensive, it benefits from advances in information technology that allow real-time, highly accurate information exchange. For example, EDI, bar coding, radio frequency data collection and other technologies serve as an enabler of alliance formation (Schmitz, Frankel and Frayer 1994). Second, the orchestration of interorganizational performance results from meshing the internal and external boundary-spanning performance of all channel members (Bowersox and Cooper 1992). Most boundary-spanning activities are logistics based. Thus logistics serves as a facilitating agent for alliance formation by

coordinating interorganizational activities "through a system of links and nodes to convey requirements as well as reconcile channel differences" (Schmitz, Frankel and Frayer 1994).

The performance of many logistical activities provide essential services or support to channel members such as manufacturers and merchandisers (wholesalers or retailers) who typically bear considerable financial and strategic risk. The traditional terminology used to describe these "support" channel intermediaries is a *facilitator* (Bowersox and Cooper 1992). Historically, the facilitator has not been considered a channel member because such firms do not make key decisions or assume risk. However, Bowersox and Cooper (1992) argue

> "the role that these facilitators or specialized logistical support service providers play in contemporary business practices has, in many circumstances, evolved into significant participation that involves considerable risk regarding the formation and functional operation of innovative channel arrangements. Other specialized service providers engage in active leadership roles that involve planning channel arrangements, generating support information and taking on daily decision-making responsibility."

Thus the increasing importance of these facilitating firms or service suppliers requires consideration of their role in contemporary business arrangements.

Bowersox and Cooper (1992) define service supplier activities as either functional or support. A functional service supplier is actively engaged in daily channel performance, e.g. the basic process of moving, modifying or otherwise physically handling a product during the distribution or direct selling process. A support service

supplier, however, does not engage in the actual distribution or direct selling process. The nature of their supply function does not require proximity in time and place to products being distributed or sold. Table 1.1 describes typical activities of functional and support service suppliers. Many service suppliers offer a combination of both functional and support activities. A recent development in the area of logistical service supply, of particular importance to the needs of manufacturers and merchandisers, has been the development and growth of "integrated" service suppliers that offer customized logistical service package combinations. The most prevalent components of these combinations include order processing, product modification, warehousing and handling, transportation and information support.

For the purposes of this research, the term service supplier is defined as

> "a firm actively engaged in the day-to-day performance of the process of moving, storing, modifying and otherwise physically handling a product during the distribution or direct selling process -- as well as the provision of any necessary and associated basic communication services and equipment, technical information coordination and systems support, and advisory and research activities."

This definition supports the process described by the following definition of the Council of Logistics Management:

> "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."

Table 1.1
Logistical Service Supplier Activities

FUNCTIONAL ACTIVITIES	
Transportation	**Move products between geographic locations.**
Warehousing	**Store, sort and internally move products.**
Assembly	**Modify products to customer specifications.**
Fulfillment	**Take customer orders and provide specialized product shipment.**
Sequencing	**Arrange and package products in specialized ways.**
Merchandising	**Work at point of sale to increase appeal of product assortment.**
SUPPORT ACTIVITIES	
Financial	**Provide funding for basic assets, inventory, accounts receivables and factoring.**
Information	**Provide communication services to link channel operations.**
Advertising	**Assist in planning and executing promotions.**
Insurance	**Protect against risk and loss due to unexpected events.**
Advisory & Research	**Provide basic data and expertise to facilitate channel planning and operations.**
Arrangement	**Create special situations and incentives to facilitate product movement or sale in other than primary business operation methods.**

Source: Adapted from Bowersox, Donald J. and M. Bixby Cooper (1992), Strategic Marketing Channel Management (New York: McGraw-Hill, Inc.).

UNIQUENESS OF MANUFACTURER - SERVICE SUPPLIER ALLIANCES

Logistics alliances which include service suppliers reflect four important trends in business today. First, an alliance represents senior management's desire to [re]focus a firm's basic business on their core competency. With regard to manufacturers, this means concentrating resources on research and design, product development and production of components and/or finished goods. Such strategic planning acknowledges the functional and/or strategic nature of service supplier performance and the importance of their role as viable channel participants.

Second, inherent within the desire to focus on core competencies is the utilization of the traditional concept of outsourcing (Stigler 1951; Bucklin 1966; Mallen 1973). In many contemporary organizational restructurings, logistical operations are a frequent candidate for outsourcing consideration. Outsourcing capitalizes on economic efficiency and functional specialization during day-to-day logistical service performance and provides the potential to achieve competitive differentiation and advantage for the logistical service supplier and the outsourcing firm. In order to provide support activities which continuously improve such performance, service suppliers will invest in assets, dedicate capacity and personnel, and customize information and communication systems to improve the productivity and customer satisfaction of manufacturers (Delaney 1994). The ability of the logistical service supplier to spread and leverage their

planning, coordination and implementation expertise, and skills over multiple customers affords the opportunity to offer low-cost, highly specialized support to individual outsourcing customers. Ellram and Cooper (1990) suggest that such outsourcing can potentially provide manufacturers and service suppliers with a variety of benefits (see Table 1.2).

Third, the service supplier is ideally positioned to act in a cooperative role in channel arrangements between manufacturers and merchandisers, and thus becomes a critical linkage in efforts to realize market power. According to Bowersox and Closs (1994, forthcoming), "The real power in channel arrangements is generated by market acceptance of a product or service. To put it differently, nothing moves on a continuous basis unless it sells on a continuous basis." Conversely, however, the ability of a product or service to sell on a continuous basis is also dependent on the timely, cost-efficient provision of support activities (e.g., modification, delivery and positioning) to meet customer or consumer needs.

When a manufacturer allies with a service supplier (e.g., a motor carrier) and transfers the responsibility for all or a significant portion of its transportation function, the service supplier becomes more than a basic channel intermediary. Rather, the service supplier becomes an *extension or representative* of the manufacturer's functional performance and reputation in the channel. The service supplier's role is to facilitate the efficient and effective

Table 1.2
Benefits of Manufacturer - Service Supplier Alliances

Manufacturer Benefits

Economic
Transfer financial risk
Transfer assets to free up capital
Shift functions
Increase quality
Routinize transactions
Utilize service supplier expertise
Share development costs

Managerial
Concentrate on core business
Manage fewer relationships

Strategic
Competitively position the supply chain
Global flexibility to ensure timely, nimble delivery systems
support flexible production
Inventory deployment as an asset
Meet customer service objectives

Service Supplier Benefits

Economic
Achieve economies of scale
Reduction of capacity utilization risk

Managerial
Concentrate business expertise on fewer shippers
Manage fewer relationships

Strategic
Longer investment and planning horizon
Leverage expertise

Source: Adapted from Ellram, Lisa M. and Martha C. Cooper (1990), "Supply Chain Management, Partnerships, and the Shipper-Third Party Relationship," The International Journal of Logistics Management, 1:2, 1-10.

logistical performance of *both* the manufacturer and their customers. For example, motor carrier deliveries of outbound manufacturer shipments to downstream merchandisers (wholesalers or retailers) requires the performance of scheduling appointments, unloading, courteous and timely communication of information, resolution of claims and damage, etc. The manufacturer is, in fact, represented by motor carrier personnel (drivers and account and customer service representatives), the performance of the transportation service itself, and the reputation of the service supplier firm. A similar representation occurs with the provision of inbound transportation from upstream material suppliers to the manufacturer's plants. Likewise, service supplier provision of timely, damage-free warehousing, order selection, labeling and/or special packaging, pallet configuration and loading are a similar extension of a manufacturer's efforts to bring products to market. Again, the manufacturer is represented by the service supplier's personnel (dock workers, order selectors, customer service representatives, supervisors), performance of the warehousing service itself, and the reputation of the service supplier firm. Transparent or "seamless" performance of these support activities are critical to the competitiveness of contemporary manufacturers. Thus the potential cooperative positioning of service suppliers requires a broader perspective of channel behavior than manufacturer-material supplier alliances or a manufacturer-merchandiser alliances. In effect, the role of

the service supplier is to provide essential support to manufacturers and merchandisers (irrespective of whom the dominant channel participant may be), with the intent of helping to achieve competitive advantage for a single firm and/or *an entire supply chain*.

Fourth, the scope of potential business growth and future market positioning project manufacturer-service supplier alliances to be an important component of future supply chain activities. For example, revenues for contract logistics have increased from $10 billion in 1990 to $16 billion in 1992. However, the $16 billion figure represents less than 3% of the nearly $375 billion market for transportation, warehousing and administrative services in 1992. The contract logistics market is predicted to grow at a 3% compounded rate through the year 2000 -- at which time it will comprise 10% of the relevant service market (Delaney 1994). The trend in recent years toward a reduction in transportation and warehousing overcapacity has increased the incentive and potential for manufacturers to ally with service suppliers for such dedicated services.

CURRENT STATUS OF ALLIANCE IMPORTANCE AND DEVELOPMENT

Few academics and practitioners doubt that logistics alliances have become an important means for attempting to conduct business and achieve success in today's rapidly changing environment. Therefore, research regarding strategic alliances and interorganizational management is a topic of

considerable interest and importance in contemporary business practice. However, very little comprehensive research has been conducted with regard to the topic of strategic alliances. A recent comprehensive study[2] of logistical activities and practitioner perceptions explicitly considered logistical strategic alliances and focused on the (1) importance of alliances as a research topic; (2) alliance activity and potential opportunistic behavior of alliance participants; (3) motives for forming a logistical alliance; and (4) general issues and guidelines to create and maintain alliances. The following present conclusions regarding the four issues as reported in the study.

ALLIANCE IMPORTANCE AS A RESEARCH TOPIC

Strong agreement exists among logistics professionals concerning the importance of alliances as a research topic (see Table 1.3). While there are very slight differences between respondent groups' rankings of topics, there is general agreement that information technology, performance measurement, alliances and unique distribution strategies are the top four research concerns. Interestingly, service suppliers rated information technology, alliances and unique distribution strategies as considerably more important

[2]In May 1993, a Michigan State University survey instrument was mailed to 6010 Council of Logistics Management members and specifically excluded educators and publishers/editors. A total of 1222 usable responses were received, generating a 20.3 percent response rate. The 1222 respondents were as follows: 657 manufacturers, 156 merchandisers, 208 logistical service suppliers (carriers, warehousing firms and integrated service providers) and 201 "others" (consultants, government or military, etc.).

relative to manufacturers' opinions. Manufacturers and service suppliers both rated alliances third in importance.

Table 1.3
The Importance of Major Research Topics

Topic	Manufacturer	Merchandiser	Service Supplier	Other
Information Technology	1.56	1.53	1.47	1.49
Performance Measurement	1.71	1.76	1.71	1.69
Alliances - Relationship Mgmt.*	1.87	1.82	1.70	1.76
Unique Distribution Strategies*	1.91	2.05	1.64	1.88
Inventory Deployment	1.95	1.84	2.03	2.02
Network Reengineering*	2.00	1.99	2.15	1.91
Time Based Logistics Strategies	2.11	2.14	2.18	2.03
Globalization	2.13	2.42	2.10	2.09
Environmental Issues	2.41	2.41	2.53	2.50
Organization Structure	2.44	2.41	2.55	2.33

* Significant difference (alpha = .05) between manufacturers and service suppliers

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

In addition to being considered a topic of significant importance, manufacturers and service suppliers believe that logistical alliances are more common today than five years ago (see Table 1.4). Despite increasing economic pressure from market conditions and shareholders, interest in alliance formation was unaffected by recessionary conditions of the early 1990s. In conclusion, alliances are viewed as a topic of significant research importance as well as a viable alternative business proposition rather than a short-term "fad."

ALLIANCES AND OPPORTUNISM

A common criticism of practitioners and industry observers is that alliances provide powerful firms with an

Table 1.4
Logistics Alliance Activity

Manufacturers

Question	
Logistics alliances with material suppliers are more common today than five years ago.	2.06 (N = 654)*
Logistics alliances with service suppliers are more common today than five years ago.	2.13 (N = 656)*
Logistics alliances with customers are more common today than five years ago.	1.97 (N = 657)
Interest in forming alliances decreased during the recession of the early 1990s.	3.47 (N = 653)

Service Suppliers

Question	
Logistics alliances with material suppliers are more common today than five years ago.	2.24 (N = 208)*
Logistics alliances with service suppliers are more common today than five years ago.	2.00 (N = 208)*
Logistics alliances with customers are more common today than five years ago.	1.98 (N = 208)
Interest in forming alliances decreased during the recession of the early 1990s.	3.48 (N = 207)

*Significant difference (alpha = .05) between manufacturers and service suppliers

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

acceptable facade under which "business as usual" may be carried out. That is, firms may still capitalize on or leverage their power unfairly within alliance relationships. Table 1.5 addresses a number of perceptions regarding this subject. Manufacturers and service suppliers concur that logistics alliances represent more than "lip service" commitments. Similarly, they agree that logistics alliances are more than vehicles of power and control -- and,

Table 1.5
Perceptions of Alliance Opportunism

Manufacturers

Question	
Logistics alliances are more lip service than reality.	3.49 (N = 658)
Logistics alliances are thinly disguised ways for the powerful partner to maintain power/control.	3.62 (N = 657)
Logistics alliances are typically dominated by the channel member who has the greatest power.	2.75 (N = 653)
Logistics alliances are thinly disguised ways for the powerful partner to shift inventory responsibility.	3.30 (N = 656)

Service Suppliers

Question	
Logistics alliances are more lip service than reality.	3.50 (N = 208)
Logistics alliances are thinly disguised ways for the powerful partner to maintain power/control.	3.51 (N = 208)
Logistics alliances are typically dominated by the channel member who has the greatest power.	2.73 (N = 208)
Logistics alliances are thinly disguised ways for the powerful partner to shift inventory responsibility.	3.23 (N = 208)

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

interestingly, that channel members with the greatest power do not typically dominate such relationships. Finally, regarding an operational issue of great concern and sensitivity to contemporary firms, logistics alliances do not represent a tactic to shift inventory responsibility in the channel. In conclusion, manufacturers and service suppliers believe that

alliances do, in fact, represent an alternative method of conducting business based on trust and mutual understanding rather than on a more traditional, adversarial basis.

LOGISTICS ALLIANCE MOTIVATIONS

A wide variety of motivations are suggested for establishing a logistics alliance. The study solicited responses to ten specific motivation factors (see Table 1.6). General agreement existed among respondents with regard to the two most important motivations: competitive advantage and improved quality. There were, however, statistically significant differences of rank order between manufacturers and service suppliers on six of the remaining eight motives. Not surprisingly, manufacturers rated Leadtime Performance Improvement, Supply/Demand Stability and Inventory Reduction as more important than did service suppliers -- most probably

Table 1.6
Importance of Logistics Alliance Motivations

Motive	Manufacturer	Merchandiser	Service Supplier	Other
Competitive Advantage	1.65	1.66	1.73	1.68
Improved Quality	1.83	1.74	1.80	1.88
Leadtime Improvement*	1.87	1.86	2.09	1.81
Inventory Reduction*	1.93	1.79	2.13	1.82
Increased Customer Involvement	2.02	1.97	2.02	2.06
Exploiting Core Competency	2.21	2.32	2.10	2.12
Supply/Demand Stability*	2.17	2.26	2.29	2.15
Technological Access*	2.24	2.30	2.01	2.26
Market Access/Globalization*	2.39	2.50	2.22	2.26
Leveraging Capital*	2.45	2.32	2.26	2.31

* Significant difference (alpha = .05) between manufacturers and service suppliers

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

due to inventory ownership considerations. In particular, differences in perceptions regarding Leadtime Performance Improvement may reflect manufacturers' broader channel-wide perspective relative to service suppliers. On the other hand, service suppliers viewed Technological Access as a primary motivation (third) for establishing a logistical alliance, while manufacturers rated it eighth. The capability to develop and exchange technological expertise is a functional and strategic requirement for service suppliers, and alliances are perceived as an important way to achieve such capability. Interestingly, although both parties believed Market Access/Globalization was a less important motivation, service suppliers rated it significantly more important than did manufacturers. Finally, although both manufacturers and service suppliers rated Leveraging Capital as a relatively less important motivation, manufacturers viewed it as significantly less so than did service suppliers. The greater importance to service suppliers supports the previously discussed notion that service suppliers look to spread and leverage a variety of skills across multiple customers in order to offer low-cost, highly specialized outsourcing support. In conclusion, primary alliance motivations between manufacturers and service suppliers are consistent -- but secondary motivations are not -- reflecting some disagreement with respect to how potential alliance partners may view business opportunities and needs, criticality of performance measurement, prioritization of alliance maintenance activities

or dissolution rationale.

GENERAL ALLIANCE ISSUES AND GUIDELINES

Several general issues exist which require consideration with regard to specific firm efforts to create and maintain alliances (see Table 1.7). Manufacturers and service suppliers believe information sharing is a key to successful logistics alliances. Both manufacturers and service suppliers slightly agreed that firms will not be constrained by participation in more than a limited number of logistics alliances. Manufacturers' perceptions were significantly more restrictive than service suppliers; this is not surprising given service suppliers' strategic positioning and ability to leverage multiple relationships within the business environment.

Manufacturers and service suppliers were relatively neutral regarding the need for a written contract or agreement to support an effective logistics alliance; however, service suppliers believed it is relatively more necessary than do manufacturers. The necessity for service suppliers to invest specific assets to support alliance partner transportation and/or warehousing functions likely explains this result. Based on the relational contracting work of MacNeil (1980), considerable support exists in the literature to substantiate the equivalence of non-written agreements with written contracts. Written contracts tend to increase rather than decrease conflict (Young and Wilkinson 1989); and alliance

participants' focus is often the development of informal and implicit social contracts rather than written agreements (Larson 1992).

Table 1.7
General Logistics Alliance Considerations

Manufacturers

Question	
A key to successful logistics alliances is information sharing.	1.65 (N = 657)
A firm can be effectively involved in only a limited number of logistics alliances.	2.49 (N = 658)*
An effective logistics alliance must be supported by a written contract or agreement.	2.84 (N = 657)*
Having an alliance is not compatible with a bidding process.	3.31 (N = 657)*

Service Suppliers

Question	
A key to successful logistics alliances is information sharing.	1.59 (N = 207)
A firm can be effectively involved in only a limited number of logistics alliances.	2.68 (N = 207)*
An effective logistics alliance must be supported by a written contract or agreement.	2.66 (N = 208)*
Having an alliance is not compatible with a bidding process.	3.09 (N = 207)*

*Significant difference (alpha = .05) between manufacturers and service suppliers

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

Finally, both manufacturers and service suppliers were, at best, neutral regarding the incompatibility of a bid process with alliances. Manufacturers significantly differed from service suppliers and tended to lean toward outright disagreement. Perhaps the responding parties interpret

alliances as both cooperative (within the actual alliance relationship) and competitive (relative to other potential alliance partners who offer similar goods or services).

Manufacturers concur with the literature regarding the lack of comprehensive, clear guidelines and procedures concerning the alliance process (see Table 1.8). They also believe their alliances are not operating under the principles of shared reward and risk.

Table 1.8
Logistics Alliance Guidelines and Procedures

Manufacturers

Question	
My firm has clear guidelines and procedures for creating logistics alliances.	3.23 (N = 653)
My firm has clear guidelines and procedures for monitoring logistics alliances.	3.24 (N = 654)
My firm has established logistics alliances that operate under the principles of shared rewards and risks.	2.84 (N = 651)

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

Overall, study results validate the literature with regard to alliances being an issue of significant research importance, and a viable business proposition that represents an alternative way of conducting business. Specifically, this alternative is based on trust and mutual understanding rather than a traditional adversarial business posture. Manufacturers and service suppliers agree that the most important motivations for becoming involved in alliances are competitive advantage and improved quality. However, manufacturers' secondary motivations are driven by a variety

of inventory-related issues while service suppliers find technological access, increased customer involvement and exploitation of core competencies as key secondary alliance motivations. The number of statistically significant differences between manufacturers and service suppliers with regard to secondary alliance motivations suggests potential differences may exist in the management of alliances. Study results also emphatically disclose that comprehensive, clear guidelines and procedures do not exist with respect to the alliance process -- and that the alliances currently in use today do not operate under the desired principles of shared reward and risk.

It is fairly evident that actual industry conditions regarding alliances are more complex and uncertain than the general, simple prescriptions offered by academics and trade journals. Although strategic alliances are, in fact, a topic of considerable interest and importance, they are very difficult to establish, manage and maintain. The gap between alliance theory and successful alliance practice clearly demonstrates both an opportunity and a challenge for in-depth research which goes beyond general prescriptions for alliance design and implementation, and instead focuses on the investigation and determination of why and how the alliance process occurs. It is suggested that this research opportunity and challenge may be described as exploratory in nature. According to Sellitz, Wrightsman and Cook (1976) and Churchill (1991), the major emphasis in *exploratory research*

is on the discovery of *ideas and insights* (original emphasis). Churchill (1991) further suggests that an exploratory study or research is appropriate for any or all of the following purposes:

(1) formulating a problem for more precise investigation or for developing hypotheses;

(2) establishing priorities for further research;

(3) gathering information about the practical problems of carrying out research on particular conjectural statements;

(4) increasing the analyst's familiarity with the problem; and

(5) clarifying concepts.

In general, then, exploratory research is appropriate for any problem about which little knowledge exists. The aforementioned gap between alliance theory and practice clearly suggests that alliances in general, and more specifically alliance practice itself, is a research area in which little knowledge exists. Furthermore, that knowledge has not been subject to careful research documentation and/or validation -- in fact, no clearly defined framework exists with which to study the alliance process.

RESEARCH PURPOSE

Given the gaps in theory and practice identified in preceding sections, the purpose of this research is to develop clear managerial guidelines for building and maintaining logistics alliances between manufacturers and service suppliers. The specific objectives of this research are:

(1) Identify and document alliance process stages, constraints and facilitators between manufacturers and service suppliers;

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

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

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

RESEARCH SCOPE

The research scope examines logistical alliances between manufacturers and service suppliers within the grocery industry in North America. Investigation of alliances between manufacturers and service suppliers is based on the expectation that alliances between these two supply chain participants will contain differences compared to alliances between other primary channel participants (e.g., manufacturers and merchandisers). This expectation is based in part on two factors. First, significant differences regarding alliance practice exist between manufacturers, merchandisers and service suppliers discussed in the Michigan State University study. Second, as noted previously, the nature and performance of service supplier activity is uniquely positioned in supply chain arrangements and also possesses an inherent complexity of assessment (discussed in Chapter II) that distinguishes it from manufacturer-

merchandiser or manufacturer-material supplier arrangements.

The grocery industry was selected for study because, traditionally, it has exhibited leadership and innovation regarding information technology usage, customer service provision and quality measurement. Alliance theory posits that these characteristics are essential to alliance formation and success. Finally, the choice is based on the prominent role the grocery industry plays in the North American business environment.

RESEARCH LIMITATIONS

This research is based on a limited sample of manufacturers who were not selected through random sampling techniques. Rather, they were chosen for study based on knowledge acquired through Michigan State University that (1) identified them as involved in sophisticated logistical alliance practice and (2) included a willingness to participate in doctoral student research. Additionally, the manufacturers which agreed to participate in this research were also asked to identify their best logistics service supplier alliance partner for participation and study. Thus, in the process of utilizing dyadic case studies for this research, neither the manufacturer nor their alliance partner (the service supplier) were selected in a random manner.

Given the preceding selection procedures, the firms chosen for study may not be representative of all firms in their respective industries. Specifically, they may fail to

represent those firms which do not (1) consider alliances to be valuable and/or critical strategic components of success; (2) exhibit leading edge business practice; and (3) have the willingness or ability to participate in in-depth organizational research.

Utilization of firms in the grocery industry limits the research generalizability to other significantly dissimilar industries. Organizational culture and individual personality characteristics of alliance participants are likely to exert considerable influence on the research findings. It should be noted, however, that previous research regarding logistics best practice is not confined to industry, firm size or channel position (Bowersox et al. 1989). Given this proposition and the very exploratory nature of current alliance research, a limited research scope in an advanced industry is appropriate for the study of the alliance process.

POTENTIAL CONTRIBUTIONS

The primary contribution of this research is the exploration and analysis of the interorganizational relationships between grocery manufacturers and logistics service suppliers that will provide managerial guidelines to build and maintain logistics alliances. These guidelines will provide knowledge to achieve more efficient and effective business practice as well as provide valuable insight into interorganizational theory. Generation of future research topics and directions will also be provided.

ORGANIZATION

The remainder of this dissertation forms the basis for Chapters II through V. Chapter II reviews the relevant literature and provides an assessment of the nature of the service process and a theoretical foundation for its uniqueness. The chapter includes academic and industry discussion of the service process, in order to better support an examination of the alliance formation process.

Chapter III details the methodology and research design utilized in this dissertation. The chapter includes discussion regarding the research sample, case research process and the procedures used to create matching dyads. The chapter also includes the specific research questions to be addressed by this dissertation.

Chapter IV presents the major findings derived from the case methodology, including unexpected and unusual results. Explanation of the results are also provided.

Chapter V contains the conclusions and summarizes the overall research effort. Implications to practitioners and academics as well as suggested avenues of future research for academics are also presented.

CHAPTER II - SURVEY OF THE LITERATURE

The following is a review of the relevant literature necessary to study channel behavior as an interorganizational system, to examine why alliances are created, provide a continuum of organizational governance mechanisms and a typology of alliance forms. Next, a number of literature streams concerning organizational stages models will be discussed in order to develop a general alliance process model. The model will be extended to consider the evaluation of alliance success by assessing strategic and operational alliance performance. Finally, several unique issues of manufacturer-service supplier alliances will be reviewed: the nature of the service act, determinants of service quality and the evaluation of the service process.

RATIONALE FOR STUDYING CHANNEL BEHAVIOR AS AN INTERORGANIZATIONAL SYSTEM

Reve and Stern (1979) discuss marketing channels as interorganizational systems, or "superorganizations." The concept of a superorganization suggests that channels have the characteristics of complex social organizations (Weick 1969) despite their composition of collectivities rather than individuals. This viewpoint represents, in organizational terms, a *social action system* (Van de Ven 1976; Aldrich 1979)

or interorganizational collectivity (Van de Ven 1974). In the marketing literature, Alderson (1965) described the concept in Parsonian terms as an *organized behavior system*.

> Social action systems exhibit three basic elements:
>
> (1) activities among members which are aimed at attaining both *collective and self-interest goals*;
>
> (2) *a division of functions and tasks* resulting in interdependent processes; and
>
> (3) *integrated actions* taking place which result in channels developing a unique identity separate from its members. (Van de Ven 1976)

Given these three elements, Reve and Stern (1979) posit that "most marketing channels tend to meet the criteria of a superorganization or a social action system, exhibiting the basic elements of organized forms of collective behavior." As such, strong rationale is provided for studying marketing channels as interorganizational systems and applying organization theory variables to the study of interorganizational activity.

WHY ALLIANCES FORM: A THEORY OF DETERMINACY

Much of the literature regarding organizations has been generated as a by-product of the search, learning and decision-making process to improve efficiency or performance in a highly complex, uncertain environment (Thompson 1967). Inherent within this search process is the desire to accurately predict the status or future state that the system (e.g., the organization) will be in. Accurate prediction of such a state is immeasurably increased by dealing with a

determinate system. Fixing the present circumstances to determine the state the system moves to next requires that the variables and relationships involved be few enough in number to comprehend and to control.

Organizational theorists typically describe organizational systems as either closed or open. Closed system strategies seek determinacy or certainty by employing rational models that incorporate only those variables associated with efficient goal achievement and subjecting them to massive, rigid networks of control. Open system strategies, on the other hand, shift the focus of the organization from goal achievement to survival, or satisficing, in order to deal with environmental uncertainty. Open systems recognize the need for a more informal, adaptive approach to deal with the accepted norm of uncertainty -- determinancy is desired and the organization's activities are subject to criteria of rationality.

An organization's structure may be envisioned as a tripartite design of organizational responsibility and control: (1) technical; (2) managerial; and (3) institutional (Parsons 1960; Thompson 1967). The technical level, or suborganization, focuses on effective performance of the organization's tasks or functions. The managerial level administers or controls (although not unilaterally) the technical suborganization. The institutional level provides support and legitimacy to the implementation of the organization's goals. In this design, the primary potential

sources of organizational uncertainty reside at the institutional and technical levels (Thompson 1967). The institutional level faces elements of environmental uncertainty over which it has no formal authority or control. Rather, it is subject to generalized norms ranging from formally codified regulations to informal standards of acceptable practice as well as elements representing public authority or interest. Uncertainty at the technical level is due to variability in resource acquisition (inputs) and output-disposal (outputs) required to effectively perform technical functions or tasks. The organization's potential to reduce or eliminate uncertainty is more plausible at the technical level by rationalizing or limiting the number of input and output variables subject to consideration. For example, if an organization concentrates its business with a small number of transportation carriers or warehousing firms which meet agreed-upon conditions of quality and methods, then the issues regarding communication contacts, systems requirements, facilities, etc. can be significantly reduced. Outputs regarding performance variability may similarly be reduced. An important role of the managerial level is to mediate between the two extremes of the institutional level (high uncertainty) and technical level (potentially lower and more controllable uncertainty).

Thompson (1967) hypothesizes that organizations recognize the value of these core processes or services that are carried out at the technical level. He termed these processes or

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services the organization's "technical core" -- activities which constitute the purposive, effective performance of an organization. A phrase similar to "technical core" is the contemporary terminology "core competency."

Organizational rationality requires organizations to buffer or protect the technical core from the environmental influences or uncertainty surrounding the input and output activities with which the core is interdependent. Buffering considers both production input strategies (e.g., stockpiling materials, preventative maintenance, training) and distribution output strategies (e.g., maintaining inventories for manufacturer warehouse inventories, items in transit or distributors). In contrast to buffering strategies which seek to absorb environmental fluctuations, smoothing or leveling strategies attempt to reduce environmental fluctuations. For example, manufacturers may offer promotional inducements on seasonal items to merchandisers during "off-season" time periods; similarly, transportation carriers may offer reduced rates on slow days/traffic lanes and expect higher rates on high volume days/traffic lanes. When buffering or leveling strategies are infeasible, organizations often seek anticipatory or adaptive strategies of protection such as forecasting. In instances when one of these three strategies are implausible, organizations may resort to "rationing" production/service activities. As Thompson (1967) notes, rationing is an unhappy solution because it indicates that the core technology is unable to operate at maximum level.

Typical rationing activities include apportioned allotments of "suddenly popular" products, or selective use of transportation equipment or delivery times.

Among others, Spekman and Sawhney (1990) suggest that the formation of a strategic alliance is an innovative attempt by an organization to provide determinancy, e.g. to manage and control uncertainty as much as possible. Alliances can result in greater access to raw materials, markets, technology, capital and other forms of expertise that allow the organization to make better decisions. Contemporary manufacturer-service supplier alliances are often based upon shared, timely information to plan and electronically tender loads; store and consolidate freight; and efficiently and effectively design, schedule and monitor pick-up, routing and delivery. Such alliances alleviate dependence upon traditional determinancy strategies of buffering, leveling, adaptation and rationing.

A strategic alliance thus creates a new, larger "superorganization" or organizational entity which may be studied by applying organization theory. Structurally, the new organization may still be viewed as composed of Thompson's (1967) three levels: the required technical core functions or tasks; a managerial level of direction and coordination; and an institutional level which provides strategic planning. A critical point of interest, both theoretically and practically, thus becomes the manner in which the new "superorganization" is governed or controlled.

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A CONTINUUM OF INTERORGANIZATIONAL GOVERNANCE MECHANISMS

Williamson and Ouchi (1981) broadly define the term governance as a "mode of organizing transactions." Governance is more succinctly conceptualized by Palay (1984), who defines it as "a shorthand expression for the institutional framework in which contracts[1] are initiated, negotiated, monitored, adapted and terminated." Heide (1994) rephrases Palay's delineation of governance as "a multidimensional phenomenon, encompassing the initiation, termination and ongoing relationship maintenance between a set of parties.[2] Governance, then, describes the *process* of how parties create, manage and alter exchange behavior.

The concept of a strategic alliance is best understood relative to a continuum of governance mechanisms. The traditional depiction of the governance continuum is based on Coase's (1937) classic work regarding the origins of markets and hierarchies. Coase argued that "the operation of a market costs something and by forming an organization and allowing some authority (an "entrepreneur") to direct the resources, certain marketing costs are saved." The marketing costs Coase referred to include the requisite costs of determining prices as well as the costs of negotiating, monitoring and concluding contracts. Coase's work has been extended and refined by many

[1]Palay uses the term *contract* in a very broad sense, and does not necessarily describe a formalized, legally binding contract (cf. MacNeil 1978, 1980).

[2]Heide notes that this conceptualization of governance is much broader than control - it includes elements of establishing, structuring, monitoring and enforcement of exchange relationships.

economists (e.g., Stigler 1951; Williamson 1975, 1979, 1985) and marketing scholars (e.g., Bucklin 1966, 1970; Mallen 1973), but his basic argument has been unchanged: transactions will be governed by the most efficient organizational arrangement.

At one polar extreme of the continuum is the classic microeconomic concept of *markets*. This perspective is consistent with MacNeil's (1978, 1980) concept of discrete exchange, which is based on Macauley's (1963) seminal study of non-contractual business relationships. With discrete exchange, individual transactions are assumed independent of past and future relations between contracting organizations and simply represent a transfer of ownership to a product or service (Goldberg 1976). As such, discrete exchange is *price-based* and little communication occurs between buyer and seller (Dwyer, Schurr and Oh 1987). The one-time purchase of transportation service from an independent owner-operator for cash is an example of a discrete logistical exchange arrangement.

The other polar extreme is represented by relational exchange (MacNeil 1978, 1980). This perspective explicitly considers the historical and social context of a relationship as well as specifically acknowledging that the performance and enforcement of obligations are an outcome of mutual interest between parties. *Vertical integration or hierarchies*, in which significant coordination and control are the result of organizational *authority*, may be considered the ultimate form

of relational exchange. Under vertical integration, the costs of contract maintenance and opportunism are, theoretically, reduced to a minimum. It is assumed that organizational authority and purposeful cohesiveness justified by ownership investment dominate. A manufacturer or merchandiser who maintains a private transportation fleet and/or warehousing capacity rather than outsourcing these functions provides an example of a vertically integrated logistical organization.

Bowersox et al. (1989) and Bowersox and Cooper (1992) suggest that the degree of openly acknowledged dependence between organizational participants provides a useful basis for classifying not only markets and hierarchies but the continuum's middle ground of exchange mechanisms. The following discussion begins at the "markets" end of the continuum and moves progressively toward increasingly relational governance mechanisms, i.e. toward vertical integration or hierarchies.

"Free-flow" exchange relationships are characterized by repeat transactions (as opposed to one-time transactions represented by "pure" markets) which may exist without a formal agreement or acknowledged dependence. Exchange may be repeated due to buyer preference, loyalty or convenience -- but may also be discontinued at any time without notice (Webster 1992).

Administered relationships are based on repeat exchange. Such relationships are not highly formalized, and are oftentimes price-based and adversarial in nature. These

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relationships are often highly unbalanced in terms of participant power, e.g. one organization clearly dominates the exchange procedures and rules. Administered relationships are also described as unilateral governance mechanisms.

Within the extremes of discrete and relational exchange are a strata of governance mechanisms that Bradach and Eccles (1989) describe as "a growing body of nonmarket and nonhierarchical organizational forms -- forms typically said to reside between markets and hierarchies." In particular, Bradach and Eccles appear to refer to alliances and other unique contractual and non-contractual relationship arrangements. Alliances represent a unique form of relational exchange in which organizations shift from an adversarial, price-based focus to collaborative efforts that emphasize long-term, strategic goal-specific behavior. Acknowledged dependence drives cooperative, integrative efforts that transcend organizational boundaries (Bowersox 1990) and provide a level of relational exchange and control characteristic of vertical integration but without the inherent financial investment (Schmitz, Frankel and Frayer 1994). Alliances may be described as bilateral governance mechanisms.

Contractual relationships (e.g., franchises, exclusive dealerships, joint ventures) clearly and formally specify the required degree of cooperation, conformance and interorganizational integration through the use of a written document. The contracting organizations retain individual

ownership, however, as opposed to the most extreme form of relational exchange (vertical integration) in which individual ownership is eliminated. Franchises and exclusive dealerships typically are unilateral governance mechanisms; joint ventures are bilateral mechanisms.

Thus price and authority may be thought of as specialized control mechanisms created for, and attached to, respectively, markets and hierarchies. Bradach and Eccles (1989) suggest, however, that a third control mechanism exists -- one of a more general nature -- *relational contracting* based upon *trust*. Arrow (1974) notes the obvious advantages of trust as a control mechanism: "Trust is an important lubricant of a social system. It is extremely efficient; it saves people a lot of trouble to have a fair degree of reliance on other people's word."

Trust is a particularly elusive, multi-faceted concept. Even when it definitively appears to exist, defining it is problematic. Blau (1964) argued that creating trust seems to be a major function of social exchange. Thus trust is an important concept in understanding expectations for cooperation and planning in a relational contract (Dwyer, Schurr and Oh 1987). Schurr and Ozanne (1985) define trust as "the belief that a party's word or promise is reliable and a party will fulfill his/her obligations in an exchange relationship." Gambetta (1988) extends Schurr and Ozanne's conceptualization by noting that trust is "a particular level of the subjective probability with which an agent assesses

that another agent will perform a particular action... both before he can monitor it (or independently of his capacity to ever be able to monitor it) and in a context which affects his own action." Thus trust becomes an expectation that alleviates the fear that one's partner will act opportunistically (Bradach and Eccles 1989). More broadly, Zucker (1986) defines trust as a "set of expectations shared by all those in an exchange."

In summary, the governance mechanism which provides responsibility, coordination and control in "superorganizations" such as strategic alliances -- rather than the traditional governance or control mechanisms of *markets (price)* or *hierarchy (authority)* -- is *relational contracting (trust)*.

A LOGISTICS ALLIANCE TYPOLOGY

Logistics alliances, a subset of the broader interorganizational governance mechanism of alliances, may be classified by organizational participant (Bowersox 1990). For example, many alliances involve a merchandiser and service supplier which provide warehousing, transportation, product reconfiguration and information systems support. Some alliances combine the resources of several service suppliers (e.g., line-haul railroad provision and trucking pickup and delivery) who seek to bring a more comprehensive, unified transportation offering to the marketplace. Other alliances are vertical channel arrangements between manufacturers and

merchandisers that involve transfer of inventory ownership (many, if not most, of these alliances also include a service supplier). Finally, there are horizontal alliance arrangements between several manufacturers who sell to the same customer base (again, many of these alliances involve a service supplier as the coordinating party).

Schmitz, Frankel and Frayer (1994) extend the notion of alliance organizational participants by developing a typology for alliance classification based on two dimensions: (1) the type of channel integration; and (2) the number of organizations involved. Channel integration may take two forms: (1) *inter-channel* alliances, which link organizations horizontally across different channels; and (2) *intra-channel* alliances, which link organizations vertically within the same channel. The number of organizations may also take two forms: (1) *basic* alliances involve two parties; and (2) *extended* alliances involve more than two parties. The inclusion of multiple parties make extended alliances inherently more complex in terms of coordination and control. Thus the typology creates four unique alliance categories.

While each alliance type shares a number of common components, the unique nature of each type regarding type of integration and participant numbers requires a limited research focus. Consistent with the proposal to study logistics alliances between manufacturers and service suppliers, this dissertation will focus on intra-channel alliances at the basic level. Given the nascent state of

research on alliances, it is suggested that research at the basic level of alliance typology be conducted prior to adding the complexity of inter-channel, extended arrangements.

A GENERAL ALLIANCE MODEL

The desire to understand how and why alliances are formed leads to the question: is there an understandable, predictable process of management and control that occurs in the creation, development and maintenance of an alliance? Implicit within the understanding of such interorganizational activity, and specific to this dissertation, are the issues of how an organization analyzes the business environment, searches for and selects an alliance partner, implements and manages an alliance, and concurrently evaluates the strategic and operational success of the alliance. Exploring and understanding alliance behavior requires gaining insight into the nature of (inter)organizational strategy, processes and operations -- and how those components are interrelated.

In order to understand alliance behavior, it is helpful to attempt to identify and describe, or model, the necessary steps or stages in such a process. One should be aware, however, that in attempting to "fit" any such sequential procedure to an organization's behavior assumes that the organization does (or did) consciously follow such a path. Such an assumption may in fact be true or untrue -- yet answering that question is critical to understanding the *how and why* of alliance practice.

The following section presents and discusses a proposed alliance model composed of three components: (1) Process -- the stages or phases of the alliance process and their facilitators and constraints; (2) Strategic -- the evaluation of an alliance's strategic success; and (3) Operational -- the evaluation of an alliance's operational success. Although the three components occur interdependently in practice, they are presented and discussed separately in order to facilitate clarity and explicitly consider their individual importance.

PROCESS COMPONENT -- THE STAGES OF AN ALLIANCE

Despite terminology differences, most stages approaches to (inter)organizational activity are generally similar -- all explanations begin with a need to resolve some problem or discrepancy between an ideal state and the reality that an organization faces. From this point, the organization diagnoses or analyzes the problem; acquires valid knowledge to resolve the problem based on the diagnosis; then implements a solution; and finally engages in a "follow-up" or evaluation stage. This process can be found in organizational behavior, marketing and trade research literature.

As noted in Chapter I, the organizational decision to engage in an alliance represents a significant change or departure from the traditional adversarial manner in which most firms have conducted business. Interestingly, the difficulty that organizations face in successfully creating such organizational change appears to be exceeded by

researchers' inability to measure the change. Kanter (1983) remarks that "organizational theorists have produced much more work, and work of greater depth and intellectual sophistication, on the recalcitrance of organizations and their people -- how and why they resist change -- than on the change process." Bennis (1987) notes that "The inherent difficulty in measuring the elusive concept of change may be one important reason for this emphasis."

Despite the difficulties noted by Kanter (1983) and Bennis (1987), a number of behavioral scientists have provided approaches to describe the stages or phases of what they term the process of "knowledge utilization" or successful organizational change. Table 2.1 (adapted from Schmitz 1994) summarizes a number of researchers' efforts to describe the stages of successful organizational change.

Bennis (1987) cautions that "virtually all of the writing on stages and phases of organizational adoption of knowledge is fragmentary, speculative and based on single cases." He suggests that generalizations regarding such research be approached with caution. The typical criticism of stages models involves their inability to clearly define and distinguish beginning and ending points for each stage (and thus stage transition points), as well as their predictive capability (e.g., they describe events after they have occurred rather than before they occur). The following proposed model and discussion attempt to clarify the former issue by specifically identifying transitional activities

within the model framework. With regard to criticisms of predictive capability, it should be recognized that the nascent state of alliance research justifies the descriptive purpose of a stages model. In fact, the stated purpose of this research is to provide managerially useful guidelines for alliance knowledge and behaviors. Furthermore, stages models are frequently utilized in both academic and trade literature as descriptive tools -- based on the degree of their usage, an argument could certainly be made that any shortcomings in the predictability of stage transitions are overcome by the explanatory capability provided by stages models (Schmitz 1994). Finally, the multi-case, multi-respondent, multi-level research design utilized in this dissertation (described in Chapter III) addresses the methodological concerns of stages models expressed by Bennis (1987).

REPRESENTATIVE LITERATURE STREAMS AND STAGES MODELS

In the marketing literature, the stages process typically involves the purchase of a product, a service and/or an organization's expertise. For example, Webster and Wind (1972) suggest five stages of the organizational buying decision process: (1) Identification of Need; (2) Establishment of Specifications; (3) Identification of Alternatives; (4) Evaluation of Alternatives; and (5) Selection of Supplier(s). At each of the five stages of the decision process, different members of the buying center (Wind 1978; Spekman and Stern 1979) may be involved, different

decision criteria are employed, different sources of information may increase or decrease in relevance and importance, and marketing strategies must be adjusted accordingly. Similarly, Wind and Thomas (1980) provide an overview of the conceptual and methodological issues in organizational buying behavior and discuss several of the prominent stages models in the buying decision process (see Table 2.2).

In the logistics area of the marketing literature, Stock and LaLonde (1977) apply a stages approach to the transportation mode decision process. They identify four basic decision stages: (1) Problem Recognition; (2) Search; (3) Choice; and (4) Post-Choice Evaluation (see Figure 2.1). Problem recognition is triggered by a variety of factors such as customer orders, dissatisfaction with an existing mode, changes in the firm's distribution patterns, customer service considerations, etc.

The Search stage relies upon a number of information sources (e.g. prior experience with the mode, carrier sales calls, the firm's shipping records, trade directories and routing guides, industry users, etc.). Different sources possess different relative weights which change over time and are subject to the length and comprehensiveness of the Search stage.

The Choice stage requires a decision among the available alternatives based upon relevant information sources. Thus the mode(s) which best satisfy a manager's decision criteria

Table 2.1
Stages of Organizational Planned Change

Lippit, Watson and Westley (1958)

- Develop a Need
- Establish a Change Relationship
- Work Toward Change
- Generalization and Stabilization of Change
- Achieving a Terminal Relation

Rogers (1962)

- Awareness
- Interest
- Evaluation
- Trial
- Adoption

Greiner (1967)

- Pressure and Arousal
- Intervention and Reorientation
- Diagnosis and Recognition
- Invention and Commitment
- Experimentation and Search
- Reinforcement and Acceptance

Zaltman, Duncan and Holbek (1973)

- Initiation Stage
  - *Knowledge - Awareness Substage
  - *Formation of Attitude about Innovation Substage
- Implementation
  - *Initial Implementation Substage
  - *Continued-Sustained Implementation Substage

Bennis (1987)

- Concern: Awareness
- Diagnosis: Knowledge Search
- Consideration of Alternatives
- Action: Implementation
- Follow Through: Evaluation

Dwyer, Schurr and Oh (1987)

- Awareness
- Exploration
- Expansion
- Commitment
- Dissolution

Source: Schmitz, Judith M. (1994), Design and Evaluation of the Alliance Formation Process Model Between Manufacturers and Material Suppliers, an unpublished dissertation proposal, Michigan State University.

is selected and the shipment is routed appropriately. In situations where similar decisions will occur in the future (e.g., repeat customer orders), a routinized, formal decision routine may be established to eliminate inefficiencies associated with making the same decision repeatedly.

Post-Choice Evaluation procedures are employed to measure modal/carrier performance level. Such procedures are firm-specific, and may range from non-existent to extremely detailed, although the norm typically lies in between the two extremes. Stock and LaLonde (1977) note that unsatisfactory modal/carrier performance may cause the evaluative procedures to lead to the Problem Recognition stage. An integral component of this stages model is a feedback mechanism which occurs concurrently and independent of performance measurement. Thus feedback can occur from other sources (e.g., the external decision environment composed of other companies' personnel, intraorganizational communication, etc.).

In the trade literature, Potochick and Richards (1991) describe a structured approach to select third-party providers (a sub-segment of service suppliers) in order to create successful business relationships. Although this approach originates in the industry/trade literature, it bears a remarkable similarity to the previously described academic stages' models. The approach assumes a need or opportunity has been previously identified by an organization (be it the organization's requirements or a customer's requirements)

Table 2.2
Stages Models in the Buying Decision Process

Robinson & Faris (1967)	Ozanne & Churchill (1971)	Webster & Wind (1972)	Kelly (1974)	Bradley (1977)	Wind (1978)
(1) Problem (need) recognition	(1) Awareness	(1) Identify needs	(1) Recognise need	(1) Purchase initiation	(1) Identification of needs
(2) Determine characteristics		(2) Establish specifications			(2) Establish specifications
(3) Describe characteristics					
(4) Search for sources	(2) Interest	(3) Identify alternatives	(2) Information search	(2) Survey of alternatives	(3) Search for alternatives
(5) Acquire proposals					(4) Establish contact
(6) Evaluate proposals	(3) Evaluation	(4) Evaluate alternatives	(3) Evaluate alternatives	(3) Supplier short-listing	(5) Set purchase and usage criteria
					(6) Evaluate alternatives
			(4) Approval of funds		(7) Budget availability
					(8) Evaluate specific alternatives
					(9) Negotiate
(7) Select order routine	(4) Trial	(5) Select supplier	(5) Decision	(4) Award contract	(10) Buy
	(5) Adoption				(11) Use
(8) Performance feedback					(12) Post-purchase evaluation

Source: Wind, Yoram and Robert J. Thomas (1980), "Conceptual and Methodological Issues in Organisational Buying Behavior," European Journal of Marketing, 14: 5/6, 239-263.

Figure 2.1
Transportation Selection Mode Process Stages

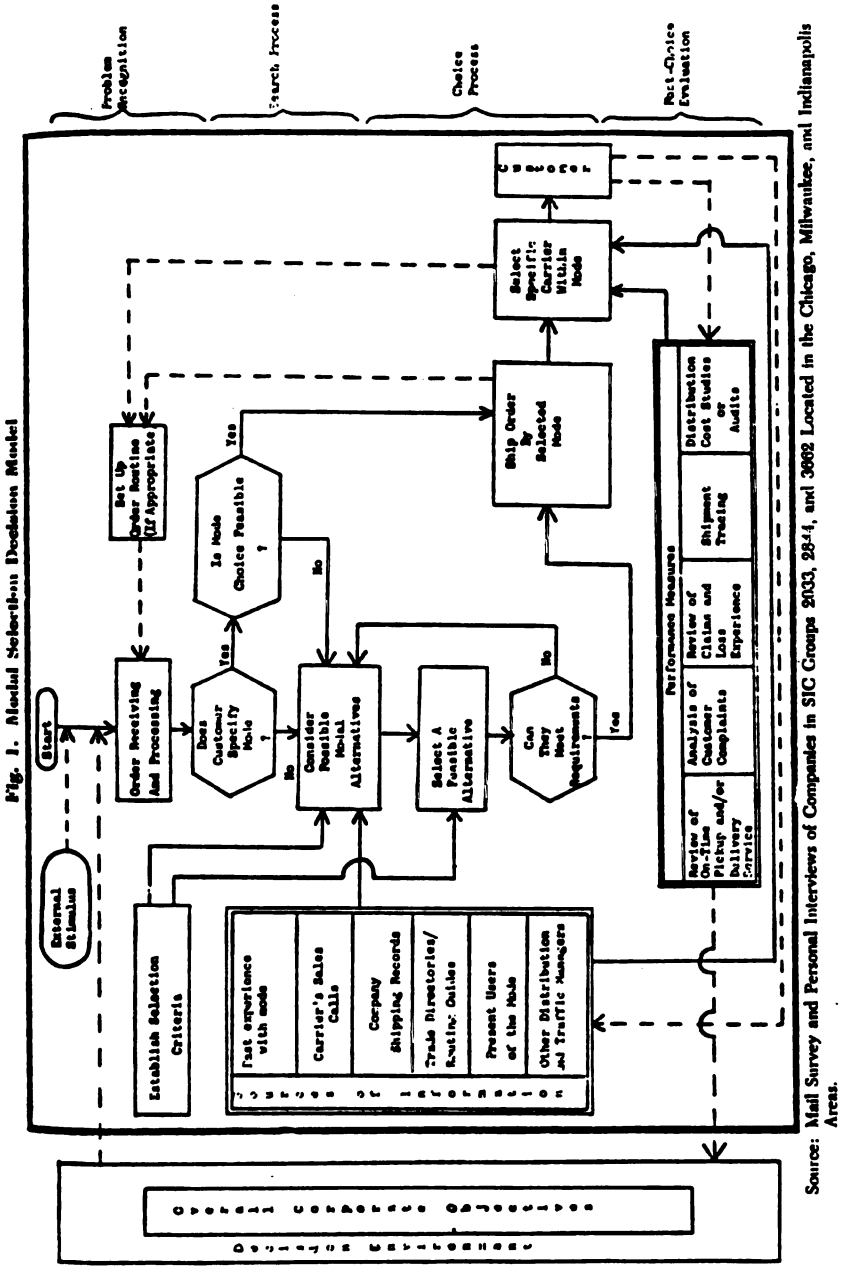


Fig. 1. Modal Selection Decision Model

Source: Mail Survey and Personal Interviews of Companies in SIC Groups 2033, 2844, and 3692 Located in the Chicago, Milwaukee, and Indianapolis Areas.

Source: Stock, James R. and Bernard J. La Londe (1977), "The Transportation Mode Decision Revisited," Transportation Journal, (Winter), 51-59.

which in turn drive the organization's requirements. Potochick and Richards posit two basic components of success: identification and selection (stages 1-5) and managing the relationship (stage 6). The stages are as follows: (1) Establish Objectives/Define Selection Criteria; (2) Identify Qualified Operators and Develop a Request for Proposal; (3) Evaluate Potential Providers; (4) Final Selection of Provider; (5) Transition to Implementation; and (6) Manage the Relationship. The first four stages clearly mirror the aforementioned approaches. Stages five and six reflect the more application-based emphasis of such industry research. For example, Transition to Implementation is concerned with the need for clear communication both internal to the organization and its customer. Manage the Relationship is concerned with communicating expectations, training, performance measurement versus mutual expectations, providing feedback, motivation and facilitating the establishment of new relationship objectives.

In summary, all the stages approaches discussed here provide a template with which to visualize a similar alliance model. The middle section of Figure 2.2 builds on this literature base to describe a five-stage alliance model Process Component composed of: (1) Need Awareness; (2) Search; (3) Selection/Decision; (4) Implementation/Administration; and (5) Assessment. The following paragraphs briefly discuss each hypothesized stage and the factors which may facilitate or constrain them.

Need Awareness

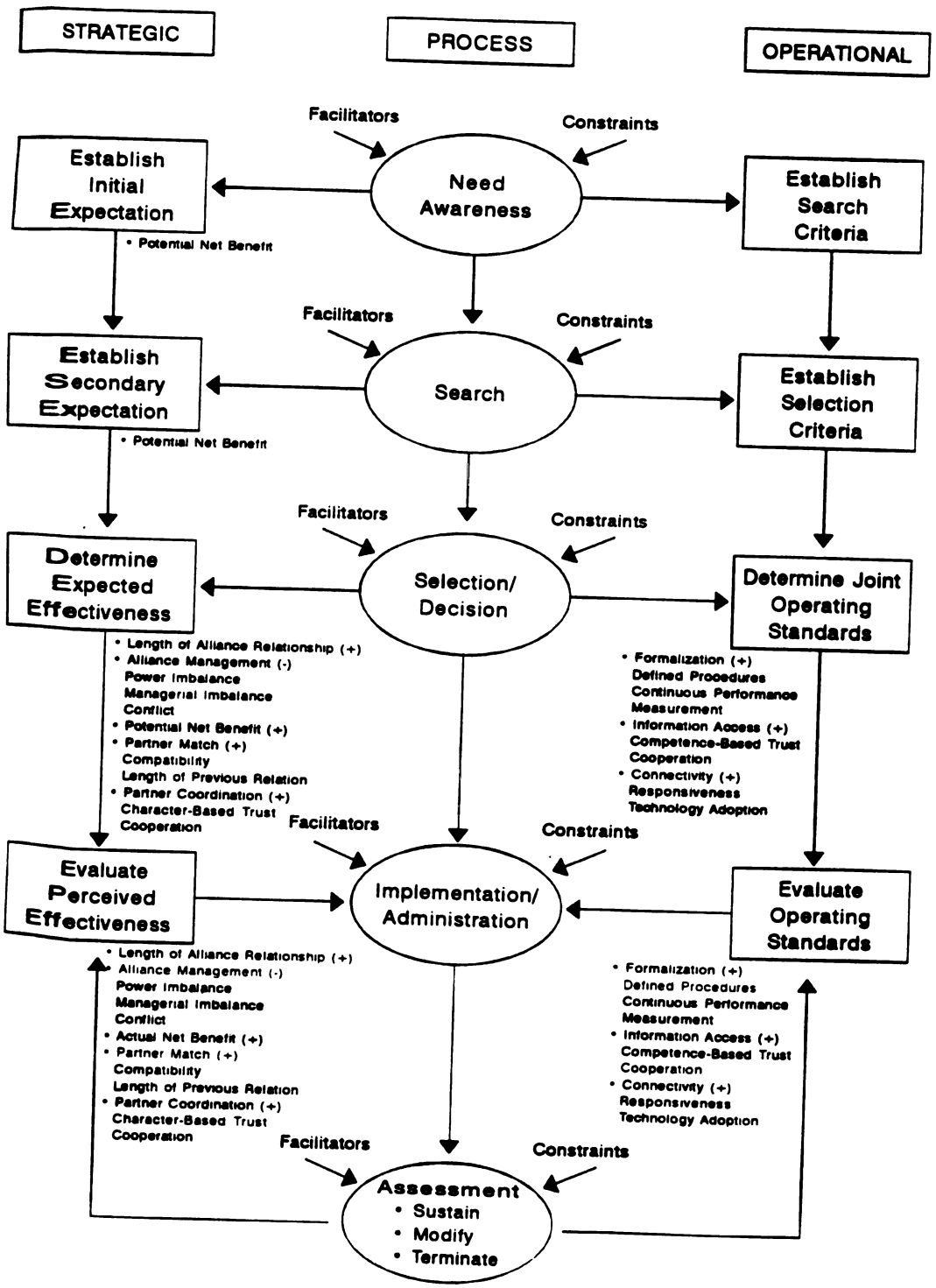
Any change process begins with the awareness of a problem or need (Bennis 1987). Alliances are facilitated or driven by the need to reduce environmental uncertainty as described by Thompson (1967). However, as Lippit, Watson and Westley (1958) state, problem awareness is insufficient to create change. The organization must be convinced that the possibility of viable improvement also exists. Thus, the organization's ability to discover and identify opportunities for improvement facilitate Need Awareness. Conversely, organizational rigidity and/or myopic leadership or vision which deter identification of improvement may constrain Need Awareness.

Search

The Search stage is characterized by the organization's motivation and its commitment of resources to gather more detailed information regarding the organizational change process. Information collection may include gathering general alliance knowledge as well as specifically clarifying the problem in question, opportunities and benefits, and sources (e.g., partners) to assist in achieving the visualized opportunities.

Identification of potential partner sources in this stage is roughly equivalent to the first stage of Spekman's (1988) two-stage process of alliance partner selection. At this point, evaluative criteria are developed and utilized to achieve a first cut or "threshold" level of analysis which

Figure 2.2
A General Alliance Model



provides a smaller "pool of potential strategic partners." An important distinction in alliance stages models compared to organizational buying behavior or transportation mode selection models is that Search may be, and in fact often is, a bilateral rather than a unilateral process. Although it complicates modeling behavior by acknowledging multiple organizational expectations and measurements, the bilateral Search stage is a more realistic portrayal of interorganizational behavior.

An important facilitator or constraint of the Search stage is the organization's ability to determine the value of its technical core product/service capability -- and the level of risk the organization takes on if that core competency is exposed to the performance of an alliance partner. Additionally, the Search stage will be facilitated or constrained by the availability in the marketplace of alternative sources of the product, service and/or expertise desired (e.g., how many providers exist) as well as how critical that product, service and/or expertise is to the organization's success. Finally, an organization's resource capability (industry contacts, information collection and monitoring expertise, financial condition, etc.) will also facilitate or constrain the Search stage.

Selection/Decision

In the Selection Process/Decision stage, the smaller pool of potential partners is examined in greater detail with respect to their feasibility as an alliance partner.

strengths and weaknesses across organizations may be compared, potential problems that might arise in working with the alliance partner are identified, and likely benefits to be provided or expected are considered. Candidates may be formally or informally approached with respect to a possible alliance. Again, this may be either a unilateral or bilateral activity. At some point, the firm selects a partner and an agreement to ally is reached.

An important facilitating factor in this stage is an organization's need to discuss and agree upon the alliance's necessary potential investment in terms of personnel, technology (e.g., information systems), facilities, and mutual performance measurement procedures (discussed in detail in the following two subsections). A second facilitating or constraining factor involves the nature of the organization's commitment to the alliance. Greiner (1967) emphasizes the need for organizations to fully commit to change at this stage of the alliance process. Of particular interest here is the fact that such relations between exchange partners/organizations can be stabilized through both formal (written contracts or "hostage exchanges") and informal mechanisms or "handshake agreements" (reputation or trust).

Williamson (1981, 1985) argues that formal mechanisms of interorganizational arrangements are a response to efficiency considerations, and become prevalent when intermediate levels of uncertainty and asset specificity exist. At this intermediate level, instances exist where a contractual market

relationship is stable and enduring. Opportunism, which might compromise relational transactions especially when transaction-specific assets are involved, may thus be mitigated by ex ante incentive arrangements (e.g., written contracts).

Informal mechanisms are concerned with implicit contracts based on reputation and trust. Implicit contracts (Klein, Crawford and Alchian 1978; Marcus 1987) are defined as unwritten agreements to an exchange which are enforced not by formal authority and power but rather by the market(s) for reputation (Barney and Ouchi 1986). According to Williamson (1986), implicit contracts delineate (relational) contracting into two components: credible threats and credible commitments. Credible commitments are undertaken in support of alliances to promote exchange; credible threats appear in the context of conflict and rivalry (Marcus 1987). Credible commitments involve reciprocal actions to safeguard a relationship; credible threats are unilateral efforts to preempt an advantage. Thus the nature of the alliance commitment, especially in light of organizational culture and its historical bargaining manner, may facilitate or constrain the Selection Process/Decision stage.

Implementation/Administration

The Implementation/Administration stage describes the "actualization" of the alliance or "superorganization." Operational, technical, social and strategic information are exchanged. Procedural changes that have been identified as

providing efficiency and/or effectiveness benefits are implemented. Typically, partners initially identify and implement plans to achieve small, incremental improvements -- "easy wins" -- to build confidence and trust in the partner's capability. Greiner (1967) refers to this process as "reality testing." As organizations become more comfortable with each other and success is built, larger-scale plans and commitments are identified and developed.

Administration refers to the necessary, continuous management of the alliance in terms of personnel, technology, facilities and other resource commitments that enable the alliance to function viably. Administration more specifically refers to the execution of ongoing adjustments identified in the (subsequent) Assessment stage that are communicated back to the organization via formal and informal feedback mechanisms (Perceived Effectiveness and Evaluate Operating Standards).

The Implementation/Administration stage may be facilitated or constrained by a number of factors. For example, an organization will measure the actual, alliance-specific visible investments made by either partner relative to the potential visible investments considered necessary (Spekman 1992) in the Selection Process/Decision stage. Heide and John (1990) posit that specific investment increase joint partner action and expectations of relationship continuity. Failure by either party to make or maintain necessary investments will constrain the Implementation/Administration

stage. The subject of visible investment raises the related issue of switching costs, which may increase either party's barriers to exit the alliance. For example, the longer a manufacturer relies upon a service supplier to perform critical transportation and/or warehousing activities, the more the service supplier develops a rapport (e.g., trust) with the manufacturer's customers -- perhaps to the detriment of the manufacturer's relationship with the customer. That is, the manufacturer may gradually lose the operational and technical knowledge and expertise regarding transportation and warehousing capability -- and become increasingly less able to perform those activities in the future should the need or desire arise. Implementation/Administration will also be facilitated or constrained by an organization's resource capability, particularly the willingness and ability of its personnel to accept and adopt to the necessary changes of organizational philosophy and operational behavior (described in greater detail in the following two subsections).

Assessment

The Assessment stage refers to the complete operationalization of an alliance. In Roger's (1962) terminology, the parties have fully adopted the organizational change initiative and philosophy as a permanent system. As such, the organizations have "bought into" the alliance concept and integrated it into their organizational culture. In Assessment, an organization measures alliance success in terms of both strategic and operational performance. As noted

previously, Assessment occurs on a continuous basis and provides a feedback mechanism to the prior stage of Implementation/Administration (as well as implicitly affecting the more macro dimension of Need Awareness). Finally, Assessment generates motivation to improve the alliance by facilitating the establishment of new objectives (Potochick and Richards 1991).

The Assessment stage includes explicit consideration of an alliance's future viability. Three choices are hypothesized to be the direct result of alliance member assessment and subsequent (dis)satisfaction: (1) sustain; (2) modify; and (3) terminate. If the alliance partners are satisfied (e.g., assessment of alliance performance is positive), the alliance will likely be sustained as a permanent system (and administered as such). Second, if the alliance partners are dissatisfied (e.g., assessment of alliance performance is neutral or negative), the alliance will be modified through re-evaluation and change (and administered as such). The extent to which the initial goals, investments and benefits of the alliance match the actual outcome will determine the degree of necessary modification. Modification may also occur if and when new alliance objectives and motivations are created. Next, the partners assess the changes. If modifications are successful, the new assessment will determine that the alliance is sustainable, and continuous administration and assessment will occur. If the modifications are unsuccessful, further modifications or

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termination of the alliance will result. The third choice, alliance termination, occurs when alliance partners are dissatisfied (e.g., assessment of alliance performance is extremely negative), and it is likely that the alliance will be terminated. Termination is a result of dissatisfaction due to poor performance or the fact that the alliance has outlived its strategic and/or operational usefulness. The academic and trade literature suggest both reasons are viable explanations for dissolution.

In summary, the relevant literature provides a foundation to develop and describe a five-stage Process Component composed of (1) Need Awareness; (2) Search; (3) Selection/Decision; (4) Implementation/Administration; and (5) Assessment. As noted previously, the strength of the stages paradigm lies in its descriptive capability to provide a general framework of identification. The shortcomings of such an alliance stages model lie primarily in two areas: (1) the ability to evaluate the expectations and effectiveness of an alliances's strategic success; and (2) the ability to define and evaluate an alliance's joint operational success. The following two subsections individually address each area.

STRATEGIC COMPONENT -- EVALUATING AN ALLIANCE'S STRATEGIC SUCCESS

The evaluation of an alliance's strategic success requires assessment of a number of perspectives. Strategy typically implies a long-term rather than a short-term orientation or viewpoint. Similarly, an alliance, simply by

nature of its definition as a long-term business proposition, focuses on appropriate measures of long-term viability. Strategy also typically involves both tangible (explicit) and intangible (implicit) characteristics or measures of success. Tangible characteristics include market share, sales volume or inventory turnover. Intangible characteristics include market access, improved technological knowledge and expertise, enhanced reputation, and access to new customers or business opportunities. Alliance strategic success may also reflect external initiatives (e.g., integration with or effect upon corporate strategy) or internal initiatives (e.g., inventory policy, facility and network design issues, transportation policy). On a broad overall scale, these different perspectives combine to create an overall "vision" of alliance success that individual and organizational expectations -- and drives ensuing perceptions of success or failure. The following alliance model component, which seeks to provide a method to assess such strategic issues, is based upon the work of Bucklin and Sengupta (1992, 1993) and Schmitz (1994).

Consistent with prior interorganizational exchange behavior theory (e.g., Aldrich 1979), Bucklin and Sengupta (1992, 1993) posit that given functional specialization and scarce resources, organizations will search to reduce environmental uncertainty by exchanging resources for mutual benefit. With respect to alliance behavior, Bucklin and Sengupta (1992, 1993) hypothesize that such a measure of mutual benefit should be the degree of alliance success. An

inability to develop valid, trackable quantitative measures of mutual benefit led Bucklin and Sengupta to adopt a qualitative measure of performance -- the perceived effectiveness of the relationship. This measure, developed in organization theory (Van de Ven 1976), has been applied to a number of organizational situations, including the research of interorganizational relationship dyads (Ruekert and Walker 1987; Van de Ven and Ferry 1980). Because mutual performance is the criterion at issue, perceived effectiveness is defined as the extent to which *both* organizations are committed to the alliance and find it to be productive and worthwhile (Bucklin and Sengupta 1992, 1993).

Bucklin and Sengupta's (1992, 1993) measure of alliance effectiveness was utilized to evaluate successful co-marketing alliances. Co-marketing alliances are contractual, inter-channel relationships (occurring horizontally across channels) undertaken by organizations whose respective products are complements in the marketplace. According to Anderson and Narus (1990), co-marketing alliances are a form of working partnership defined as the "mutual recognition and understanding that the success of each firm depends in part on the other firm..." Such a framework of exchange behavior is also hypothesized to be applicable to intra-channel alliances (e.g., manufacturer-service supplier) because exchange behavior described in this manner is generalizable to alliance relationships in general.

Utilizing perceived effectiveness as an indicator of an

alliance's strategic success provides a foundation for evaluation. However, given the desire to model the entire alliance stages process, measuring only the current level of alliance strategic success fails to provide a dynamic, evolutionary perspective of success. The following discussion attempts to more comprehensively model the total evaluation process of strategic performance.

The left side of Figure 2.2 presents a procedural evaluation of a Strategic Component to model an alliance's strategic success. Each step of the component is discussed.

Establish Initial Expectations

The process of evaluating strategic success begins with the creation of expectations. Woodruff, Cadotte and Jenkins (1983) define expectations as predictions of the nature and level of performance a user will receive by purchasing a product. These expectations serve as a standard for comparison. More applicable to the context of this dissertation is Sheth's (1973) definition of expectations as the "*perceived* potential of alternative suppliers and brands to satisfy a number of explicit and implicit objectives in any particular buying decision." As discussed previously, in an alliance an organization is "buying" the product, service and/or expertise of another organization to derive mutual benefit for both parties. Initial Expectations are developed as a result of the Need Awareness stage. An example of an initial expectation may be a reduction in inventory level throughout an organization's distribution network. Likewise,

an expectation of enhanced reputation and increased customer base may be envisioned by allying with an industry's premiere manufacturer. Initial Expectations are based upon broad, general desires of an alliance's potential net benefit (the value or return less the applicable costs). Expectations with respect to a specific alliance partner are irrelevant at this point in time because a specific alliance partner has not yet been selected.

Establish Secondary Expectations

Secondary Expectations are driven by Initial Expectations and the Search stage. As an organization discovers more detailed information about alliances in general and prospective partners and operating requirements, more specific expectations are created with respect to potential net benefit. For example, a specific percentage reduction in inventory level (e.g., fifteen per cent) and a corresponding increase in inventory turns may be hypothesized based upon a necessary level of technological investment in EDI or bar coding capability. Additionally, these activities may create expectations of technological sophistication -- and perhaps further business opportunities with other premiere manufacturers in similar or diverse industries.

Determine Expected Effectiveness

Expected Effectiveness is created by Secondary Expectations and Initial Expectations. This sequential procedure is well-documented in the consumer behavior and service quality literature with regard to satisfaction and

decision-making (Oliver 1980; Cadotte, Woodruff and Jenkins 1987; Yi 1989). Additionally, and more specifically, Expected Effectiveness is driven by the Selection/Decision stage in which alternative alliance partners are considered and chosen. The dimensions of Expected Effectiveness are (1) Length of Alliance Relationship; (2) Alliance Management; (3) Potential Net Benefit; (4) Partner Match; and (5) Partner Coordination. The five dimensions are closely related to four of the five constructs developed by Bucklin and Sengupta (1992, 1993). The dimension of Partner Coordination was developed by Schmitz (1994). Together, the five dimensions provide the foundation for a detailed comparative process to occur regarding the subsequent step of Perceived Effectiveness. As such, discussion of that comparative process will occur in the following paragraphs.

Evaluate Perceived Effectiveness

Schmitz (1994) posits that Expected Effectiveness appears to be a logical precursor to Perceived Effectiveness. Cadotte, Woodruff and Jenkins (1987) note that expectations and perceptions of expected performance are correlated. As such, evaluation of Perceived Effectiveness cannot occur without the foundation of Expected Effectiveness. Perceived Effectiveness drives the Implementation/Administration stage directly when an alliance is initially created *as well as* through the feedback mechanism created in the Assessment stage. In both instances, partners assess alliance success and then determine whether to sustain, modify or terminate the

alliance.

The five dimensions of Perceived Effectiveness are: (1) Length of Alliance Relationship; (2) Alliance Management; (3) Actual Net Benefit; (4) Partner Match; and (5) Partner Coordination. Each is discussed in the following paragraphs.

The first dimension, Length of Alliance Relationship, parallels Bucklin and Sengupta's (1992, 1993) construct of Age and is hypothesized to positively impact an alliance's strategic success. Length of Alliance Relationship refers to the length of time that an alliance has been in existence -- that is, the older the alliance, the more effective is the relationship. Heide and John (1990) found a positive association between the historical length of an alliance relationship and expected continuity of future interaction (e.g., success).

The second dimension, Alliance Management, parallels Bucklin and Sengupta's construct of Project Management. Alliance Management is composed of three elements hypothesized to negatively impact an alliance's strategic success. The first element, power imbalance, is concerned with the existence of asymmetrical power between alliance partners. Power imbalance hinders the realization of mutual motivation and benefits and thus leads to mistrust and conflict. The second element, managerial imbalance, is concerned with unequal partner commitment of alliance managers in terms of numbers and organizational levels. An unequal commitment between alliance members also leads to mistrust and potential

conflict -- specifically, equal partner contribution is posited to be a key element of alliance success (Devlin and Bleackley 1988; Sonnenberg 1992). The third element, conflict, is concerned with ineffective leadership. Conflict occurs when one channel member is "engaged in behavior designed to injure, thwart, or gain scarce resources at the expense of another member" (Goldman 1966). Gaski (1984) found channel member satisfaction to be negatively affected by conflict; Ruekert and Walker (1987) found conflict resolution to positively affect satisfaction. Conflict intensifies power imbalance (Bucklin and Sengupta 1992, 1993).

The third dimension, Potential Net Benefit, parallels Bucklin and Sengupta's (1992, 1993) construct of Project Payoff and is hypothesized to positively impact an alliance's strategic success. Potential Net Benefit refers to the strategic value of an alliance minus its costs of development. Alliances based on clearly defined resource investment (e.g. personnel, technology, facilities) and expected benefits (e.g. increased sales volume, timely delivery, decreased inventory) are more likely to produce evaluations of success.

The fourth dimension, Partner Match, parallels Bucklin and Sengupta's similarly titled construct and is hypothesized to positively impact an alliance's strategic success. Partner Match is composed of two elements, compatibility and length of previous relationship. These elements indicate the similarity of alliance partners' management style and company culture. Compatibility refers to complementary organizational goals,

objectives, operating philosophies and cultures (Achrol, Scheer and Stern 1990). Length of previous relationship refers to an organization's knowledge gained over time concerning a potential alliance partner and the use of such knowledge to judge whether or not a potential match exists. This measure reflects the belief that organizations do not generally form alliances with "perfect strangers."

The final dimension, Partner Coordination, created by Schmitz (1994), is also hypothesized to positively impact an alliance's strategic success. Partner Match is composed of two elements, cooperation and trust. Cooperation is typically posited to precede trust -- that is, parties create trust by first cooperating (Frazier 1983; Dwyer and Lagace 1986; Anderson and Narus 1990). In this dissertation, cooperation is broadly defined as an agreement between agents (individuals or firms) concerning a set of rules (the "contract") which is observed throughout the course of their interaction. Cooperation reflects firms' ability to collaborate and work together in a joint fashion toward their respective goals (Stern and Reve 1980). Mallen (1967) stated that "for maximization of channel profits and consumer satisfaction, the channel must act as a unit" -- thus implying the necessity for channel member cooperation. Monoky (1976) tested and validated Mallen's concept and found that high-performing channels exhibited more cooperation than lower-performing channels.

Trust is a critical element of alliance success because

each party depends upon the other to satisfy mutual rather than self-serving goals. As defined previously in this chapter, trust is a "set of expectations shared by all those in an exchange" (Zucker 1986). Failure to achieve trust is hypothesized to be a primary reason for alliance failure (Frazier, Spekman and O'Neal 1988; Bowersox et al. 1989; Young and Wilkinson 1989; Bowersox et al. 1992; Larson 1992; and Sonnenberg 1992). Anderson and Narus (1990) found that trust positively impacted channel member satisfaction with channel performance. Morgan and Hunt (1994) hypothesize that successful relationship marketing includes (and requires) trust as a key mediating variable.

An important theoretical and operational issue regarding strategic alliances concerns the multidimensional bases of trust. Gabarro (1978, 1987) identified two primary bases of trust: *character-based and competence-based*. Character-based trust is composed of trust in the other's integrity, motives and intentions, consistency of behavior, openness and discretion (Gabarro 1978). Competence-based trust is composed of trust in the other's functional or specific competence, interpersonal competence, competence in general business sense and judgement (Gabarro 1978). Similarly, Ganesan (1994) defines trust with two bases: benevolence and credibility. Credibility is defined as the perception of an exchange partner's expertise and ability to effectively and reliably perform operational tasks (Lindskold 1978). Benevolence is defined as the perception of an exchange partner's qualities,

intentions and motives rather than its specific behaviors (Rempel, Holmes and Zanna 1985). Ganesan (1994) notes that benevolence may exist even when objective credibility is less than perfect; that is, channel members' actions may differ from their promises because competing demands or situations beyond their control limit their performance. Kumar, Scheer and Steenkamp (1995) also utilize multi-dimensional trust to assess the effects of supplier fairness on (vulnerable) resellers in channels.

The concept of character-based trust can be used to describe how alliance partners manage their relationships on a strategic level. The five sources of character-based trust may be adapted as follows: (1) *integrity* -- the partner's level of honesty and principles; (2) *identification of motives* -- the partner's true strategic intentions; (3) *consistency of behavior* -- the reliability and predictability of the partner's actions under different situations; (4) *openness* -- the partner's level of honesty about problems; and (5) *discreetness* -- the partner's willingness to maintain confidentiality regarding strategic plans and key information.

Macauley (1963), Granovetter (1985) and Shapiro (1987) argue that such character-based sources of trust in personal relationships not only overlap, but are inseparable from, economic exchange in modern industrial society. For example, Palay's (1984) study of contractual restrictions between shippers and railroads found that under conditions of necessary transaction-specific asset investment, carriers were

hesitant to commit resources without shippers' assurance of service usage. Parties to the contracts solved the problem by engaging in informal, general agreements based on individuals' relationships. Similar to the focus of Gabarro, Macauley, Granovetter, and Palay, this dissertation is concerned with how trust arises out of the social context of interorganizational governance mechanisms (e.g. manufacturer-service supplier alliances).

In summary, the inclusion of a model Strategic Component which evaluates an alliance's strategic success supports and strengthens a stages paradigm approach to interorganizational activity. A more dynamic, evolutionary and comprehensive perspective is provided to enhance the exploration and understanding of alliances.

OPERATIONAL COMPONENT -- EVALUATING AN ALLIANCE'S OPERATIONAL SUCCESS

Logistics alliances are based on the rationale that organizations seek interorganizational integration in order to achieve the benefits of (1) cost reduction through partner specialization; (2) joint synergy; (3) increased information to support planning activities; (4) enhanced customer service; (5) risk reduction and/or sharing; (6) creativity; and, in sum, (7) competitive advantage in the marketplace (Bowersox et al. 1992). Interorganizational integration requires the completion of specific operational activities to gain such benefits. The evaluation of an alliance's operational success is based upon the need to assess the performance of day-to-day

business activities such as information exchange, extensive planning, sharing resources and skills, cross-firm operating standards and controls. Such activities directly impact alliance partners' ability to control and coordinate inventory, facilities and transportation -- and subsequently improve operational goals of market share, sales volume and inventory turnover. The following alliance model component, which seeks to provide a method to assess such operational issues, is primarily developed from the work of Bowersox et al. (1989) and Bowersox et al. (1992).

As discussed in the prior section, the inclusion of a model component which provides a dynamic, evolutionary perspective of an alliance's strategic success more comprehensively describes the alliance process. Similarly, the inclusion of a third model component, which provides a perspective with which to assess an alliance's operational success, enhances the description of the alliance process. The right side of Figure 2.2 presents a procedural evaluation of an Operational Component to model an alliance's operational success. Each step of the component is discussed.

Establish Search Criteria

The Need Awareness stage of the alliance process component initiates a search for a solution to meet an identified problem or need. Operationally, the initial step is to Establish Search Criteria with which to conduct an investigation. For example, the search for an alliance partner to provide system redesign, transportation and/or

warehousing service or information support services should generate a formal set of policies and procedures to establish why the search is being conducted, what the parameters of the search should be, where (in what geographic markets) the search should take place, how it should be conducted and which members of the organization should become involved in the search.

Establish Selection Criteria

Establish Selection Criteria is concerned with the recognition and determination of specific alliance partner requirements. With the actual Search Process stage now under way and driving the determination of selection criteria, issues of qualification and capability become paramount. For example, organizations typically consider qualities of financial strength, business experience, business development, reliability and scope of support services, business arrangements (e.g., audit capability and accounting controls), information systems sophistication and the use of formalized operating rules and procedures.

Determine Joint Operating Standards

The most comprehensive examination of the necessity and manner in which to Determine Joint Operating Standards in logistical alliances (including manufacturer-service supplier alliances) was conducted by Bowersox et al. (1992). Research results revealed that successful strategic ventures share three common dimensions: (1) Formalization; (2) Information Access; and (3) Connectivity. The three dimensions provide

the foundation for a detailed comparative process to occur regarding the subsequent step of Evaluate Operating Standards. As such, discussion of that comparative process will occur in the following paragraphs.

Evaluate Operating Standards

Just as Expected Effectiveness appears to be a logical precursor to Perceived Effectiveness, the step of Evaluate Operating Standards cannot be made without the foundation of Determine Joint Operating Standards. Evaluate Operating Standards drives the Implementation/Administration stage directly when an alliance is initially created *as well as* through the feedback mechanism created in the Assessment stage. In both instances, partners search for signs of operational success by sustaining or modifying the alliance.

The dimensions of Evaluate Operating Standards are identical to those utilized for Establish Joint Operating Standards. Consistent with a significant body of prior research (Bowersox et al. 1989; Bowersox et al. 1992), the three dimensions of Formalization, Information Access and Connectivity are hypothesized to positively impact an alliance's operational success. Each is discussed in the following paragraphs.

Formalization is composed of two elements, defined procedures and continuous performance measurement. Defined procedures refers to the establishment of interorganizational rules and methods that detail how alliance members will conduct business operations with suppliers and trading

partners. Formalization of rules and procedures facilitates the spin-off or absorption of functional competencies and responsibilities, and permits firms to achieve the benefits associated with specialization, risk-sharing and creativity. Continuous performance measurement refers to increasingly comprehensive and sophisticated measurement systems which monitor and direct contemporary logistics systems in order to achieve improved productivity and flexibility. Given that alliance partners are seeking mutually desirable objectives, formalization results in, or at minimum, helps to create a common interorganizational culture with values and compliance bound to the alliance (the "superorganization") rather than being restricted to traditional functional ownership responsibilities and boundaries. For example, performance measurement standards created jointly by a manufacturer and third-party warehouse service supplier regarding order selection, packaging and delivery entwine both firms' expectations, goals and benefits.

Information Access is also composed of two elements, cooperation and trust. Cooperation between alliance partners must focus on the willingness to allow operational information to be accessible. Specifically, such information access must occur with regard to *future* (e.g., strategic) information rather than historical information. For example, if a manufacturer routinely transmits via EDI a shipment's weight, cube, pickup and delivery requirements and any special handling instructions to a logistical service supplier, such

information will facilitate consolidated load planning, routing and scheduling for the service supplier *and* provide the opportunity for both the manufacturer and service supplier to improve service to the downstream customer. This type of information sharing facilitates the achievement of mutual, cooperative goals and reduces the environmental uncertainty of operational performance described by Thompson (1967). Thus information access, by its very nature, builds cooperation and trust across organizations.

Gambetta (1988) suggests that cooperation "need not be the result of previous communication but can emerge implicitly in the course of interaction itself, and rules need not be written but can be established as a result of habit, prior successful experience, trial and error, and so on." Extensive research (Bowersox et al. 1992) into alliance operationalization suggests, however, that utilization of formalized rules and procedures provide levels of cooperative efficiency that are both operationally and strategically superior to implicitly developed cooperation.

The second element of Information Access, trust, was discussed previously. The operational nature of trust is aligned closely with Gabarro's (1978, 1987) concept of competence-based trust. Competence-based trust is composed of trust in the other's functional or specific competence, interpersonal competence, competence in general business sense and judgement (Gabarro 1978). The concept of competence-based trust can be used to describe how alliance partners manage

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their relationships on an operational level. The four sources of competence-based trust may be adapted as follows: (1) *specific competence* -- specialized operational knowledge and skills; (2) *interpersonal competence* -- the individuals' ability to effectively work with others; (3) *competence in business sense* -- a broad experience base beyond a specific area of expertise; and (4) *judgement* -- decision making ability.

Connectivity is also composed of two elements, responsiveness and technology adoption. Connectivity refers to the *ease* with which alliance partners are able to communicate with each other in order to exchange information. Such communication may involve technological linkages (e.g., EDI, radio-frequency and satellite based systems, distributed data processing) or less sophisticated, but potentially equally effective linkages of telephone calls, meetings, personal visits, etc. Technology adoption is an important internal characteristic or capability of leading edge organizations (Bowersox et al. 1989, Bowersox et al. 1992) and therefore is frequently a qualifying criteria in the Search stage. However, sophisticated information systems do not by themselves guarantee high levels of connectivity. Rather, the ease of information exchange in strategic alliances depends upon communication systems which provide responsiveness. More specifically, that responsiveness must occur in the form of tailored information presented and available in a rapid, timely and accurate manner.

In effect, the three dimensions of successful interorganizational integration (e.g., adherence to joint operational standards) -- Formalization, Information Access and Connectivity -- combine to "grow" a culture across alliance partners. Bowersox et al. (1992) hypothesize that the existence of all three dimensions and their simultaneous interaction must be present to provide a basis for successful alliance practice. The degree of each dimension's presence in an alliance is, however, relative and situation-specific.

In summary, the inclusion of a model Operational Component which evaluates an alliance's operational success supports and strengthens a stages paradigm approach to interorganizational activity. A more dynamic, evolutionary and comprehensive perspective is provided to enhance the exploration and understanding of alliances. Moreover, the delineation of a general alliance model comprised of three separate, yet interdependent components clarifies the scope of alliance practice. The suggested model framework not only describes the activities of the alliance process (the five stages and their facilitators and constraints), but acknowledges the existence of, and provides a foundation for, the evaluation of strategic and operational perspectives of alliance success.

THEORY AND PRACTICE ISSUES REGARDING MANUFACTURER - SERVICE SUPPLIER ALLIANCES

Practically speaking, the rationale for manufacturer-service supplier alliances is straightforward: to achieve

open, long-term business relationships that apply the principle of the learning curve to continuously improve business processes. There are several theoretical and practical issues, primarily concerned with service suppliers and the basic nature of service provision, which require particular consideration in a manufacturer-service supplier alliance and its success: (1) the nature of the service act; (2) determinants of service quality; and (3) the evaluation of the service process. Each issue is discussed next.

NATURE OF THE SERVICE ACT

The increased level of attention regarding quality in products and services is apparent throughout the world today. Quality awards, business and academic articles, corporate goals and financial performance measures all reflect the growing importance of quality. In services supply, Crosby (1979) defined quality as "conformance to specifications." Such a definition implies precise definition of requirements in advance of performance.

However, the very nature of many service activities complicates the evaluation process as defined by Crosby. There are fundamental differences between goods and the nature of the service act: intangibility, inseparability of production and consumption, heterogeneity or non-standardization, and perishability (Berry 1980; Zeithaml et al. 1985). Services are intangible -- they are performed rather than being physical objects. Services are typically

produced and consumed at the same time. Service quality occurs during the delivery process -- it cannot be manufactured into place like a physical product. In addition, the heterogeneous nature of the service provider (e.g., the individual) generally creates a heterogeneous service offering. Finally, services cannot be stored as inventory -- they are perishable.

Given the unique characteristics of services, the evaluation and assessment of service supply and quality becomes more difficult than with goods. Although there are dimensions of service supplier performance that are easy to evaluate (e.g., on-time delivery, damage, order fill, etc.), many other dimensions (e.g., courtesy, friendliness, willingness to help, expertise, trustworthiness, etc.) are very difficult to measure. Thus the evaluation of an alliance's operational success may well be made more difficult by the inclusion of service suppliers, as opposed to other channel participants.

DETERMINANTS OF SERVICE QUALITY

The determinants of service quality measurement also complicate manufacturer-service supplier alliances. In general, the determination of service quality involves a comparative process (known as expectancy disconfirmation) between what a customer expects or desires and what they actually receive. Specifically, expectancy disconfirmation is a two-stage process comprised of pre-purchase expectations of

product or service performance and subsequent (dis)confirmation of those expectations. (Dis)confirmation occurs via actual performance levels which are better than or worse than initial expectations (Oliver 1980; Smith and Houston 1982; Groonroos 1983). The predictive expectations paradigm has dominated the service quality and consumer satisfaction literature; however, it should be noted that a variety of other standards (experience-based norms, ideals, values, desires and equity) have been suggested and tested in the consumer satisfaction area and have also found to be significant predictors of satisfaction.

The services literature generally conceptualizes that the concept of quality involves *perceived* quality. That is, consumers' assessments of service quality "stems from a comparison of what they feel service firms should offer (compared) with their perceptions of the performance of firms providing the service" (Parasuraman et al. 1985). More specifically, perceived service quality is defined as "a global judgement, or attitude, relating to the superiority of the service" (Parasuraman et al. 1988).

The concept of service quality as measured in the literature has evolved considerably over the past ten years. Berry, Zeithaml and Parasuraman's (1988) SERVQUAL scale explored and developed specific determinants of service quality. The focus of their initial research and subsequent scales was concerned with to what extent a service provider *should* do certain things. The revised SERVQUAL scale

(Parasuraman, Zeithaml and Berry 1991) now asks about the level of service that an "excellent" service supplier would provide. Thus perceived service quality, at least as operationalized by the SERVQUAL research stream, has moved away from a more traditional standard of either "what will happen" (predictive) or "what should happen" (normative) to a more "desires/experience-based" (ideal) standard. The result of this progression of service quality determinants has, in effect, "raised the bar" for service supplier offerings to the marketplace and provides for a standard of excellence that is highly customer-specific. In one respect, such progression is an opportunity for leading-edge service suppliers to work with manufacturers to jointly develop customized measurement standards of service quality. On the other hand, the progression of this mindset places a service supplier in the position of having to provide very differentiated service to each customer -- which may somewhat reduce the economies of scale that their operational expertise is dependent upon.

EVALUATION OF THE SERVICE PROCESS

Evaluation of the service process (by either a manufacturer or their customer or both) is based upon outcomes (an end-state) as well as ongoing processes (Groonroos 1984). That is, the *manner* in which a service is performed is as critical a component of service quality as the end result of the service. Groonroos (1983) hypothesizes that there are two types of service quality: technical quality (what the customer

actually receives) and functional quality (the manner in which the service is delivered).

As discussed in Chapter I, the success of a manufacturer-service supplier alliance is dependent upon the interaction between (1) the service supplier and the manufacturer *and* (2) the service supplier and the (manufacturer's) customer. In effect, although the manufacturer-service supplier alliance is conceived of as a dyadic relationship, in reality the number of organizations actually involved in the service quality assessment process is three, not two. Similarly, the accompanying number of possible personnel contacts increases as well, and in an exponential fashion. It could thus be logically argued that the number of organizations involved in an interorganizational relationship such as an alliance is an important indicator of the relationship's complexity.

The service evaluation process is also complicated by the dimensions of evaluation considered to be important: (1) individual service encounter satisfaction; (2) overall service satisfaction; and (3) service quality. Currently, no consensual definition or measurement standard exists in either academic or practitioner research regarding these three dimensions. Furthermore, confusion exists with respect to which type of evaluation best predicts customer loyalty (if at all), what the causal ordering is of the three types and finally, whether they are distinguishable concepts from the customer's point of view (Bitner and Hubbert 1994). The issue is further complicated by the fact that some researchers

believe satisfaction to be a more emotionally-based, short-term assessment or evaluation -- and that service quality is a more attitudinally-based, long-term assessment or evaluation.

The dimension termed a service encounter is a discrete event which occurs over a definable period of time, and is often termed "the moment of truth" (Carlzon 1987). Although it is likely over time that multiple positive (negative) encounters will lead to an overall high (low) level of customer satisfaction, the evaluation of each individual encounter will not necessarily be perfectly correlated (if at all) with the customer's overall satisfaction with the service provider or its service quality. Each service encounter thus provides an organization with an opportunity to reinforce its customer service commitment, but the impact of each such encounter in total is open to question.

A more global assessment of services is contained within the dimension Overall Service Satisfaction. This concept specifically acknowledges that satisfaction is likely to be multidimensional -- a function of multiple experiences or encounters with an organization. For example, service satisfaction occurs at *multiple levels* in an organization: (1) satisfaction with the contact person; (2) satisfaction with the core services experienced by the customer; and (3) satisfaction with the institution overall (Crosby and Stephens 1987). For example, from the perspective of a manufacturer's customer, satisfaction with a logistical service supplier

might involve a truck driver or transportation analyst (the contact person); the act of the transportation itself (the core service); and the trucking company as a whole in terms of its reputation, etc. (the institution). Satisfaction may also be expressed in terms of *multiple types of encounters* (e.g., with personnel, quotations, ordering, delivery, postorder services, etc.) (Bitner and Hubbert 1994). Finally, the *structure of the service offering* may reflect multiple levels of satisfaction: (1) expressive (the art of providing the service); (2) instrumental (the quality, efficacy and continuity of the service); and (3) access/cost (the accessibility and convenience of the service) (Smith, Bloom and Davis 1986).

The third dimension, Service Quality, was discussed above and relates to a relatively global value judgement that may occur at multiple levels in an organization. Bitner and Hubbert (1994) distinguish Service Quality from Overall Service Satisfaction by arguing that the former dimension is likely to be influenced by an organization's overall image and its offerings (e.g., advertising, reputation and word-of-mouth) as well as price and perceived value.

A successful alliance is certainly dependent upon the participating organizations' strategic and operational capabilities. However, a certain level of differentiation is inherent in manufacturer-service supplier alliances due to the three components previously discussed: (1) the nature of the service act; (2) determinants of service quality; and (3)

evaluation of the service process. These three issues have particular impact on the manner in which service performance is designed and measured by the parties in such an alliance. Formalization of procedures across organizations may alleviate some of the inherent complexity in the service act and its evaluation. Sharing information would similarly reduce some complexity, especially with regard to determination of service quality. Additionally, customer perceptions of service supplier performance (e.g., reputation, sophistication, scope of operations) have the potential to create strategic differentiation and competitive advantage for a manufacturer, and may extend to other customers and/or business opportunities. In the end, both the manufacturer and the service supplier (and their common customer) must be aware of the different nature of the service process and how it affects interorganizational relationships.

SUMMARY

This chapter has reviewed the relevant literature in order to study channel behavior as an interorganizational system, to examine why alliances are created, provide a continuum of organizational governance mechanisms and a typology of alliance forms. Next, a number of literature streams concerning organizational stages models were discussed in order to develop a foundation for a general alliance process model. The model was extended to consider the evaluation of an alliance's strategic and operational success.

Finally, several theoretical and practical issues specific to manufacturer-service supplier alliances were considered and reviewed: the nature of the service act, determinants of service quality and the evaluation of the service process.

CHAPTER III - RESEARCH METHODOLOGY

This chapter describes the proposed research methodology. First, the research purpose and objectives are presented. Second, the specific research questions are detailed. Third, the operationalization of the methodology is described. Specifically, the relevant unit of analysis is identified and described, the sample selection process and interview protocol are explained, and data collection and analyses are reviewed. Finally, the use of case methodology is detailed and rationalized, and the issue of generalizability in case research is addressed.

RESEARCH PURPOSE AND OBJECTIVES

The purpose of this research is to develop clear managerial guidelines for building and maintaining logistics alliances between manufacturers and service suppliers. The research purpose will be carried out by conducting three in-depth dyadic interview sets with manufacturers and service suppliers and comparing the results across and between matched dyadic sets.

The specific objectives of this research are:

(1) Identify and document alliance process stages, constraints and facilitators between manufacturers and service suppliers;

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

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

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

RESEARCH QUESTIONS

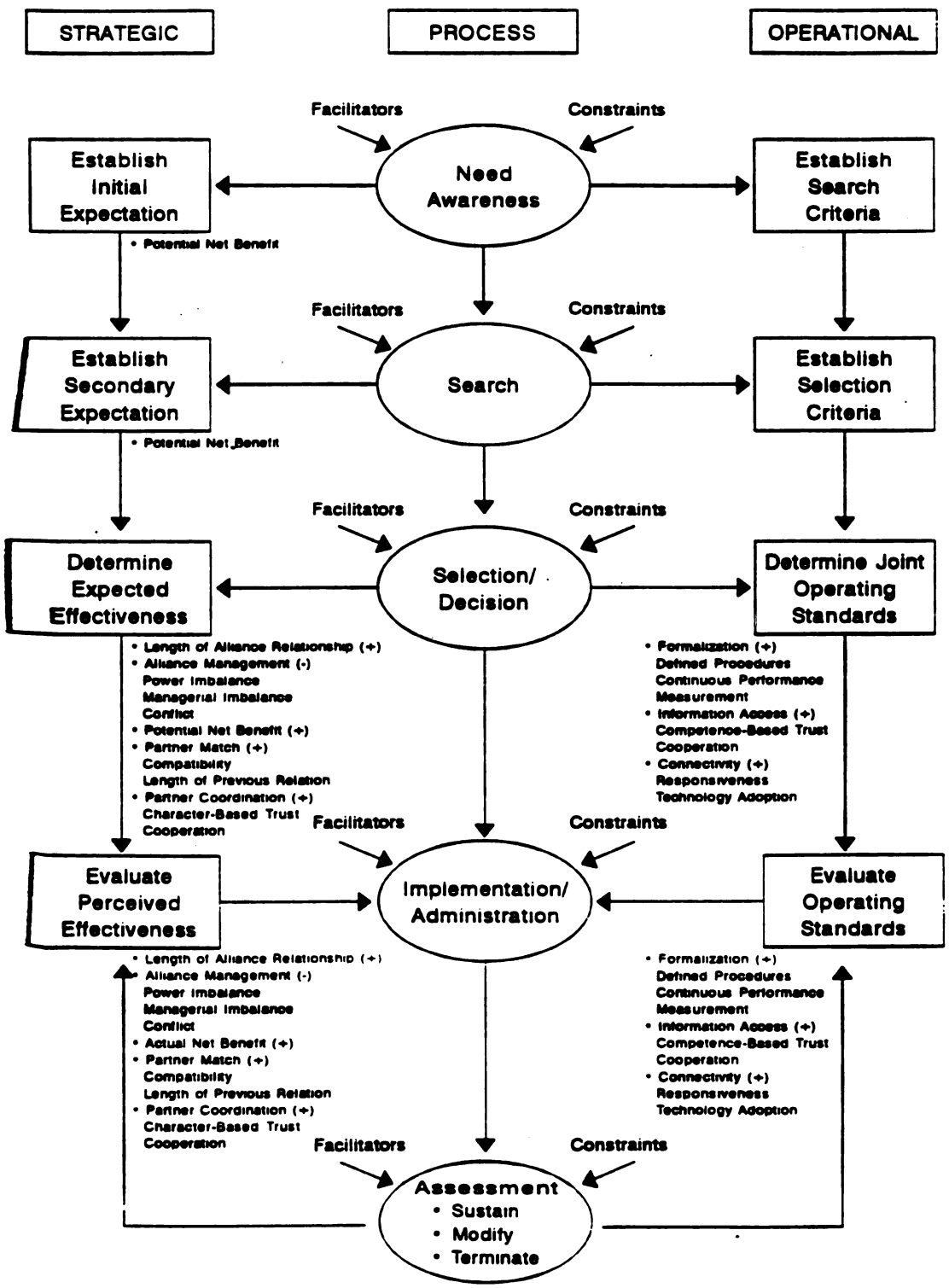
This section details research questions based on the General Alliance Model (see Figure 3.1) developed in Chapter II. The questions focus on the: (1) stages, facilitators and constraints in the Process Component; (2) identification, development and examination of measures of an alliance's strategic effectiveness in the Strategic Component; and (3) identification, development and examination of measures of an alliance's joint operational standards in the Operational Component. A series of questions is presented for each of the three topics.

PROCESS COMPONENT

The process questions are:

(1) What stages do logistics alliances between manufacturers and service suppliers progress through?

Figure 3.1
A General Alliance Model



(2) What are the characteristics, facilitators and constraints of the logistics alliance process?

(3) 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 considers to what extent logistics alliances between manufacturers and service suppliers progress sequentially through the Process Component's five stages. Additionally, which activities influence the activities of the subsequent stage.

Given that a sequential progression of stages exists as suggested in the prior question, the second research question identifies issues or activities which facilitate or constrain the Process Component stages. In the Need Awareness stage, for example, a reduction in uncertainty (e.g., market or demand uncertainty), recognition of business opportunities (e.g., leveraging capital, reduction of inventory, etc.), or lack of organizational leadership or vision may influence the alliance process. In the Search stage, for example, an organization's evaluation of its core competency, the ability to gather and analyze information and the number of alternative sources of the product or service desired and its criticality might influence the alliance process. In the Selection/Decision stage, potential visible investments and the nature of the commitment will likely influence the alliance process. In the Implementation/Administration stage,

the measurement of actual visible investments or commitments relative to previously identified necessary investments might influence the alliance process. Additionally, high switching costs and exit barriers created by transaction-specific investments might influence the alliance process. Implementation/Administration may also be facilitated or constrained by personnel's adaptability to necessary change management. Finally, an organization's ability to measure both the strategic and operational success of the alliance will impact the Assessment stage of the alliance process. Of course, other activities may be identified which facilitate or constrain the process stages.

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

STRATEGIC COMPONENT

The strategic questions are:

(1) How are partner (initial) expectations influenced by the alliance process?

(2) How do these strategic 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? What are the critical components?

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

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

The first research question addresses the relationship between an organization's need awareness and initial expectations of potential net benefit. For example, the need to redesign an organization's distribution network will likely produce expectations of improved inventory positioning and customer service.

The second research question concerns the evolution of partner expectations. The expectations at each stage are believed to influence subsequent partner expectations. In other words, the level of initial expectations influences the (1) choice to continue toward the Search stage; and (2) 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 is suggested that the dimensions of alliance management, length of alliance relationship, partner match, actual net benefit and partner

coordination influence (expected and perceived) effectiveness at later stages of the process.

The fourth research question is concerned with whether organizations 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 viability in the future.

The fifth research question addresses which dimensions (alliance management, length of alliance relationship, partner match, actual net benefit and partner coordination) are critical to long-term alliance viability (e.g., which most impact alliance modification and/or long-term alliance success).

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

OPERATIONAL COMPONENT

The operational questions are:

(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 determined?

(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 viability?

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

The first research question addresses the relationship between an organization's need awareness and the establishment of broad alliance search criteria to meet the identified need. For example, it is expected that the need to redesign a particular component of an organization's distribution network will likely produce a list of necessary capabilities as well as firms which are able to provide such capabilities.

The second research question concerns the relationship between an organization'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 mutual 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

organizations specifically perform an evaluative assessment of adherence to joint operational standards. It is expected that a number of dimensions (Formalization, Information Access and Connectivity) are utilized to make a proper assessment of operational effectiveness.

The fifth research question addresses which dimensions (Formalization, Information Access and Connectivity) are critical to long-term alliance viability (e.g., which most impact alliance modification and/or long-term alliance success).

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

METHODOLOGY OPERATIONALIZATION

This section describes how the research methodology of this dissertation will be carried out. The relevant unit of analysis is identified and described, the sample selection process and interview protocol are explained, and data collection and analyses are reviewed.

UNIT OF ANALYSIS

Aldrich and Whetten (1991) posit that the starting point for all studies of aggregates of organizations is a relation or transaction between two organizations. With respect to these interorganizational relations, the fundamental activity

in marketing channels is the transaction, e.g., the act of exchange between two economic agents (Achrol, Reve and Stern 1983). Utilizing transactions as the basic unit of analysis requires a dyadic perspective in which the relationship between two transacting parties is emphasized. In particular, focus at the transactional level is concerned with *how and why* different transactions are created, carried out or avoided between channel members (Achrol, Reve and Stern 1983; Reve and Stern 1986).

Dyadic exchange results "whenever direct, goal-oriented social interaction occurs between actors in a channel" and "includes social (information, goodwill, social legitimacy and influence) as well as economic (physical or monetary resources) components" (Achrol, Reve and Stern 1983). For example, partners enter into alliances with the express intent of improving the efficiency and effectiveness of the exchange process, e.g., to provide mutual benefit and achieve joint goals.

As noted previously, logistical service suppliers occupy a strategic position of linkage in the supply chain between manufacturers and downstream merchandisers and manufacturers and material suppliers. In effect, the study of a manufacturer-service supplier alliance (e.g., a dyad) *requires* the consideration of a meaningful linkage between three channel members: the manufacturer, the service supplier and the downstream merchandiser or upstream material supplier. Thus although the conceptual focal unit of analysis in this

dissertation is the manufacturer-service supplier dyad, the strategic and operational reality of the marketplace requires that such alliance research and analysis consider the manufacturer, service supplier and merchandiser or material supplier.

SAMPLE SELECTION

Churchill (1991) categorizes sampling procedures into two broad types: probability (derived through random selection) and non-probability (based on personal judgement). Non-probability samples are particularly effective when certain explicit criteria are necessary in a sample. The focus of this dissertation on alliances between manufacturers and service suppliers requires that two specific elements be present in the sample. First, the participants in the alliances must perform at the desired level in the channel (e.g., manufacturer or service supplier). Second, the participants must be actively involved in logistical alliances. The presence of these two criteria or requirements make non-probability sampling the most appropriate sampling technique for this research.

The particular type of non-probability sampling utilized in this research is known as judgement or purposive sampling. This technique is based on the rationale that participant selection can "offer some perspective on the research question" in order to contribute to the research purpose (Churchill 1991). In effect, purposive sampling relies on

expert judgement and prior knowledge of the researcher to assess that participants meet the necessary conditions for selection (Gay and Diehl 1992). Purposive sampling can be productively utilized as long as the researcher is at the early stages of research when ideas or insights are being sought or when the researcher is aware of the limitations it presents as a sampling technique (Churchill 1991).

The purposive sampling technique utilized in this dissertation is known as "functionally directive referrals." In this dissertation, expert judgement will be utilized to identify manufacturers in the grocery industry which clearly exhibit logistics best practice. This initial sample set of participants with the appropriate characteristics (e.g., manufacturers involved in alliances with logistical service suppliers) will be identified. These initial participants will be asked to identify other appropriate participants (e.g., logistical service suppliers) who may be included in the enlarged sample set. The manufacturers will be contacted by formal letter and/or phone and requested to participate in the research. A condition of manufacturer participation will be their willingness to (1) identify their best alliance with a logistical service supplier; (2) contact the service supplier and request their involvement in the research; and (3) provide appropriate contact names and phone numbers to establish a research relationship with the service supplier. Upon agreement of both firms, an established research dyad will be created. Three such dyads will be utilized.

INTERVIEW PROTOCOL

Prior to the on-site interview process, each participating firm in a manufacturer-service supplier dyad will be mailed a brief, two-page letter which details the research scope, purpose and structure (see Appendix B for a copy of the letter).

The research structure utilizes in-depth interviews with multiple key informants (senior logistics executives, middle management and operations managers) up and down and across organizational levels at the manufacturer and their respective service supplier partner firm. 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 is designed to provide greater reliability and validity of reports of interorganizational relationships (Campbell and Fiske 1959; John and Reve 1982; Phillips and Bagozzi 1986).

Representative opinions at the policy-making, strategy and operations levels will be scoped. The interviews will consist of a series of structured and open-ended questions discussing perceptions of past, current and future alliance practice. Participating personnel will be matched as closely as possible across organizations to provide consistent interpretation of strategic and operational perspectives.

Interviews will focus on, but not be limited to, the

following topics: (1) the alliance formation process, including initial conceptualization, implementation, performance evaluation, maintenance and assessment of future viability; (2) day-to-day activities required to manage the alliance; (3) degree of multi-departmental involvement; and (4) other internal/external activities that help or hinder the alliance process. Table 3.1 presents a structured view of the prospective interview topics. Follow-up phone interviews will be conducted when necessary. Additionally, each interview participant will be given a six page "Alliance Research Background Questionnaire" to fill out after their interview is completed (see Appendix A for a copy of the questionnaire).

The questionnaire requests the date of respondent completion and company name, but does not ask for respondent identification. Specifically, the respondent is instructed to:

> "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."

The questionnaire probes respondent opinions regarding the topics of (1) strategic and operational alliance issues and (2) relationship specific measures.

Respondents are queried on 52 items regarding the topic of strategic and operational alliance issues. The 52 items are included within 37 questions. Four of the 37 questions include multiple items: one question has 8 items, one question has 5 items and 2 questions each have 3 items. All questions

Table 3.1

Key Informant Questions By Model Component

Informant Position	Process Component	Strategic Component	Operational Component
Senior Executive	Focus: formation of alliance policy • How did the idea to form an alliance originate? • How did your firm determine that an alliance was needed?	Focus: the alliance's strategic positioning • Does a strategic vision exist for the alliance? • What is your firm's strategic contribution to the alliance partner?	Focus: operational practices relationship to strategy • How is the alliance managed? • How is performance measured and how is it shared?
Middle Management	Focus: development of alliance policy and communication of operational practices • Were evaluative criteria developed to assist in selecting a partner? • Was partner selection a standardized or customized process?	Focus: translation of goals into operational practices • What were the costs and benefits of forming this alliance? • How easily could your firm replace the alliance partner?	Focus: measurement of goals via operational practices • What information is shared and how easily does it take place? • How is performance measured and how is it shared?
Operational Managers (Daily Oversight)	Focus: alteration of operating practices • What changes occurred in your firm's operating practices? • How is the alliance modified operationally?	Focus: relationship of strategy to operations • How do you work with the partner to accomplish goals? • Are costs and benefits balanced between partners?	Focus: accomplishment of operational procedures • Are operating procedures formalized and in writing? • Do partner communication systems provide responsiveness?

utilize five-point Likert scales. All questions are scaled: 1 = strongly disagree; 5 = strongly agree, except one question (with one item) which is scaled: 1 = little trust; 5 = high trust.

Respondents are queried on 48 items regarding the topic of relationship specific measures. The 48 items are included within 3 questions. Each question includes multiple items: one question has 17 items, one question has 16 items and one question has 15 items. All questions utilize five-point Likert scales. Two questions are scaled: 1 = not important; 5 = extremely important; one question is scaled: 1 = my firm has not achieved this objective; 5 = my firm has definitely achieved this objective. The questionnaire thus solicits answers to 100 items (52 plus 48) per respondent. The questionnaire may be returned via fax or mail.

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

DATA CODING AND ANALYSIS

Strauss and Corbin (1990) stress the importance of the coding process in order to group and label similar events to

provide broader categorization capability. This process builds and maintains a "chain of evidence" (Yin 1989). In expanding on the original work of Glaser and Strauss (1967), Strauss and Corbin (1990) describe a coding protocol to develop grounded theory which is comprised of three steps: (1) open coding; (2) axial coding; and (3) selective coding. This protocol will be utilized for this dissertation.

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

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

Selective coding, the third and final step, clarifies and creates a core category that explains the main phenomenon of the case around which other categories revolve. This core category is developed by integrating the other categories into a higher level of abstraction. At this point, the data is perceived to be at a "broad conceptual level" and each category has "property and dimensional levels" (Strauss and

Corbin 1990). At this juncture, theory is compared and validated against data to solidify the grounding process.

RATIONALE OF CASE METHODOLOGY

This section details and provides a rationale for the use of case methodology in general, and its specific justification in this application of alliance research between a manufacturer and service supplier. The issue of generalizability in case research is addressed as well.

Bonoma (1985) offers a framework to assess research methodology that utilizes a two-dimensional space in which the axes are defined in terms of two primary research objectives: (1) data integrity and (2) currency. "Data integrity", which refers to characteristics of research which affect error and bias in research results, is a combination of "internal validity" (Campbell and Stanley 1966), "statistical conclusion validity" (Cook and Campbell 1979) and "reliability" (e.g., Guilford 1954; Sellitz et al. 1959). "Currency", which refers to characteristics of research that affect the contextual relevance of findings *across* measures, methods, persons, settings and time, is a combination of "external validity" (Cook and Campbell 1979) and "pragmatic" or "ecological validity" (Brunswik 1952; Sellitz et al. 1959).

Ideally, researchers strive to achieve high levels of both data integrity (e.g., internal validity) and currency (e.g., external validity). However, as Campbell and Stanley (1966) point out, methodological tradeoffs exist between

internal and external validity due to unique characteristics of different research methods. Typically, laboratory experiments offer high data integrity or internal validity; case research offers high currency or external validity (Churchill 1991).

In assessing such methodological tradeoffs, Bonoma (1985) suggests that a researcher consider two criteria of research problems: (1) the purpose of the research; and (2) the phenomena of interest. Research purpose can be broadly classified into categories of "theory building" and "theory disconfirmation" (Bonoma 1985). Theory disconfirmation is appropriate when substantial theoretical development exists and verification or extension are in order. Theory building is a more relevant research purpose when "theoretical development is scant or uncertain." Similarly, Hunt (1991) proposes that the discussion of research methodology and purpose is concerned with the "logic of discovery" and the "logic of justification." The tools, rules and procedures utilized to discover scientific hypotheses, laws and theories are varied -- that is, no single optimal logic of discovery exists. Inductive reasoning, deductive reasoning, sudden insight (e.g., the "eureka!" concept) and dreams all may create the context of discovery. The researcher is concerned with exploring and uncovering knowledge. Conversely, the set of rules and procedures that delineate the criteria for accepting/rejecting knowledge (hypotheses, laws and theories) in science is singular. That scientific process concerns the

explanation, prediction, understanding and control of phenomena -- this comprises the context of justification. Because lack of knowledge is typical when an inquiry is begun, exploratory studies are characterized by flexibility in methods for gaining insight and developing hypotheses (Churchill 1991). Notwithstanding the flexibility, research experience has demonstrated that literature surveys, experience surveys, focus groups and *the analysis of selected cases* (emphasis added) are particularly productive in exploratory research (Sellitz, Wrightsman and Cook 1976). The current state of alliance research is composed of anecdotal evidence and limited empirical studies which could be described as scant or uncertain rather than substantial and validated. As such, the nature of this research is exploratory and best suited to a methodology of "theory building" or the "logic of discovery."

The second criteria of research problems concerns the phenomena of interest. Specifically, two issues exist: whether the phenomenon can be studied usefully outside its natural setting, and whether it is amenable to quantification. It is often difficult to study issues of marketing behavior outside their natural context (e.g. buyer behavior as a *dyadic* interaction) without distorting the behavior under study (Bonoma 1985; original emphasis). As such, even carefully designed surveys or simulations might not accurately portray the true nature of the interactions (Bonoma, Zaltman and Johnston 1977). Given the economic, interorganizational and

interpersonal complexity of the alliance process, it is imperative to assess participant behavior as closely as possible within its natural setting. With respect to quantification, some areas of interest to marketers simply are not amenable to "counting approaches." The exploratory nature of the research regarding the alliance process is concerned more with identifying a research framework rather than quantifying relevant components of that process.

Thus, the choice of a research methodology must support a researcher's particular purpose and the phenomena of interest. According to Churchill (1991), the crucial tenet of research is that *the design of the investigation should stem from the problem* (original emphasis). Yin (1989) compares case studies to other research methods 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."

As stated previously, the focus in transactional level analysis is on the *how and why* of transaction behavior. The focus of this research is on the "how" and "why" of the alliance process between manufacturers and logistical service suppliers. In this research, the study of the alliance process occurs primarily "after the fact", e.g., the researcher has little control over the formation events and behaviors within the various stages. Use of a case approach preserves the "real-life context" of the alliance process. For example, case research is particularly useful "when the

audience are managers who must implement findings" (Alloway 1977) and "for studying processes in companies, explanatory purposes, and to provide a valuable holistic description of events that can provide practitioners with tools" (Gummesson 1991).

This approach is based on one of the cornerstones of the Glaser and Strauss (1967) case research methodology: theories and models should be "grounded in actual empirical observations rather than governed by established, traditional approaches" (Gummesson 1991). Grounded theory is an inductive approach to case research. Such a theory is "discovered, developed and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon" (Glaser and Strauss 1967; Strauss and Corbin 1990). Thus data collection, analysis and theory are interrelated. The researcher does not begin with a theory and attempt to prove it -- rather, one begins with an area of study and allows the relevant knowledge to emerge.

Yin's (1989) extension of Grounded Theory provides an amalgamam of previous case research methods. Before data collection begins, an initial theory is developed based on a pilot study, previous studies, archival research or empirical knowledge. In this research, the initial theory is based on a literature review and subsequent model development. Next, data collection and coding procedures are developed and then the selection of cases is made to "ground" the theory. Once data collection is completed, cases are analyzed and compared

to the initial model.

According to Yin (1989), data analysis is the least developed component in case research. Yin (1989) posits that the most promising approach to conduct data analysis in case study research is the idea of "pattern-matching" described by Campbell (1975). Pattern-matching involves comparing theoretical outcomes to actual outcomes. Replication rather than sampling logic is utilized to carry out the comparison process. If predicted observations are discovered and alternative patterns are not, then strong causal inferences can be made to link theory with practice (Yin 1989). That is, if case outcomes conform to prediction, literal replication is provided. If case outcomes are contrary to prediction but can be explained predictably, theoretical replication is provided. Replication in either form produces "compelling support" for theory confirmation or disconfirmation (Yin 1989). Thus the ability to conduct a small number of case studies, arranged effectively within a multiple-case design, is analogous to the ability to conduct a small number of experiments on related topics (Yin 1989).

Yin (1989) develops a typology of research design for the case study method composed of two dimensions which yields four designs. The dimensions are (1) single or multiple-case designs; and (2) single (e.g., holistic) or multiple (embedded) units of analysis. An example of a unit may be the organization, functional groups within the organization or individuals within the functional groups. This dissertation

involves a multiple-case design (three dyadic cases) with a single unit of analysis (the manufacturer-service supplier dyad).

GENERALIZABILITY

Yin (1989) suggests that three traditional prejudices exist against case studies: (1) lack of rigor; (2) little basis for scientific generalization; and (3) lengthy, unreadable end results. The first and third potential biases are specifically controllable by the researcher. The second bias, lack of generalizability of findings, is a much more difficult research issue to control (Kennedy 1979; Bonoma 1985; Gummesson 1991).

The generalizability issue typically focuses on the criticism "how can a researcher generalize from a single case?" Yin (1989) points out that in the case of traditional experimental designs, a researcher rarely determines scientific fact based on a single experiment -- usually confirmation requires multiple experiments which replicate the same phenomenon under different conditions. The same approach is true for multiple-case studies, although it requires a different conceptualization of research designs. The key point revolves around a misunderstanding or confusion regarding the *types* of generalization. Case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes (Yin 1989). In other words, the case study (like the experiment) does not represent a

"sampling unit" and should not be chosen for this reason. Individual case studies should be selected similarly to the manner in which a laboratory researcher selects the topic of a new experiment -- and multiple-case studies should then be considered as multiple experiments or surveys (Yin 1989). In other words, a single case study is *not* like a single respondent in a survey or a single subject in an experiment; i.e., the term "small sample size of cases" is not relevant to analytic generalization. In effect, case studies are utilized by the researcher to expand and generalize theories (analytic generalization) and not to enumerate frequencies about populations or universes (statistical generalization). Analytic generalization occurs when an initial theory is compared to the empirical results of case studies in such a manner as to provide logical replication and support of the theory in question (Yin 1989).

The comparison of data integrity and currency suggests the distinction between analytic generalization and statistical generalization. In other words, laboratory experiments, models and simulations (high data integrity) provide statistical generalization and statistical conclusion validity, whereas field work and case studies (high currency) provide analytical generalization and "real-world" application. In effect, case research enables theory based on observation to be tested and validated (Bonoma 1985; Gummesson 1991).

The strength of generalizability (in terms of number of

units observed and the range of characteristics and conditions under which observation occurred) is often compared to external validity (Kennedy 1979). The wider the range of characteristics and conditions observed, the more likely the generalization may be to similar, but larger populations. This design of this dissertation, which includes three dyadic case sets in the grocery industry with multiple levels and types of channel participants, strengthens the generalizability of the research findings. Multiple-case study design also affords the opportunity to provide replication and analytical generalization to "real-world" settings.

SUMMARY

This chapter has described the research methodology proposed for this dissertation. First, the research purpose and objectives were presented. Second, the specific research questions were detailed. Third, the operationalization of the methodology was described. Specifically, the relevant unit of analysis was identified and described, the sample selection process and interview protocol were explained, and data collection and analyses were reviewed. Finally, the use of case methodology in general and its specific application to alliance research was detailed and rationalized. The issue of generalizability in case research was addressed as well.

CHAPTER IV - RESULTS

Chapter Four documents the case study results and applies the results to the research questions presented in Chapter Three. Prior to discussing results, each alliance is described including the circumstances and firms involved. Following the overviews, the case study results are applied to the General Alliance Model's Process, Strategic and Operational Components.

ALLIANCE OVERVIEWS

While each alliance included a manufacturer and a service supplier, each alliance was unique. The following section briefly describes the historical background of each alliance, as well as each firm's business, corporate culture, strategic and operational rationale for involvement and qualifying process (where relevant).

Alliance A

The business relationship goes back several decades; Alliance A has been in existence approximately six years. Each firm is very important strategically and operationally to the other's business. Manufacturer A is a global marketer of branded packaged food, paper, household cleaning products and other items, and is an influential member of the North

American and global business community. Service Supplier A is one of the largest truckload motor carriers in North America, and is highly respected for its technological sophistication and highly trained and dedicated workforce. Both firms demonstrate a very forward-thinking strategic vision that is clearly and effectively communicated throughout their respective organizations. Manufacturer A's organizational culture is formal and perceived as conservative; Service Supplier A is entrepreneurially driven and emphasizes the role of personal relationships and intuitive judgement in business.

Strategically, the alliance was based on the fact that both firms are, in one executive's words, "brand kings" seeking differentiation, price point advantages and an exchange of expertise. Operationally, Manufacturer A sought an alliance in order to better align its inbound and outbound transportation activities with production. The result, it hoped, would be breakthrough improvements in customer service and reductions in cost. Service Supplier A hoped to better manage the variability or surges in both parties' business, and consequently improve its resource utilization and profitability.

Manufacturer A's formal partner qualifying process took place over an extended period of time. A series of open forum meetings between potential supplier firms' executives and managers required the exchange, testing and integration of respective corporate values. The alliance proved very successful. In the past year, operational conflict regarding

committed volume, rates and service performance has masked a larger strategic issue concerning what degree low-cost service represents successful long-term performance.

Alliance B

The business relationship and Alliance B began in 1990. On a regional basis, each firm is very important strategically and operationally to the other's business. Manufacturer B, which is one of the top two United States confectionery manufacturers, is an operating division of a globally branded food manufacturer. Service Supplier B, which is the United States division of a global logistics third party service supplier, brings considerable financial and personnel expertise to the alliance. Both firms are forward-thinking but cautious; however, their strategic vision is clearly and effectively communicated throughout their respective organizations. The organizational culture of both Manufacturer B and Service Supplier B is formal and conservative; neither firm would be characterized as particularly innovative or experimental.

For a number of years, a family-owned distribution company provided warehousing for Manufacturer B at this geographic location. In the late 1980s, Service Supplier B bought the business and assumed performance responsibility. The alliance, which was initiated by Manufacturer B, developed from a basic warehousing labor rate relationship into a planned partnership designed to increase Manufacturer B's productivity and concurrently grow the business of both firms.

Strategically, the alliance was based on Manufacturer B's desire to reduce unnecessary private warehousing costs, and to improve labor productivity, space utilization and better plan to meet customer demand surges. Operationally, significant communication and performance advantages were possible because Service Supplier B utilized Manufacturer B's facilities through a sale/lease-back arrangement. Additionally, key personnel from each firm were located on a common site.

The partner qualifying process occurred over time. Manufacturer B gradually committed more business to Service Supplier B, and the two firms became involved in a number of joint productivity improvement projects. The alliance, which was culminated in a long-term formal contract, took "many meetings and a meeting of minds." Numerous changes in both firms' operating structure and investment manner have occurred, and the alliance has been very successful. The arrangement is a very good match of corporate cultures and operating structure.

Alliance C

The business relationship in Alliance C goes back many years, and the principal senior parties involved in the alliance have done business together for over ten years. Alliance C has been in existence approximately four years. On a regional basis, each firm plays an important strategic and operational role in the other's business. Manufacturer C, which is a large United States consumer packaged food product manufacturer, is an operating division of a global

conglomerate involved in a number of consumer product sectors. The firm is considered one of the most logistically sophisticated businesses in North America. Service Supplier C is a regional third party warehouse service supplier that relies upon an extensive, longstanding network of regional business contacts, highly experienced management and a reputation for quality service to compete against national service suppliers. In recent years, the firm has differentiated itself through the design and development of logistics information systems and software. Both firms' key senior executives are highly visible, dynamic personalities who have adopted an integrated supply chain vision and translated it into a competitive mission. Personnel in both firms clearly recognize and respect the two executives as the driving force behind the alliance. Both firms are extremely innovative and rely upon a unique combination of comprehensive planning and measurement skills, technology and personal relationships.

Strategically, the alliance was based on Manufacturer C's desire to provide value-added customer service by delivering product at lowest landed cost. Operationally, the opportunity existed to accomplish those objectives by increasing consolidation without sacrificing on-time delivery. Service Supplier C envisioned the opportunity to jointly operationalize a supply chain vision, and concurrently grow its business and further secure a place in the increasingly competitive third party marketplace. The alliance was truly

both a conceptual and operational agreement.

The alliance was an outgrowth of a long-standing historical business relationship based upon performance and personal trust. The alliance has been very successful.

RESULTS - RESEARCH QUESTIONS

This section applies the participant responses to the research questions for each General Alliance Model component. References to a specific alliance will hereafter be identified as Alliance A, Alliance B and Alliance C. Similarly, individual manufacturer and service supplier firms will be identified as Manufacturer A, Manufacturer B, Manufacturer C, Service Supplier A, Service Supplier B and Service Supplier C. Results attributed to a specific firm represent a consensus (e.g., a majority) of the key informants interviewed for that firm; in situations where a consensus was clearly not evident, the appropriate differences will be noted. As noted in Chapter Three, key informants represented the Senior Executive, Middle Management and Operational (Day-To-Day) Levels of each firm. When an individual (e.g., a single key informant) comment or opinion within a firm is referenced, the term "executive," "middle manager" or "manager" will be used to represent each of the aforementioned levels. Key contacts were represented by individuals at all three levels; given that the titles and roles of key contacts are highly firm-specific, identification of key contact role is not defined. In addition to the case study results, occasional reference

will be made to results of the support questionnaire administered to the interview participants. The questionnaires (20 completed out of 23 requested) provide additional insight into, and validation of, participant perspectives regarding alliance practice. Discussion of results will begin with the Process Component, and is followed by the Strategic Component and then the Operational Component.

GENERAL ALLIANCE MODEL COMPONENT REVIEW

In order to structure the presentation and discussion of results, the following format will be utilized to identify each research question. Each model component will be abbreviated as: Process Component (PC), Strategic Component (SC) and Operational Component (OC). Relevant research questions for each component will be numbered sequentially following the appropriate abbreviation (PC - Q1, PC - Q2, etc.). Each component is discussed.

PROCESS COMPONENT

The Process Component outlines the stages of alliance development that detail the formation, implementation and maintenance of an alliance. This section reviews the relevant questions and documents the responses regarding the Process Component's research questions.

PC - Q1: What stages do logistics alliances between manufacturers and service suppliers progress through?

The General Alliance Model introduced in Chapter Two suggests that five stages exist in the Process Component: Need

Awareness, Search, Selection/Decision, Implementation and Administration and Assessment. The presence of each stage is examined.

Need Awareness Stage

In Need Awareness, firms seek to decrease environmental uncertainty by identification and recognition of a problem(s). However, firms must also visualize that an opportunity exists to improve the problem(s).

A Need Awareness stage was evident for all firms (see Table 4.1). Although each manufacturer had different strategic and operational problems that led to the formation of its respective alliance, the need to reduce cost, improve customer service and increase profitability were common to all manufacturers. These needs were driven by specific hopes to achieve or sustain competitive advantage. Manufacturer A wanted to improve its reliability, customer responsiveness and leverage corporate volume by redesigning transportation processes. Manufacturer B's high private warehousing costs threatened its historical competitive advantage of shipping direct to customers from the production line. Manufacturer C wanted to utilize "true" consolidation programs (e.g., go beyond geographic and weight-based consolidation and develop shared manufacturer loads) to provide value-added customer service within the requirements of on-time delivery at lowest landed cost.

Service suppliers' primary needs focused on business growth, future market positioning and increased profitability.

Table 4.1
Need Awareness Stage Drivers

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Reduce Carrier Base • Improve Transportation-Product Supply Coordination • Reduce Rising Customer Costs • Improve Service	• Improve Warehouse and Distribution Labor Productivity • Improve Space Utilization • Maintain Product Supply Flexibility • Profitability	• Achieve Consolidation Benefits • Increased Customer Demands • Build Support for Supply-Chain Initiatives • Profitability
Service Supplier Perspective	• Manage Operational Variability • Discover Mutual Operational Benefits • Increase Market Share • Key Account Growth • Develop Close Ties with Key Manufacturers • Satisfy Manufacturer's Customers • Profitability	• Discover Mutual Operational Benefits • Increase Market Share • Key Account Growth • Develop Close Ties with Key Manufacturers • Satisfy Manufacturer's Customers • Provide Value-Added Services • Profitability	• Discover Mutual Operational Benefits • Increase Market Share • Key Account Growth • Develop Close Ties with Key Manufacturers • Satisfy Manufacturer's Customers • Provide Value-Added Services • Compete with National Service Suppliers • Profitability

In addition, the desire to align with the industry's most reputable manufacturers and the subsequent prestige acquired from that association was expected to establish credibility and help market services to other industries. Finally, service suppliers recognized that marketplace conditions and industry initiatives (e.g., ECR) were driving them to change historical business practice and be creative in order to

survive.

In the support questionnaire, interview participants were asked to rate the relative importance of a number of motivations for establishing the key alliance in question. Results confirm the case study observations discussed above (see Table 4.2).

Search Stage

In the Search stage, firms commit resources to gather information regarding clarification of problems, opportunities, and benefits as well as potential alliance partners. Second, a formal process of searching and formal evaluative criteria are developed. Third, alliance initiation may be unilateral or bilateral.

All firms possessed and utilized financial and strategic

Table 4.2
Key Alliance Motivations

Alliance Motivation (N = 20)	Importance
Increased customer satisfaction	4.75
Improved quality	4.45
Competitive Advantage	4.31
Access to technology	4.05
Cost reduction	4.00
Improved profitability	3.85
Supply stability	3.84
Domestic market access	3.57
Exploiting core competency	3.55
Risk avoidance/sharing	3.50
Demand stability	3.40
Capacity Constraints	3.31
Leadtime improvement	3.26
Inventory reduction	2.89
Leveraging capital	2.85
The other party initiated it	2.22
Global market access	2.05

Scale: 1 = Not Important; 5 = Extremely Important

reporting techniques to address problems and identify opportunities and benefits. No firms described a formal process of problem clarification. Similarly, no manufacturers or service suppliers utilized a formal process to gather partner information.

Manufacturers were divided concerning a formal alliance partner search process (see Table 4.3). Manufacturers A and C utilized a formal process, Manufacturer B did not. Manufacturers B and C observed that such a process would require some customization.

Table 4.3
Nature Of The Search Process

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Formal, Standard Search and Management Process • Well Established Procedures and Guidelines	• No Formal Process • Perceptions of What Appeared to be Best for Both Parties	• Formal Process of Bid Solicitation by Mail to Gauge Partner Philosophy and Service Strategy
Service Supplier Perspective	• Formal, Standard Process	• No Formal Process	• Formal, Tailored Process

Service Suppliers A and C utilized a formal qualifying search process; Service Supplier B did not. All service suppliers observed that the search process (whether hypothetical or real) should be tailored rather than standardized. For example, a Service Supplier B executive suggested that a formal process might be useful as a starting

point and that such a process would likely focus more on what shouldn't be done rather than what should be done. However, the executive also noted that the process would depend on the customer's culture, expectations and who they sell to -- and that the process must be tailored. In general, the majority of firms utilize some type of formal search process, and believe the process should be tailored or customized.

Evaluative criteria for partner identification were somewhat specific to the goals of each alliance (see Table 4.4). However, all manufacturers were looking for service suppliers with a common business vision.

In general, service suppliers' evaluative criteria were dependent on the manufacturer's corporate culture (e.g., its mission), strategy and expectations. However, Service

Table 4.4
Search Stage Evaluative Criteria

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Financial Make-up • Growth Potential	• Source of Labor Pool (Union or Non-Union) • Number and Type of Managers to Be Committed • Systems Support Capability	• Warehouse Management Systems Execution and Integration Capability with Transportation Provision • Preference for Regional Firm
Service Supplier Perspective	• Manufacturer Corporate Culture, Strategy and Expectations	• Manufacturer Corporate Culture, Strategy and Expectations	• Manufacturer Corporate Culture, Strategy and Expectations

Supplier A emphasized that firms "in the need" do not make good partners. In its words, "desirable firms are interdependent not dependent, because dependence typically leads to exploitation."

All the alliances were initiated by manufacturers. Thus the suggested bilateral nature of alliance initiation described in Chapter Two did not exist.

In summary, alliances do appear to pass through a Search stage. However, a formal process of gathering information and clarification of problems, opportunities and benefits was not highly evident. Evaluative criteria are utilized in a relatively formalized but more importantly, customized search process. Manufacturers (e.g., customers) initiate the alliance search process rather than service suppliers (e.g., the selling firm).

Selection/Decision Stage

The agreement process, or how a partner was chosen, varied across firms (see Table 4.5) based upon the manner of the Search stage described previously. The common element of the agreement process was a determination of matching vision, culture or "fit" -- whether it was based upon formal qualifying meetings with management from potential service supplier firms (Alliance A), general management perceptions (Alliance B) or "long-term common business vision" (Alliance C). In general, the narrowing process of final partner selection appeared to be an extension of the broader, previous Search stage. In other words, organizational strategy and

vision remain consistent.

Table 4.5
Selection/Decision Stage Procedures

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Open Forum Meetings with Potential Partners • Core Training Teams Established	• Prior Evaluative Criteria • Perceptions of Partner "Fit"	• Long-Term, Common Business Vision • Bid Solicitation Information
Service Supplier Perspective	• Trust • Common Culture • Common Beliefs • No "Perfect Fit" Exists	• Formal Proposal (If New Partner) • Informal Meetings (If Existing Partner) • Follow-up Meetings	• Common Business Vision

Next, assessment of partner strengths and weaknesses were evaluated relative to the firm's spectrum of business acquaintances, the development and evolution of the relationship over time, and whether the partner's financial outlook was long-term or short-term (see Table 4.6). Manufacturers focused on (potential) partner functional performance and expertise, as well as perceptions of cultural compatibility. Service suppliers tended to focus on a manufacturer's reputation, expertise (e.g., systems approach) and business vision, as well as personal or intuitive judgements to a greater degree than did manufacturers.

Partner selection was almost exclusively a unilateral manufacturer decision. Only Service Supplier A described

partner selection as a bilateral process. Since the manufacturer was the customer in these relationships, this explanation would appear logical and consistent with the results previously discussed in the Search stage.

Table 4.6
Nature Of Partner Strengths And Weaknesses

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Quality Culture • Operational Expertise • Core Carrier Process	• Personnel with Well-Rounded Background • Operational Expertise	• Mindset • Sense of Urgency • Values • Operational Expertise • Technological Capability • Software Development
Service Supplier Perspective	• Shipper Expertise •Personal Intuition and Judgement • Financial Perspective (Long or Short Term)	• Reputation • Shipper Expertise • Culture and Values	• Vision • Shipper Expertise • Reputation

In summary, Selection/Decision was a consistent extension of firms' organizational procedures of Search. Partner selection primarily involved a match or exchange of expertise and culture, although manufacturers tended to emphasize performance characteristics while service suppliers tended to include more "soft" or human considerations in addition to performance qualifications. Selection/Decision was manufacturer generated.

Implementation/Administration Stage

In the Implementation/Administration stage, the alliance is "operationalized" and administered on an ongoing basis. Alliance operating structure (e.g., the conduct of business modification) concerns the (1) exchange of operational, strategic, technical and social information; (2) procedural changes in planning and operations due to the alliance; and (3) human and physical investments necessary to implement and maintain the alliance. The first two activities are addressed on an individual alliance basis and then summarized; the final activity is examined on a general basis.

The first activity, the exchange of operational, strategic, technical and social information, can generally be described as either formal, flexible or both. The three alliances cover the spectrum of alternatives (see Table 4.7). Each alternative is briefly discussed.

Alliance A was described by both firms as a formal exchange process. The early phases of the alliance were characterized by frequent, regularly scheduled meetings -- today, the majority of meetings take place on an "as needed" basis and are more irregular but still quite frequent. However, regularly scheduled meetings occur quarterly (at both company sites), semi-annually (at Manufacturer A's plants) and yearly (at Manufacturer A's corporate headquarters). Service Supplier A's customer service representatives visit the manufacturer plants as often as possible and occasionally visit Manufacturer A's corporate headquarters. Service

Supplier A's key account managers make regular plant visits. Total Quality Core Training Teams composed of five individuals per firm from all organizational levels were selected and developed to lead the implementation process.

Alliance B was described as being run with a "formal but flexible agenda." The exchange process was described by both firms as open, honest, straightforward and relationship-driven. Several key partner contacts are located on a common

Table 4.7
Implementation/Administration Stage Exchange Process

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Formal Process • Frequent, As Needed Meetings • Regularly Scheduled Quarterly, Semi-Annual and Yearly Meetings • Personal Relationships • Corporate Visits • Core Training Teams	• Formal but Flexible Process • Frequent, As Needed Meetings • Level-wise Contact • Daily, Monthly and Quarterly Meetings • Joint Teams	• Informal Process • Intense Operational Communication • Very Close Personal Relationships • Level-wise Contact • Phone Contact • Irregular Meetings • Quarterly Business Reviews
Service Supplier Perspective	• Formal Process • Frequent, As Needed Meetings • Regularly Scheduled Quarterly, Semi-Annual and Yearly Meetings • Personal Relationships • Corporate Visits • Plant Visits • Teams	• Formal but Flexible Process • Frequent, As Needed Meetings • Level-wise Contact • Daily, Monthly and Quarterly Meetings • Joint Teams	• Informal Process • Intense Operational Communication • Very Close Personal Relationships • Level-wise Contact • Phone Contact • Irregular Meetings • Quarterly Business Reviews

site (the warehouse complex) and thus considerable information is exchanged by individuals walking across a hallway. Additional meetings take place at both Manufacturer B and Service Supplier B's local headquarters (within a few miles of the warehouse complex). Regularly scheduled daily meetings occur at the common site and involve multiple levels of both firms' personnel and discussion of routine operational issues (e.g., daily and weekly production schedules, order schedules and forecasts).

The nature of the exchange process in Alliance C was much more informal than the other two alliances. Manufacturer C's customer service analysts are centralized in a different geographic location of the country than corporate headquarters (approximately a two hour drive from Service Supplier C's warehouse facilities). Manufacturer C's dedicated account analysts typically speak by telephone to Service Supplier C's warehouse personnel approximately 25 times per day. Analysts have specific contact personnel to ask for in order to resolve problems. Middle management (operational and strategic) communication between corporate headquarters occurs daily. Senior level contacts communicate by phone on a weekly basis; informal meetings occur every two to three months, although the time span is occasionally longer.

In general, the exchange process in each alliance depended upon numerous "as needed" meetings. Monthly meetings dealt with operational and strategic issues such as problems, suggested procedural changes and solutions, industry issues

and forecasts. Quarterly meetings were typically formal business reviews composed of senior executives (although multiple levels of personnel may have been present) where long-term changes and goals were discussed. At this level, the meeting agenda was very open to change. Alliance contact occurred on a level-wise basis (e.g., manager, middle manager, senior executive). Alliance contacts felt free to ask for input and/or assistance from their partner. Performance objectives and results, potential improvements and future plans and goals were shared broadly and openly.

The second activity of alliance operating structure concerns procedural changes in planning and operations. These procedural changes in planning and operations were addressed in a variety of ways (see Table 4.8).

In Alliance A, Manufacturer A's three-step program was designed to: (1) understand its partner's purpose; (2) understand its partner's principles; and (3) jointly analyze mutual business processes to implement system change. Service Supplier A's preference for detailed "action steps" and follow-up reviews were also utilized.

In Alliance B, planning and operational changes focused on materials control and customer service issues to manage production surge, offsite finished goods inventory and "in and out" product movement between the warehouses and offsite overflow buildings. As the alliance strengthened over time, Manufacturer B eventually transferred the control and volume of its two "surge" facilities in a nearby state to Service

Table 4.8
Implementation/Administration Stage Procedural Changes

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Operate on a Long-Term, Total System Efficiency Basis • Action Steps to Resolve Problems • Increased Attention to Logistics • Share Planning Information	• Integrated Teams • Joint Planning Processes • Long-Term Planning Perspective • Share Planning Information	• Sophisticated Information Tracking System • Joint Planning Processes • Joint Evaluation and Performance Measurement Processes • Integrated Teams
Service Supplier Perspective	• Improved Quality and Performance Measurement Procedures • More Rapid Systems Improvements	• Integrated Teams • Joint Planning Processes • Long-Term Planning Perspective • Share Planning Information	• Sophisticated Information Tracking System • Defined Work Force Requirements and Measurement Standards • Integrated Teams • Software Development

Supplier B which allowed integrated management of all the regional facilities. Service Supplier B's actions also changed. For example, it no longer billed or penalized Manufacturer B for small errors or small extra services (e.g., faster unloading of freight), figuring that such changes would eventually translate into a significant increase in regional business share (which it did). Service Supplier B also broke a historical tradition by investing in buildings and systems although there were only a series of one-year agreements in place with regard to the on-site warehouses.

Planning and operational changes occurred on a large

scale and often very rapidly in Alliance C. Manufacturer C's information systems support transformed Service Supplier C into a part of the planning process, as well as supporting a joint evaluation and performance measurement process. Manufacturer C also encouraged Service Supplier C's development of logistics systems and software for both the alliance and other business accounts. These systems changes increased the technological expertise and responsibilities of Service Supplier C, and created a greater need for a team-based approach that relied upon highly integrated direction and cooperation.

In general, procedural changes in planning and operational practices focused on easier and faster exchange of information (both informally and via new systems and technologies), joint planning, integrated teams, quality and performance measurement improvements and a transition to a long-term, strategic supply chain perspective.

The third activity of alliance operating structure concerns human and physical investments necessary to implement and maintain the alliance. These investments focused primarily on systems improvement and development, and time and training, although they varied in emphasis across alliances (see Table 4.9).

All firms strongly emphasized time and training costs, particularly with respect to the identification and development of key contact personnel who manage the alliance on a daily basis. Additionally, site visits (e.g., plants,

distribution centers or warehouses, customer locations) encouraged key contacts' understanding of partner procedures, roles and responsibilities; generated valuable suggestions for testing; and enabled operational and personal relationships to develop and mature.

Investments in systems changes (e.g., information, warehouse management) and information technology were

Table 4.9
Implementation/Administration Stage Resource Investments

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Move and Centralize Logistics Headquarters • Time • Training	• Systems • Time • Education • Customer Site Visits	• Systems • Information Technology • Time • Training
Service Supplier Perspective	• Systems • Time • Training • Plant Visits	• Systems • Technology • Time • Plant Visits	• Refrigerated Motor Carrier • Time • Training • Systems and Software Development

critical, and common to, all alliances. Manufacturers B and C made investments in hardware and information systems hookups; Manufacturer B also invested in radio frequency (RF)equipment for warehouse facilities. Service suppliers either improved existing capabilities (e.g., more sophisticated or superior EDI applications) and/or made investments in information systems. Alliance B contained jointly shared systems changes, although both parties acknowledged that Service Supplier B provided the majority of

the funds. Service supplier executives remarked that oftentimes basic systems and/or technologies were in place, but their firms were pushed by the manufacturers to speed up improvements. Questionnaire results reveal that service suppliers indeed made the majority of the Implementation/Administration investments in technology and training, and the operational adjustments in policies and practices (see Table 4.10).

In summary, the Implementation/Administration stage suggested by the General Alliance Model was readily visible.

Table 4.10
Implementation/Administration Stage Adjustments

Question	Manu-facturer (N = 9)	Service Supplier (N = 11)
My firm has made significant investments in assets (e.g., systems, facilities, equipment, information technology) dedicated to the relationship with this alliance partner.*	3.33	4.54
The alliance partner has some unusual norms and expectations of the technology used in this relationship which required adaptation by my organization.*	2.00	3.73
Training and qualifying this alliance partner has involved substantial commitments of my firm's time and money.*	3.11	4.18
My operations have been tailored to the constraints established by the alliance partner's operations.*	2.33	3.82
The partner firm has influenced my firm to change its policies and practices with respect to logistics/distribution.*	2.88	4.09

*Significant difference (alpha = .05) between manufacturers and service suppliers

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

The process of exchanging operational, strategic, technical and social information was carried out in a formal and/or informal fashion, at multiple organizational levels and through regular and irregular meetings. Procedural changes in planning and operational practices improved efficiency and effectiveness through formal and informal information exchange, joint planning, integrated team development and a transition to a long-term supply chain perspective. Finally, investments in physical and human resources were discussed and committed. Physical resource investments were both alliance and firm-specific, but human resource investments in terms of time, training and site visits were mandatory for successful alliance implementation and administration.

Assessment Stage

Assessment provides two related functions. First, it gauges the future viability of the alliance -- should it be sustained, modified or terminated? Second, if modification is required, the feedback mechanism to the Implementation/Administration stage illustrates how the alliance can continuously improve.

Assessment was conducted in each alliance through meetings and regular mutual performance reviews (see Table 4.11). In general, the alliances utilized formal performance reviews (usually quarterly) of strategic and operational issues. Quarterly reviews followed joint planning objectives and goals from the prior review period. These reviews were supplemented by regular and irregular meetings and regular

monthly reports at the corporate and plant level (e.g., on-time buyer and on-time receiver measures). Meetings often went beyond obvious report functions and involved creativity and problem-solving. All firms acknowledged the constructive, professional atmosphere and fair manner of assessment. Alliance B's quarterly reviews also included periodic negotiation of rate issues, building leases, etc. Alliances A and C did not include rate negotiation in performance review meetings.

Table 4.11
Assessment Stage Measurement Criteria

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Regular and Irregular Meetings • Performance Reviews	• Daily, Monthly and Quarterly Meetings • Mutual, Formal Performance Reviews • Good Managers	• Cooperation • Formal Performance Reviews • Monthly Performance reports • Written Procedures for Problem Resolution
Service Supplier Perspective	•Regular and Irregular Meetings • Performance Reviews • Regular Reports at Plant and Corporate Level	• Daily, Monthly and Quarterly Meetings • Mutual, Formal Performance Reviews • Open Communication • No Surprises	• Cooperation • Formal Performance Reviews • Monthly Performance Reports • Manufacturer Customer Site Visits

Although each alliance was considered successful, partners continuously sought improvement, e.g., modification (see Table 4.12). Operational modifications were based upon

open communication and interaction, and assisted by (joint) site visits. Exception reports with timely feedback and prompt problem resolution were typically utilized. Joint planned change or action steps were then put in place.

Strategic modification occurred continuously based on information exchange of changes in business processes (e.g., cost increases), proposed rate alterations and subsequent negotiations and agreements. Such strategic modifications were carried out between contacts at the executive level. Continuous modification, in general, was characterized in each alliance by two key elements. First, partners expected

Table 4.12
Assessment Stage Modification Criteria

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Understand Business Processes • Make Systemic Changes • Adjust Performance Measures	• Add Goals Throughout the Year • Communication • Future Planning • Rate Adjustments • Joint Site Visits • Expect Improvement	• Negotiation of Rate Assessment (Annually) • Informal, Open Communication of Problems • Expect Improvement
Service Supplier Perspective	• Communication • Cooperation • Plant Visits • Action Steps • Timely Feedback • Exception Reporting • Creative Problem Solving • Proactive • Expect Improvement	• Communication of Costs and Rates • Vision to Improve • Contract Structure • Jointly Planned Change • Take the Initiative • Periodic Rate Negotiation	• Communication at Multiple Organizational Levels • Common Sense of Seriousness and Customer Importance • Improvement Comes With Knowledge of Role

improvement to occur. Second, they expected such improvement to be generated in a proactive, self-initiated manner.

In summary, the Assessment stage occurred as suggested in the General Alliance Model. Alliance measurement occurred on a comprehensive, continuous basis with emphasis on functional measures of performance (e.g., per cwt. cost, on-time delivery). Subsequent modifications occurred based on report feedback, suggested problem resolutions, adjustment of performance measures and revised strategic intent.

Conclusion -- PC - Q1

The General Alliance Model suggests five stages exist with respect to alliance creation, implementation and maintenance. Case study results provide initial support for this perspective. Firms clearly recognize a Need Awareness stage of problem existence and opportunity clarification. The Search stage also is evident, although its comprehensiveness and effectiveness may be reduced by prior business relationships which cause (and allow) firms to build alliances based on "known commodities." The Selection/Decision stage, which appears to be a consistent extension of an organization's strategy and vision, is similarly evident and potentially constrained by prior business relationships. Thus the choice to wisely select a partner becomes critical. Finally, the Implementation/Administration and Assessment stages are clearly recognizable and essential to alliance success. The importance of these latter stages appear to be better understood by firms and to receive more attention than

the prior stages of the suggested General Alliance Model.

PC - Q2: What are the characteristics, facilitators and constraints of the logistics alliance process?

The General Alliance Model introduced in Chapter Two suggested that facilitators and constraints exist for each of the first four stages: Need Awareness, Search, Selection/Decision and Implementation/Administration. The presence of such facilitators and constraints in each stage is examined.

For the sake of brevity and space, all tables for research question two are phrased in a manner to consider only facilitating factors -- it is assumed that the lack of such a factor would constrain the alliance process.

Need Awareness Stage

The desire to reduce environmental uncertainty and the vision to see the potential for improvement was facilitated by a number of factors (see Table 4.13). At a channel level, manufacturer willingness was facilitated by increased competitiveness in the marketplace and the fact that they were caught between increasing customer service demands on one hand and internal cost-consciousness on the other hand. Service supplier willingness was facilitated by the need to remain a viable force in the rapidly changing and consolidation-driven marketplace.

On a broad level, motivation to maintain or increase profit and/or market share facilitated the willingness to engage in alliances for all channel members. Another

Table 4.13
Need Awareness Stage Facilitators And Constraints

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Quality Initiatives • Supply Chain Perspective • Opportunity • Vision	• Understand Market Trends • Opportunity • Clear Target • Maintain Profitability	• Common Mind-Set • Profit Motive • Position in Supply Chain • Vision • Willingness to Experiment • Exchange of Ideas
Service Supplier Perspective	• Firm Size • Quality Initiatives • Supply Chain Perspective • Understanding of Resource Limitations • Vision	• Understand Market and Potential Partner Needs • Desire Growth • Understanding of Resource Limitations	• Supply Chain Perspective • Vision • Willingness to Experiment • Exchange of Ideas • Maintain Position

facilitator was a supply chain perspective designed to remove root causes of waste and inefficiency. Such a perspective was clearly communicated and generally embraced throughout each organization. The entrepreneurial vision of several firms' top executives and a willingness to experiment also significantly facilitated the initial interest in alliances.

Search Stage

There are three primary facilitators of the Search stage (see Table 4.14). First, a firm must clearly understand its expectations and objectives. For example, Manufacturer A's National Transportation Policy Statement and core carrier program defined its strategic and operational alliance goals and suggested attainable business opportunities.

Second, a firm's executives and managers must speak

frankly, share information and discuss exactly what both parties' motivations, needs and capabilities are. For example, Manufacturer A's formal search procedures and qualifying process established both general and specific financial and quality standards for partner qualification, and also provided an intuitive assessment of potential service suppliers' corporate culture.

Third, a firm must gain a mutual, comprehensive understanding of the potential partner's business. Partners in Alliance B suggested that such understanding includes not

Table 4.14
Search Stage Facilitators And Constraints

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Understand Potential Partner Business • Understand Potential Partner Principles	• Understand Potential Partner Business • Clear Expectations and Objectives • Share Information • Honesty	• Prior History and Relationships • Standard Process (If Possible) • Understanding Mutual Needs
Service Supplier Perspective	• Share Information • Speak Frankly • Antitrust Issues • Understanding of Resource Limitations	• Understand Potential Partner Business • Understand Mutual Needs	• Share Information • Frank Discussion • Interaction

just financial numbers, but yearly business needs (e.g., expectations, objectives, systems), market trends and key drivers of the business. Also, the understanding should include how the prospective partners compare with alternative

firms. Failure to accomplish such understanding will result in wasted time and resources. For example, the understanding is particularly necessary for a service supplier to customize a process or vision and add value to a manufacturer's business.

Two additional facilitating or constraining factors require mention in the Search stage. First, consistent with the Need Awareness stage and depending upon firm size and channel position, it must be acknowledged that human (e.g., available time) and/or financial resources may allow alliances to occur with only a limited number of firms. In the interviews, service suppliers particularly noted the nature of this constraint. In the questionnaires, manufacturers more strongly emphasized that a firm could be effectively involved in only a limited number of logistics alliances (manufacturers' (N = 9) mean response was 3.77; service suppliers' (N = 11) mean response was 2.81; results were not significant at the .05 level). Second, anti-trust considerations may also come into play -- a factor that is general to all firms.

In summary, the Search stage (whether formal or informal), was primarily facilitated by a clear understanding of (one's own) expectations and objectives; frank information exchange and discussion of both parties' motivations, needs and capabilities; and a mutual, comprehensive understanding of the potential partner's business.

Selection/Decision Stage

There were four key facilitators and constraints of Selection/Decision (see Table 4.15). The primary facilitator was a matching (or highly complementary) corporate culture, vision and/or systems perspective. For example, Manufacturer A observed that a culture clash might occur if a potential partner failed to understand its quality requirements and measurement procedures for internal and/or customer service processes. The second facilitator was a willingness to share and understand partner objectives and goals, and the ability to plan how to achieve them. The third facilitator was a willingness to share, measure and track required performance. The fourth facilitator concerned forthright discussion of necessary human resource investment (e.g., time to train personnel and develop multi-level operational and personal relationships, dedicated team personnel, site visits) and physical resource investment (e.g., systems, technology, facilities, equipment).

In addition to these four facilitators and constraints, the Selection/Decision stage was impacted by the nature of the alliance commitment (e.g., the role and importance of a formal contractual agreement). All the alliances utilized formal contracts with exit provisions; the length varied (yearly evergreen for Alliance A; five years for Alliance B; three years for Alliance C). Differences existed with respect to content and participant viewpoint of its importance. Each point is briefly discussed.

Table 4.15
Selection/Decision Stage Facilitators And Constraints

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Business Size and Complexity • Compatible Goals and Objectives • Focus on Common Issues Rather Than Individual Positions • Exclusion of Price at Senior Executive Level Discussions • Agreement to Share, Measure and Track Performance • Culture Match • Potential Human Resource Investments	• Complementary Organizational Cultures • Willingness to Share and Understand Goals and Objectives • Mutual Planning • Information Exchange • Individuals' Synergies • Shared Vision • Potential Human and Physical Resource Investments	• Common Perspective of Industry Trends • Culture Match • Understand and Measure Objectives, Cost-Benefit Tradeoffs, Required Performance and Training Issues • Partner's Historical "Track Record" • Common Vision, Goals and Systems Perspective • Potential Human and Physical Resource Investments
Service Supplier Perspective	• Compatible Goals and Objectives • Achievable Mutual Benefits • Culture Match • Common Vision • Similar Business Volume, Complexity and Resource Base • Potential Human and Physical Resource Investments	• Complementary Organizational Cultures • Individuals With Technical Knowledge and Interpersonal Skills • Planning Skills • Potential Human and Physical Resource Investments	• Common Perspective of Industry Trends • Culture Match • Information Exchange • Common Vision, Goals and Systems Perspective • Common Operational Planning and Performance Measurement Standards • Potential Human and Physical Resource Investments

First, and generally speaking, the role of a contract was administrative rather than strategic in nature. In Alliance A, a standard legal contract was utilized primarily to satisfy ICC regulations (i.e., tariff filing requirements were eliminated). Alliance C was similar: a standard contract was utilized to detail responsibilities; a customized addendum existed to detail rates. In Alliance B the contract performed a similar administrative role as well as the critical function of detailing the operating agreement (discussed below).

Second, considerable differences existed among firms with regard to contract importance. In Alliance A, the important point was that the rates were subject to formal review and adjustment every two to three years outside the contract process, although an informal process was also possible. In Service Supplier A's view: "the contract is cosmetic, an unimportant piece of paper -- our firm has 'moral contracts' which rely on our people, technology and performance." Manufacturer C also agreed that a formal contract had minimal importance.

In contrast, in Alliance B, the contract detailed the operating agreement by defining systems responsibility, operational performance tasks (e.g., product receipt and storage, orders to ship) and annual rate review procedures. Manufacturer B believed the contract was extremely important because it protected both parties, clearly defined the critical volume issue of per cwt. rate, provided a comfort level for future investments (especially information

technology) and set a reference point for rate alterations. Service Supplier C also believed a contract was important because it allowed specification regarding return on investment, asset management and day-to-day activities; however, Service Supplier C's executives observed that they don't worry about their contract.

In general, the nature of the commitment to ally was fairly similar. Each alliance utilized a formal contract which played a largely administrative function. Manufacturers appeared to assign less importance to the contract and service suppliers appeared to assign more importance to it.

In summary, the Selection/Decision stage facilitators and constraints were remarkably consistent. First, partner selection was facilitated by matching, or highly complementary, corporate cultures, visions and systems perspectives. Second, the willingness to share and understand partner goals and objectives was important, as were individual and mutual planning skills. Third, the willingness to share, measure and track required performance was also considered beneficial to wise partner selection. Fourth, all the alliances clearly identified potential human and physical resource investments which would critically facilitate successful alliance implementation. Finally, the nature of the commitment to ally revealed that formal legal contracts were utilized as administrative more than strategic tools; in only one of the alliances was the contract considered of considerable importance.

Implementation/Administration Stage

Implementation/Administration facilitators and constraints (see Table 4.16) can be categorized into five areas: compatible and/or complementary organizational cultures exemplified by senior executive leadership; empowered individuals and teams; planning; social characteristics such as mutual trust and faith; and actual investments in human and physical resources. Each is discussed briefly.

First, compatible and complementary organizational cultures and goals (identified in the Selection/Decision stage) exemplified by senior executive leadership facilitated Implementation/Administration. For example, Service Supplier A noted that top-level management support and buyoff were critical to alliance implementation. Similarly, in Alliance C, many individuals observed the forward-thinking vision of each firm's leadership. In particular, middle management noted the impact of senior level executives' synonymous perspectives regarding current and future industry trends, and goals which could increase productivity and reduce costs.

Second, procedural changes in functional performance were identified and carried out by empowered key contact personnel and teams. Service Supplier A emphasized the importance of operational empowerment with regard to successful implementation and administration. In Alliance B, both firms noted that procedural changes were facilitated by empowered key contacts with similar goals and objectives and the good interpersonal skills to operationalize them.

Table 4.16
Implementation/Administration Stage
Facilitators And Constraints

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Compatible Cultures • Trust • Honesty • Time (Personal Relationships, Training) • Team Development • Site Visits	• Key Contacts with Similar Personal Goals and Objectives • Take Out Politics and Instill Faith • Confidence Which Comes With Time • Fiscally Prudent Partner • Partner with Operational and Systems Sophistication • Time (Training) • Site Visits • Systems and Facilities Investment	• Visionary Leadership • Personal Relationships • Carefully Documented Action Plan with Regular Communication and On-Site Presence • Knowledgeable Service Supplier Personnel • Mutual Trust, Honesty and Commitment • Experience • Time (Training) • Site Visits • Travel Expenses • Systems Investments
Service Supplier Perspective	• Compatible Cultures • Trust • Honesty • Alliance Maturity • Operational Empowerment • Top-Level Management Support • Time (Personal and Multi-Level Operational Relationships, Training) • Team Development • Site Visits • Personnel and Systems Investments	• Key Contacts with Good Interpersonal Skills • Patience • Understanding • Honesty • Time (Personal Relationships, Training) • Site Visits • Warehouse Facility and Material Handling Equipment Investments • Joint Systems Development • Atypical Building Investments	• Visionary Leadership • Personal Relationships • Knowledgeable Service Supplier Personnel • Mutual Trust, Honesty and Commitment • Systems Investment • Software Development • Time (Personal Relationships, Training) • Site Visits • Technology Investments

Third, the ability to develop and execute plans to achieve procedural improvements was also critical. For example, Manufacturer C emphasized that its carefully documented action plan supported by regular communication and on-site presence were key facilitators in its alliance. Alliance A also utilized carefully documented planning and "action steps" (e.g., planned activities with follow-up at 30 days, 60 days, etc.) which were the hallmark of Service Supplier A.

Fourth, social characteristics such as mutual trust, commitment, faith, patience, understanding and honesty strongly facilitated successful alliance implementation and, in particular, administration. This factor, an outgrowth of the prior three facilitators, was critical to the development of operational relationships and strong, personal relationships that characterized the alliances. For example, in Alliance C, considerable mutual trust and commitment had been created due to historically consistent operational performance. In the words of a Service Supplier C executive, "It's not so much that you have these responsibilities and we have these responsibilities, but it's more of a united front type of arrangement." In Alliance B, both firms observed that key contacts had the ability to patiently "seek the pace of the relationship" rather than aggressively rush or force it into commitments before a solid foundation of operational performance, mutual understanding, faith and trust had been instilled. An executive in Manufacturer B described the

concept as "confidence which comes with time -- one has to get to know their counterparts well and read what they say before confidence develops." All firms mentioned that the presence of honesty had the ability to facilitate or constrain alliance implementation and administration. For example, in Alliance A, numerous individuals from Manufacturer A discussed their disappointment and anger with the way Service Supplier A had recently handled a proposed rate increase. The proposal, which followed an agreed-upon request earlier in the year, appeared to have been part of a plan to achieve a large increase in two smaller steps. Manufacturer A observed that such issues would be better addressed in an "honest, upfront" manner if pricing conditions were inadequate. The perceived lack of honesty created a considerable degree of resentment and dismay, and severely constrained Manufacturer A's ability to administer the alliance.

Fifth, all firms noted partners' actual investments of human and physical resources which had been identified and discussed in the Selection/Decision stage. Human resources were invested in terms of time to build multi-level operational and personal relationships, and in cross-training of firms' partner personnel. Physical resources were invested in terms of technology, such as Service Supplier C's investment in leading-edge EDI capability and Manufacturer B's substantial computer hardware and radio-frequency investments. Systems commitments were particularly high in Alliances B and C, where insufficient, or incompatible systems were initially

constraints to alliance implementation. Service Supplier B also invested in buildings, material handling equipment and warehouse racking.

In the support questionnaire, interview participants were asked to rate the relative importance of a number of a number of factors which lead to the success of logistics alliances with service suppliers. Results confirm the case study observations discussed above (see Table 4.17).

Table 4.17
Key Alliance Success Factors

Alliance Success Factors (N = 20)	Importance
Trust	4.70
Clear goals	4.60
Senior management support	4.60
Ability to meet performance expectations	4.50
Consistent goals	4.45
Willingness to be flexible	4.35
Partner compatibility	4.30
Sharing of critical information	4.15
Leadership on our part	4.10
Equivalent human resource commitment	4.00
Compatible information systems	3.95
Accomplishment of original objectives	3.90
Equivalent physical resource commitment	3.65
Lack of individual financial constraints	3.15
Written agreement or contract	2.60

Scale: 1 = Not Important; 5 = Extremely Important

In summary, the Implementation-Administration stage in each alliance was facilitated and constrained by very similar factors. Compatible and complementary organizational cultures and goals were highlighted by senior executive leadership. Identification and operationalization of procedural changes were facilitated by empowered key contacts and integrated teams. The capability to develop, execute and measure

carefully documented plans was critical. Social characteristics such as mutual trust, commitment, faith, patience and understanding developed from the aforementioned facilitators and were critical to the operational friendships and strong personal relationships that assisted the alliances. Finally, actual investments in human and physical resources signaled the willingness of firms to make the alliance a working reality.

Conclusion -- PC - Q2

First, facilitators and constraints were very similar across firms and alliances. Although minor differences in interpretation exist, consistency of influencing factors was clearly evident.

Second, the facilitators and constraints generally evolve throughout the General Alliance Model from broad-based, strategic factors to more specific, operational factors (see Table 4.18).

Third, building upon the prior point, facilitators and constraints increasingly focused on operationalizing a commitment to change management. In these alliances, potential reluctance or fear to initiate and fully commit to the modification of business practice was not evident. For example, incompatible systems were addressed, where applicable. Similarly, actual resource investments, both human and physical, were considered and addressed in a straightforward manner. Firms, particularly service suppliers, acknowledged that the alliance process oftentimes

pushed their organizations to change faster than they would have otherwise.

Table 4.18
Evolution Of Facilitators And Constraints

Model Stage	Nature Of Facilitators And Constraints	Examples Of Facilitators And Constraints
Need Awareness	Strategic	Increased Marketplace Competitiveness; Desire to be a Viable Market Force; Customer Service Demands; Supply Chain Perspective; Vision
Search	Strategic	Understand the Firm's Expectations and Objectives; Understand the Partner's Business; Discuss Motives, Needs and Capabilities
Selection/ Decision	Operational	Share Partner Objectives and Goals; Willingness to Share, Measure and Track Performance; Identify Necessary Resource Investments; Nature of the Commitment (Contract Issues)
Implementation/ Administration	Operational	Executive Leadership; Empowered Teams; Planning Skills; Make Actual Resource Investments

In conclusion, the nature of the facilitators and constraints reflect a development pattern parallel to the five General Alliance Model stages -- they reveal a progression of perspective and activities that encourage and require change.

PC - Q3: What process activities impact managerial decision-making with regard to sustaining, modifying or terminating logistics alliances? How does this impact occur?

The General Alliance Model introduced in Chapter Two suggests that when partners assess alliance success, their decision to sustain, modify or terminate the alliance depends

upon a comparative process which reviews alliance goals, and evaluates perceived effectiveness and joint operational standards. The comparative process of review and evaluation would seem likely to be impacted by a variety of Process Component activities. The presence of such activities is examined next.

As shown in Table 4.19, Assessment was impacted by: (1) demonstration and understanding of clear alliance purpose; (2) clear recognition of economic goals; and (3) performance measurement capability. Each is discussed.

Table 4.19
Important Assessment Stage Impacts

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Consistent Philosophy • Issue of (Low Cost) Price • Rational and Emotional Perspective To Assess Performance	• Long-Term Perspective • Clarity of Target • Recognition of Mutual Desire for Profitability • Open Dialogue	• Visible Leadership • Recognition of Mutual Goals (Profitability, Productivity and Cost Reduction) • Planning and Performance Measurement Capability • Trust
Service Supplier Perspective	• Consistent Values Within the Organization • Clarity and Understanding of Operating Philosophy • Need for Economic Value • Measurement Capability • Communication	• Long-Term Vision • Understand the Alliance Goal: Add Value and Serve the Customer's Customer • Focus on Solutions, Not on Blame • Professional Behavior • Unexercised Power	• Know Your Partner's Business • Recognition of Mutual Goals (Profitability, Productivity and Cost Reduction) • Planning and Performance Measurement Capability • Trust

First, the acknowledgement, understanding and agreement regarding the alliance's purpose is critical. Firms must clearly recognize their role in the alliance. For example, Service Supplier A's senior executives observed that assessment proceeded from "understanding the alliance's operating philosophy." Similarly, individuals must recognize how their role contributes to the firm's performance. Similarly, Service Supplier B executives noted that gauging alliance success requires communicating to their employees that their role was to add value by serving Manufacturer B's customers.

Second, assessment is impacted by the acknowledgement that the alliance must have economic value to both participants. Additionally, there must be equal commitment to achieve each firm's economic goals. Manufacturer C's senior executives emphasized that a key consideration in alliance administration is the achievement of profitability; Manufacturer B and Service Supplier A concurred. An important, but related point, concerns the fact that while there must be recognition that both firms are in the alliance to make a profit, firms must also acknowledge that each party "will be there for the other" when it is necessary (and especially when it is difficult to make such self-sacrifices). In other words, profitability must occasionally be sacrificed in the short-term in order to preserve an alliance's long-term harmony. Profit, of course, is not the only economic goal. Firms also mentioned productivity, cost reduction, pricing,

etc.

Third, the capability to comprehensively measure performance and provide results in a report format that offers timely feedback is essential to assessment. For example, both firms in Alliance C acknowledged that Manufacturer C's operational planning, performance standards and measurement procedures were a critical element of alliance success. As noted by both firms in Alliance B, it is also important that alliance partners address performance problems by focusing on solutions rather than assigning blame. Failure to acknowledge, and most importantly, to honestly communicate why performance is inadequate builds the necessary rapport, cooperation and confidence in the alliance, one's partner and the assessment process itself.

Conclusion -- PC - Q3

Alliance assessment is perhaps the most critical stage in the alliance process, because it represents a point of decision -- do the parties continue the relationship as is, modify their direction or terminate their efforts? In summary, alliance assessment is affected by a variety of factors that may be considered operational or strategic in nature. For example, clear alliance purpose and recognition of economic goals tend to be more strategic. Conversely, performance measurement capability is more operational. This perspective is consistent with the General Alliance Model, which contains both a strategic component (assessment of perceived effectiveness) and an operational component

(adherence to joint operational standards). As implied throughout this discussion, firms would appear to benefit by acknowledging and understanding the dual composition of the assessment process.

SUMMARY - THE PROCESS COMPONENT

The General Alliance Model's Process Component represents the evolutionary process (Need Awareness, Search, Selection/Decision, Implementation/Administration and Assessment) of change management that a firm progresses through in the creation, implementation and maintenance of an alliance. In general, firms are more aware of and better understand the importance of the latter, rather than the former, stages. Facilitators and constraints of the first four stages were quite similar; consistency of influencing factors was clearly evident. The facilitators and constraints generally evolve throughout the General Alliance Model from broad-based, strategic factors to more specific, operational factors. The progression represents an increasingly operational commitment to the process of change management. Finally, the critical stage of Assessment is affected by a variety of factors that are both operational and strategic in nature.

STRATEGIC COMPONENT

This section presents the relevant questions and analysis for each of the Strategic Component's research questions.

The General Alliance Model introduced in Chapter Two

suggests that there are four identifiable steps in the Strategic Component: Establish Initial Expectations, Establish Secondary Expectations, Determine Expected Effectiveness and Evaluate Perceived Effectiveness. These four steps describe the development of partner expectations and the evaluative mechanism of an alliance's strategic effectiveness. The presence and importance of such expectations and evaluation are examined.

SC - Q1: How are partner (initial) expectations influenced by the alliance process?

Establish Initial Expectations suggests that a relationship exists between an organization's awareness of its needs and problems and the potential net benefits that exchange relationships (e.g., an alliance) may provide.

Each partner's initial expectations created general, broad desires or goals of potential alliance benefit (see Table 4.20). Although initial expectations were somewhat firm-specific, general similarities clearly existed. The dominant initial expectation of benefit was the hope to achieve a strategic level of true business differentiation. More specifically, manufacturers' initial expectations focused on development of long-term relationships, achievement and maintenance of competitive advantage, improvements in customer service and financial condition, and a number of performance attributes (e.g., transportation reliability, consolidation, quality, flexibility, report capability). Service suppliers' initial expectations of benefit focused on business growth,

Table 4.20
Alliance Initial Expectations

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Create "Strategic Business Alliances" • Improved Transportation Reliability • Competitive Advantage • Continuous Bottom-Line Improvement • Systemic Change • Improved Understanding Of Company Logistics and Actions	• Mutual Business Growth • Maintenance Of Competitive Advantage • Improved Quality and Service • Increased Flexibility • Stable, Long-Term Relationships • Continuous Improvement • Competitive Rates	• Improved Customer Service • Optimize Cash Flow and Operating Margins By Reducing Inventory • Improved Sanitation, On-Time Shipping and Receiving, Transaction Reporting • Achieve "True" Consolidation Programs • Educate Service Suppliers
Service Supplier Perspective	• Solve Shared Business Problems • Mutual Partner Importance • Sustain Growth • Differential Competitive Advantage • Systemic Change • Enhanced Reputation	• Mutual Business Growth • Display Competent Performance • Strategic, Long-Term Relationships • Enhanced Reputation	• Sustain Growth • Future Market Viability • Prior Relationships Would Be Valuable • Be A Strategic Regional Resource Of Customization • Provide Systems Capability and Development • Enhanced Reputation

solving business problems through the display of performance expertise and reputation enhancement.

Conclusion -- SC - Q1

Establishment of initial partner expectations of potential net benefit were influenced by the alliance process to the extent that firms were cognizant of problems (e.g., environmental uncertainty) and potential opportunities described in the Need Awareness stage. Firms clearly recognized a number of broad strategic opportunities and performance initiatives that would provide benefits.

SC - Q2: How do these strategic expectations evolve throughout the alliance process?

The General Alliance Model introduced in Chapter Two suggests that the development of more specific, secondary expectations of potential alliance net benefit occur as general information regarding alliances, prospective partners and operating requirements is collected.

Manufacturers, in general, clarified both individual and mutual firm abilities to implement activities hypothesized to provide such benefits. For example, Manufacturer A analyzed an alliance partner's potential impact on transportation reliability and inbound and outbound manufacturing-transportation coordination. Through its core carrier program, Manufacturer A evaluated partner quality processes and information systems capability. In effect, Manufacturer A utilized the core carrier program as its information collection process, both with respect to formal and informal

(e.g., intuitive) judgements. Manufacturer B's expectations evolved in conjunction with the development of its business relationship with Service Supplier B. That is, as Service Supplier B successfully performed basic business activities for Manufacturer B, an increasing level of information and trust were accumulated by Manufacturer B. This, in turn, increased its willingness to expand Service Supplier B's role in its business. In this case, the formal refinement of secondary expectations and net benefit were culminated by the contractual arrangement reached in the subsequent Selection/Decision stage of the alliance process. Similarly, Manufacturer C's expectations of potential benefit also became more sophisticated over time based on Service Supplier C's historical business performance. Thus the existence of a prior business relationship provided the mechanism for information collection.

From the service suppliers' perspective, the evolution of strategic expectations of benefit were quite consistent and depended upon service suppliers' willingness and ability to provide required service to manufacturer customers. That is, as the service suppliers' level of information, understanding and experience regarding manufacturer customers' service expectations was accumulated and refined, the service suppliers' expectations of benefits (e.g.,business growth and enhanced reputation) evolved as well. Given their role as the service provider in the business transaction, an important qualifier of service supplier expectations was the ability to

balance their evolving expectations with their level of performance capability and changing market conditions.

Conclusion -- SC - Q2

The evolution of strategic secondary expectations is perhaps the least clearly identifiable step of the General Alliance Model, primarily because most all firms studied were previously involved to some extent with their eventual alliance partner and therefore did not utilize a formal search process. In other words, firms lacked guidelines or a "planning template" and did not formally develop more detailed benefit expectations. In particular, the existence of prior business relationships complicates the determination of the point at which expectations become more refined and detailed (e.g., secondary). In the cases studied, only Alliance A included a formal qualifying process, and those firms also possessed a lengthy historical relationship.

However, these conditions do not preclude the possibility that development and refinement of strategic, secondary expectations can occur during an ongoing business relationship (e.g., based on performance) as well as during the information collection procedures of a more formal partner search process. In fact, it would seem quite plausible that a certain level of "qualifying" business performance would be utilized within a formalized Search and Selection/Decision stage perspective. Therefore, it seems appropriate and reasonable to acknowledge that the evolution of secondary strategic expectations may be driven by either the Search stage and/or existing business

relationship performance.

SC - Q3: How is alliance effectiveness measured?

The General Alliance Model introduced in Chapter Two suggests a number of dimensions (Length of Alliance Relationship, Alliance Management, Actual Net Benefit, Partner Match and Partner Coordination) are utilized to measure alliance effectiveness. Each dimension's role is examined.

Length of Alliance Relationship

The first dimension, Length of Alliance Relationship, concerns "calendar" length of time and the general consensus or feeling regarding the relationship. Briefly summarized, Length of Alliance Relationship in each alliance is as follows: Alliance A -- six to seven years ("a valuable exchange of expertise"); Alliance B -- three to four years ("a good business relationship that would be difficult, if not impossible, to match"); and Alliance C -- four years ("like a family, a very close relationship at all levels that is long-range in nature"). All manufacturers and service suppliers strongly agreed that Length of Alliance Relationship was a good measure of alliance effectiveness.

Alliance Management

The second dimension, Alliance Management, is composed of three elements: power imbalance, management imbalance and conflict. Each element is considered.

With the exception of Service Supplier A, all firms agreed that manufacturers held the position of power for two

reasons. First, manufacturers were the customer in the relationships and therefore paid for the services rendered. Second, the manufacturers in question represented very large and prestigious customer accounts. The manufacturers' perspective is probably best represented by an executive in Manufacturer C:

> "If the alliance is totally unleveraged, totally win-win or 50-50, then I am not in any alliances. Consider the service supplier in this alliance -- we share pretty much everything (vision, etc.) and we give them millions of dollars a year. But when it comes down to it, I'm the customer and I am not going to ask them how they feel about correcting a problem -- they are going to do it. So, I guess there is a little leverage there."

Interestingly, most service supplier executives and managers noted that although manufacturers held the power, they chose not to apply it as a threat. In general, price (e.g., rates) rather than power, was more typically used as a "fall-back" to leverage authority.

The level of power or leverage in the relationships has evolved over time (see Table 4.21). On the surface, power appears to have marginally shifted toward service suppliers. For example, in Alliance A, several Manufacturer A managers commented that their firm has less leverage than a few years ago, primarily because Service Supplier A possesses a critical level of volume and is represented in all their plants. Service Supplier A believes the change has occurred because its long-term, value-based philosophy has replaced Manufacturer A's short-term, low cost perspective with respect to both the alliance and operating procedures (e.g., the

Table 4.21
The Evolution Of Partner Power

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• We Have Less Power Than A Few Years Ago	• We Are Definitely More Powerful	• Our Power Has Grown
Service Supplier Perspective	• We Have More Power Than In The Past	• No Change In Either Party's Power	• Some Leveling Has Occurred In Manufacturer Power

purchase of raw materials). Similarly, Service Supplier C observed that although Manufacturer C's base of power remains unchanged, some leveling effect has occurred due to Service Supplier C's increasingly sophisticated information systems design and development capability which Manufacturer C is using for all its service supplier alliances. Overall, it appears that the level of power has not changed so much, but rather that the manufacturers' culture and perspective have evolved. In other words, manufacturer power has always existed due to the aforementioned "customer" role, but what has shifted is the perception of how power is utilized -- the emphasis today has more to do with guidance rather than "do this because I tell you to do it."

In summary, alliance power primarily resides with manufacturers due to their role as the purchasing customer and, at least in these relationships, their size and reputation. Unequal leverage requires that the parties agree to and learn how to mitigate the effects of the imbalance. In the words of an executive from Service Supplier A:

> "The key to power is how to read it and use it regarding a long-term, value-based perspective versus a short-term, low cost orientation. This is where proper organizational culture and discipline enter into the (alliance) equation."

With respect to the second element of Alliance Management, all firms agreed that a managerial imbalance (e.g., numbers and/or organizational levels) did not exist in their respective alliances. Although the level of formalization and raw numbers of key contacts varied across the alliances, the degree of interaction, trust and commitment were equally obvious. All firms emphasized the critical importance of balanced managerial commitment, particularly at the middle management level.

The third and final element of Alliance Management is conflict. No formal conflict resolution processes existed in any alliance. However, this does not imply that conflict was not effectively resolved. In Alliance A the general opinion was that the process was "being invented as it goes along." However, Manufacturer A believed its approach was becoming less fragmented than in the past (particularly with regard to negotiation issues) because it was involving fewer individuals in the resolution process and centralizing its authority base. In Alliance B, conflict situations were handled informally but professionally, and both parties observed that the focus concerned how to mutually improve and monitor the situation rather than assigning blame and jumping down the partner's throat. Alliance C utilized a formal chain of command for conflict resolution but not formal procedures. For example,

Manufacturer C's customer service center analysts routinely utilized a list of specified contact personnel at Service Supplier C's facilities to resolve questions, problems, etc.

In conclusion, the elements of Alliance Management were utilized as informal measures of alliance effectiveness. Power imbalances existed; however, it was the ability to mitigate those differences that were the key measure of effectiveness. Managerial imbalances, although not evident or problematic, were also noted as a measure of alliance effectiveness. Conflict was acknowledged and generally resolved informally. The manner in which conflict was resolved (e.g., professionally and constructively) appeared to be the important point regarding alliance effectiveness.

Actual Net Benefit

The third dimension, Actual Net Benefit, refers to "the strategic value of the alliance net development cost." As summarized previously in Table 4.8, actual alliance development costs included both physical costs and human resource costs. In spite of those costs, significant economic and strategic benefits were generated for manufacturers and service suppliers in each alliance (see Table 4.22).

For manufacturers, benefits accrued in three broad but highly important areas. First, increased (plant, warehouse, transportation and systems) productivity, business growth and a number of strategic customer service enhancements were identified. Second, benefits occurred in terms of continuous improvement and/or learning with regard to business practices,

Table 4.22
Alliance Actual Net Benefits

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Increased Productivity and Market Share • Value-Added Customer Service • Reduction In Total Costs Of Transportation • Continuous Improvement	• Increased Warehouse Productivity • Operational Flexibility • Joint Learning • Systems Improvements • Improved Service Awareness • Increased Individual Responsibility For Actions • Value Of Long-Term Perspective	• Leverage Resources • Common Systems Capability • Business Growth • Increased Productivity, Customer Service and Profitability • Availability Of Committed Equipment and Labor • Cost Avoidance For Freight and Warehousing Increases • Improved Problem Solving Methods
Service Supplier Perspective	• Increased Operational Stability and Planning • Key Account Business Growth • Improved Quality and Performance Measurement Capability • Enhanced Reputation • Trial Mentality • New Product and Service Development	• Increased Profitability Margin • Key Account Business Growth • Business Stability • Enhanced Reputation • Potential To Transfer Technological Expertise To Other Accounts	• Business Growth • Gain Performance Measurement Capability and Expertise • Enhanced Reputation • Access To Forward Thinking • Potential To Transfer Technological Expertise and Development To Other Accounts

procedures and problem solving methods. Third, operational stability was gained in terms of committed equipment and labor, avoidance of transportation and warehousing cost increases and overall flexibility.

In general, service supplier benefits were remarkably consistent across the alliances. First, market share has grown measurably for the appropriate manufacturer's business account, and additional opportunity to grow those accounts still exists. Second, service suppliers have increased quality, performance measurement, customer service and in some cases, technological expertise. The firms have transferred this knowledge to other accounts and thereby improved their viability as competitors in the marketplace. Third, the service suppliers have all benefitted from an association with highly respected and reputable manufacturers in the grocery industry -- and have parlayed that association into reputations as industry leaders and innovators. Finally, several specific productivity improvements have occurred. For example, Service Supplier A has improved on-time loading and unloading to reduce overall transit time.

Manufacturers and service suppliers also identified important mutual benefits. For example, the alliances have provided the ability to resolve problems quickly without assigning blame or following the traditional, inefficient chain of organizational command and control. Necessary systems requirements and changes were based upon joint understanding and creative problem solving.

In the support questionnaire, interview participants were asked to rate what has actually been achieved through the alliance in question. Results confirm the case study observations discussed above (see Table 4.23).

Table 4.23
Alliance Achievements

Alliance Achievements (N = 20)	Rating
Improved quality	4.15
Increased customer satisfaction	4.15
Access to technology	4.10
Competitive advantage	4.00
Cost reduction	3.68
Supply stability	3.68
Capacity constraints	3.61
Improved profitability	3.57
Leadtime improvement	3.47
Demand stability	3.42
Exploiting core competency	3.41
Risk avoidance/sharing	3.31
Domestic market access	3.27
Inventory reduction	3.11
Leveraging capital	2.94
Global market access	2.00

Scale: 1 = My firm has not achieved this objective; 5 = My firm has definitely achieved this objective

In summary, Actual Net Benefit is clearly the primary measure of alliance effectiveness. Firms were highly aware of development costs and subsequent individual and mutual economic and strategic benefits. Such awareness concerned both short-term or immediate business conditions and, most importantly, long-term planning and goals that required patience and development of improved financial assessment techniques.

Partner Match

The fourth dimension, Partner Match, is composed of two elements: compatibility and length of previous business relationship. Each element is briefly discussed.

Manufacturers and service suppliers within each alliance frequently commented on their organizational similarity (see Table 4.24). There were, however, distinctive differences between firms with regard to conservatism, innovation, risk or caution, etc. A firm's general tendency toward conservatism or innovative thinking was not easy to categorize in terms of channel position, size or leadership. For example, Manufacturer A had a very conservative corporate culture but was very innovative. It had recently taken a very strategically risky position of leadership regarding change management in the food industry. Service Suppliers A and C had a well-deserved reputation for innovation and strategic

Table 4.24
Organizational Compatibility Analysis

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Quality Driven Cultures	• Good Match • Common, Long-Term Perspective • Cautious	• Similar Vision and Supply Chain Perspective
Service Supplier Perspective	• High Degree Of Mutual Respect	• Good Match • Direct, Open and Cautious • "Go Slow" Attitude	• Mutual Willingness and Ability To Get To Know People At Multiple Organizational Levels

vision, but Service Supplier B was very cautious and conservative. In other words, organizational compatibility was based on more than similarity -- it also included consideration of complementary goals, strategies, visions, strengths and individuals at multiple organizational levels.

The second element of Partner Match, length of previous business relationship, was considered important by all firms. Intercompany business relations in the alliances extend back some thirty years (Alliance A), eight years (Alliance B) and ten years (Alliance C). Continuity of personal relationships and acknowledgement of operational competence were critical by-products of such history. In Alliance A, the maturity of the relationship was recognized as building loyalty (e.g., continuity) and inspiring confidence. Service Supplier B observed that prior history builds trust -- lack of such trust and knowledge could result in a poor partner choice and translate into significant problems. Similarly, Manufacturer C noted that nearly all its service supplier warehouse accounts have a long historical basis, including the one in question.

In summary, both elements of Partner Match (compatibility and length of previous business relationship) were utilized as measures of alliance effectiveness. Organizational compatibility is qualitative; length of previous business relationship is obviously more quantifiable. Both elements serve as ongoing assessments of current and future effectiveness. Organizational compatibility considers both

the similarity and complementary nature of firms' cultures, goals, visions, strategies and individuals -- and provides a knowledge base to assess how well potential partners fit together. Length of previous business relationship builds a foundation for future business by increasing a firm's trust in its accumulated knowledge base regarding partner competence and vision.

Partner Coordination

The fifth dimension, Partner Coordination, is composed of two elements: cooperation and character-based trust. Both elements are concerned with how partners "personalize" their working relationship and perceive each other's level of strategic commitment.

The first element, cooperation, clearly exhibited a dual nature (see Table 4.25). First, a functional perspective was evidenced concerning the achievement of cooperation through joint problem solving. For example, in Alliance B the two firms jointly developed the bar code system for a key retail customer account. Service Supplier B designed the systems flow and software, while Manufacturer B purchased a portion of the required hardware. Teams of personnel from both firms visited the customer's warehouses and stores to assess the success of product movement and handling. The alliance partners met weekly to help plan and monitor activities regarding this key account. Similarly, in Alliance A the partners worked together to alleviate on-time service performance problems for a key wholesale account by setting up

and coordinating drop shipments at the consignee receiving docks. A second perspective, more qualitative or intuitive in nature, was evidenced by significant levels of creativity, awareness, faith, perception, honesty, etc. The two perspectives combined to create the trust critical to alliance success.

Table 4.25
Cooperation Facilitators

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Reward "Little Hits" • Joint Problem Solving	• Faith • Perception • Diversity Of Organizational Backgrounds • Experience • Open-Minded Vision • Joint Problem Solving	• Constant Communication • Sensitivity To Partner Difficulties • Supply Resources When Needed
Service Supplier Perspective	• Creativity • Joint Problem Solving • Awareness That Needs Must Be Balanced Over Time	• Good Personal Relationships • Unexercised Power • Openness • Honesty • Joint Problem Solving	• Communication At Multiple Organizational Levels • Joint Program Development

The second component of Partner Coordination, character-based trust, elicited a considerable variety of responses (see Table 4.26). The notion of character-based trust revealed multiple perspectives. First, it is an intangible, intuitive measure of effectiveness. Second, although it takes time to develop -- the passage of time does not guarantee its occurrence. Third, and perhaps most comprehensively, trust

Table 4.26
Role And Rationale Of Character-Based Trust

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Sharing Data Or Information • Culture Match • Like A Marriage • Intangible • Principle-Based	• Faith and Chemistry • Basis For Influential Decision-Making • Understanding Partner Expectations and Goals • Protecting Partner Interests • Reputation • Honesty	• Information (Knowledge and History) Necessary To Get To Know Your Partner • Credibility • Reliability • Intuitive • Vision or Mindset • Qualitative
Service Supplier Perspective	• Basis For Customer Selection • Protecting Partner Interests • Requires Awareness Of Change • Anticipation • Communication • Intuitive • Acknowledging Risk Is Mutual	• Unexercised Power • Critical Component Of Success • History • Joint Faith	• Performance • Credibility • Awareness Of Change • Being Approachable and Helpful • Honesty

represents the faith and chemistry between organizations and individuals which is the basis for influential decisions that would not be otherwise be possible. In the words of an executive from Manufacturer C:

> "Trust is the soft side of the relationship: a vision or mindset which can't be measured but you know if it is or isn't there. That is why alliances are so hard -- trust is intuitive, psychological and personal -- its not quantifiable like performance measurement."

In summary, the component of Partner Coordination is clearly an important measure of alliance effectiveness. Firms attached significant credence to the concepts of cooperation

and trust, and repeatedly stressed the critical nature of both concepts as keys to alliance success.

Conclusion -- SC - Q3

The five dimensions (Length of Alliance Relationship, Alliance Management, Actual Net Benefit, Partner Match and Partner Coordination) suggested by the General Alliance Model to measure alliance effectiveness are, in fact, most evident. The dimensions of Actual Net Benefit and Partner Coordination clearly represent the most heavily weighted measures; however, the remaining three dimensions were each utilized and acknowledged as valuable. Actual Net Benefit represents a more quantifiable measure of effectiveness; Partner Coordination is much more qualitative in nature. Both are, however, critical to alliance success.

SC - Q4: How, if at all, do firms measure and compare perceived effectiveness to expected effectiveness? What are the critical components?

Firms did not formally measure and compare expectations and actual outcomes. However, they were well aware of conditions that did not meet expectations through the use of a number of informal indicators. Such awareness focused on several clearly identifiable areas.

When a comparative awareness of sorts did occur, only those dimensions (Actual Net Benefit and Partner Coordination) which were primary measures of alliance effectiveness were utilized. To a limited extent, the dimension of Partner Match was also utilized. This result appears intuitively logical.

The rationale and role of each critical dimension was, not surprisingly, interrelated.

Actual Net Benefit was the primary comparative indicator because a firm's potential benefits and actual benefits were a logical and important subject for comparison. The achievement of Actual Net Benefits resulted from the communication of partner expectations, subsequent development of individual and mutual goals and ensuing "performance as promised." Thus a comparative standard was provided with respect to both the outcome (Potential Net Benefit versus Actual Net Benefit) and the steps in the process itself (expectations, goals and performance).

Partner Coordination (cooperation and character-based trust) was utilized as an indicator of perceived and expected effectiveness in two respects. First, it considered whether cooperation was occurring to support promised (e.g., expected) performance and problem-solving. Second, it considered whether trust itself existed; in other words, has our partner performed as promised and will it continue to do so? All firms explicitly acknowledged that a comparison of partner cooperation and trust took place on an ongoing basis and at multiple organizational levels.

Finally, Partner Match (e.g., organizational compatibility) was utilized on a very strategic level to provide an ongoing indication of partner similarity and complementarity of vision, goals and strategies as an alliance evolved over time. Comparison at this level acted as a check

and balance, or guide, to the overall direction of the alliance.

Conclusion -- SC - Q4

In general, the expected process of comparison did not occur as anticipated. When a comparative assessment did occur, it involved the primary dimensions used to measure alliance effectiveness (Actual Net Benefit and Partner Coordination). This result appears logical for a number of reasons.

First, the nature of the elements utilized to gauge effectiveness were limited. Most firms and individuals noted that strategic, global measures of alliance effectiveness were difficult to develop and quantify. For example, one executive in Service Supplier B observed that it is very difficult to measure or quantify alliance effectiveness -- "it is easier to see performance relative to other less successful relationships." A second, and related point, is that effectiveness tends to be gauged in terms of individual firm performance, rather than measures of mutual performance. That is, the alliances studied rarely utilized measures of joint performance. Finally, there were differences in opinion with regard to the importance of individual measures as opposed to the process utilized to collect the measures. In Alliance A, both firms specifically emphasized that the measurement process was the critical and confidential issue, not the measures themselves. In contrast, firms in Alliances B and C focused on specific performance measures and analysis.

SC - Q5: How critical are the components of effectiveness to long-term alliance viability?

In the prior discussion of the General Alliance Model's Process Component, it was observed that alliance partners desired and expected continuous improvement (e.g., modification) to occur. As such, the determination of which dimensions of effectiveness are critical to long-term alliance viability really concerns which dimensions most impact modification and/or continued success. Each dimension is briefly discussed.

Length of Alliance Relationship is important to long-term alliance viability simply due to the nature of the measurement involved -- the longer the alliance is in existence, the more successful it is. This observation holds true as long as firms continuously monitor and analyze the motivations, core competencies and vision of alliance partner leadership with regard to potential change. In other words, length of relationship without real achievement may signal that the alliance has outlived its role (e.g., termination may be a viable alternative).

Alliance Management is essentially a "qualifier" of long-term alliance viability. Power imbalances must be mitigated. Managerial imbalances must be avoided. Effective conflict resolution is important, although the manner in which it is accomplished may vary.

Actual Net Benefit is the critical component to long-term alliance viability. It assesses alliance payoff less the cost

to develop and maintain the relationship. In other words, it provides the most quantitative evaluation of whether to sustain, modify or terminate the alliance. Without a viable payoff, the rationale for the alliance simply does not exist. Equally important, Actual Net Benefit includes information and planning necessary to improve the alliance (e.g., report feedback, problem/conflict resolution, adjustment of performance measures, human and physical resource investments).

Partner Match is of considerable importance to long-term alliance viability. First, the element length of previous relationship provides a business and personal relationship foundation for the trust and knowledge critical to alliance success. Second, the element of organizational compatibility measures the degree of fit between partners. Similar to the previous dimension (Length of Alliance Relationship), Partner Match must also acknowledge that change in the relationship may occur. Partners must be vigilant regarding this point. Evolution of an organization's strategic intent may reduce or significantly damage interorganizational compatibility.

Partner Coordination is the other key dimension to measure long-term alliance viability. The presence of cooperation and character-based trust are essential to alliance success. Cooperation tends toward more functional performance; trust represents the "softer" side of alliance performance.

Conclusion -- SC - Q5

The General Alliance Model's five dimensions of effectiveness are critical to long-term alliance viability. Each dimension serves a different role, and some are more critical than others. Not surprisingly, the most critical dimensions (Actual Net Benefit and Partner Coordination) are the same dimensions identified in Research Question Four as measures utilized to assess perceived versus expected effectiveness. Both Length of Alliance Relationship and Partner Match are also important, primarily due to their role as "monitors" of change in alliance strategic vision, motivation, competency and leadership. Alliance Management considers elements that essentially act as "qualifiers" of alliance viability.

SC - Q6: How are the requisite levels of risk, benefit, cooperation and trust established between alliance partners at the strategic level?

In particular, cooperation was established at the strategic level through joint problem solving (e.g., joint systems development), communication at multiple organizational levels and rewarding "little hits." Joint problem solving required planning and development as well as subsequent measurement capability and accountability. Communication at multiple organizational levels ensured that strategic vision and planning were effectively carried out in both firms; such communication occurred informally and via formal, regularly scheduled meetings. Acknowledgement of "early wins" or

"little hits" built a consensus of support for future plans and goals. In particular, Manufacturer A's formal corporate alliance policy emphasized the importance of those two elements to build cooperation.

With regard to trust, the General Alliance Model suggested five sources for the establishment of Character-Based Trust: integrity, identification of partner motives, consistency of behavior, openness and discreetness. Evidence of each source is briefly considered.

The notions of "sound moral principles, honesty and sincerity" were frequently used to describe integrity and how it related to principles of trust. For example, loyalty developed and exhibited over time (e.g., the history of a relationship) inspired partner confidence. The notion of a "culture match, marriage, commitment and joint faith" often described motives which established trust. An important addendum to identification of partner motives concerns the fact that motives do not remain static, and thus require awareness that a relationship may outlive its usefulness over time due to evolution of partner motives. "Reliability and predictability" often described the development of trust. For example, the ability to "count on" a partner was enhanced by the communication and understanding of each party's expectations and goals, as well as the accumulation of information and knowledge about the partner. Openness also created trust. The terms "upfront, approachable, communicative, intuitive or anticipatory and willing to

acknowledge mutual risk" frequently described the development of partner trust. Finally, the notion of "protecting partner interest in times of need and not allowing them to be hurt" was repeatedly mentioned as a source of trust.

Benefit and risk are highly subject to firm-specific leadership, personal judgement and the intuition of senior executives. However, four points were revealed that provided some insight into the establishment of the two elements.

First, the establishment of acceptable benefit and risk levels depends on how well alliance partners are able to communicate a strategic vision throughout their own organization and across to their partner's organization. General consensus among firms suggested that corporate policy directed by senior executive leadership was critical. Execution of that direction down and across organizations took the form of consistent actions, joint objectives and planning, empowered teams, cross-training and communication. Firms agreed that the process was very difficult, but was being accomplished fairly well both intraorganizationally and interorganizationally.

Second, changes in corporate leadership or key personnel may occur which drastically affect corporate culture, strategy and thus an alliance's role and vision. The importance of this element cannot be overemphasized; several senior executives in different firms made reference to such changes. In effect, this type of change represents a shift in corporate culture (e.g., from a cooperative, long-term alliance

perspective to a short-term, cost-cutting mode which often follows a change in top management). Continued alliance compatibility particularly depends upon consistent, reliable corporate leadership and ensuing vision and direction. Oftentimes, the impact of such a change on corporate culture and alliance assessment goes unrecognized until the shift in perspective surprises the entire organization.

Third, the importance of the product or service that an alliance partner provides impacts the establishment of benefit and risk. All firms acknowledged that its partner was extremely important or critical to the success of its business. In general, the manufacturers were one of, if not the largest, regional or national account of each service supplier. Service suppliers represented a critical level of expertise, support and reliability to the manufacturers. In essence, the allying parties' interdependence created significant levels of potential benefit and (undesirable) risk.

A fourth, and related point, concerns the ease with which a firm can replace its partner. In general, all firms acknowledged that replacing its alliance partner could not be done very easily. When asked the question, a Manufacturer C executive responded:

> "Not very easily. Why do we continue to get more involved with them given the difficulty of replacing them? I guess it's part of the alliance. We're in it for them and vice-versa. We both want the other to get better. Our joint goal is simple: to satisfy the customer."

From the manufacturers' viewpoint, the replacement of a service supplier required a difficult and time-consuming process that would yield uncertain results. Service suppliers admitted that these particular manufacturer accounts simply could not be replaced. Both parties were, of course, well aware of the others' circumstances. In essence, the physical and human resource investments of the alliances had created extremely high switching costs -- in other words, along with the acceptable levels of benefit were risks that also had to be accepted.

Conclusion -- SC - Q6

Establishment of acceptable levels of cooperation, trust, benefit and risk require consideration of several issues. First, an acceptable level of cooperation can be significantly planned and measured through joint problem solving, communication at multiple organizational levels and rewarding "little hits." Establishing acceptable levels of trust was consistent with the five sources of trust suggested in the General Alliance Model. These activities are able to be planned but are difficult to measure, particularly in a quantitative sense. Establishing acceptable levels of benefit and risk depend upon successful communication of strategic corporate vision directed by senior executives and executed through a variety of functional activities that can be planned and measured to a considerable degree. Carefully monitoring changes in corporate leadership or key personnel also assist in establishing acceptable levels of risk. The communication

process is difficult but achievable. What constitutes acceptable benefit and risk is affected by the importance of an alliance partner to a firm's business success, and how easily the alliance partner can be replaced. Consideration of these two factors is very difficult to plan and measure.

SUMMARY - THE STRATEGIC COMPONENT

The General Alliance Model's Strategic Component represents the development of partner expectations and the evaluative mechanism of an alliance's strategic effectiveness. Firms clearly recognized a number of broad strategic opportunities and performance initiatives that would provide benefits in the initial step Establish Initial Expectations. The evolution of strategic secondary expectations is perhaps the least clearly identifiable step of the General Alliance Model, primarily because most firms were previously involved to some extent with their eventual alliance partner and therefore did not utilize a formal search process. The Strategic Component comprehensively measures alliance effectiveness. In particular, the dimensions of Actual Net Benefit and Partner Coordination represent the most heavily weighted measures; however, the remaining three dimensions were each utilized and acknowledged as valuable measures. In general, the expected process of comparison between perceived effectiveness and expected effectiveness did not occur as anticipated. When a comparative assessment did occur, it involved the primary dimensions used to measure alliance

effectiveness (Actual Net Benefit and Partner Coordination). The most critical dimensions with respect to long-term alliance viability were, again, Actual Net Benefit and Partner Coordination. The former provides the most quantitative evaluation of whether to sustain, modify or terminate an alliance; the latter primarily provides a more qualitative evaluation. Finally, the requisite levels of risk, benefit, cooperation and trust are established between alliance partners at the strategic level through the consideration of several issues. Cooperation can be achieved through joint problem solving, communication at multiple organizational levels and rewarding "little hits." Establishing acceptable levels of trust was consistent with the five sources of trust suggested in the General Alliance Model. Establishing acceptable levels of benefit and risk depend upon successful communication and monitoring of strategic corporate vision and a variety of functional activities that can be planned and measured. Acceptable benefit and risk is also affected by the importance of an alliance partner to a firm's business success, and how easily the alliance partner can be replaced.

OPERATIONAL COMPONENT

This section presents the relevant questions and analysis for each of the Operational Component's research questions.

The General Alliance Model introduced in Chapter Two suggests that there are four identifiable steps in the Operational Component: Establish Search Criteria, Establish

Selection Criteria, Determine Joint Operating Standards and Evaluate Joint Operating Standards. These four steps describe the development of partner operating standards and the evaluative mechanism of an alliance's operational effectiveness. The presence and importance of such standards and evaluation are examined.

OC - Q1: How, and to what extent, are partner search criteria influenced by the alliance process?

Establish Search Criteria suggests that a relationship exists between an organization's awareness of its needs and the generation of a search process to address those needs. More specifically, a formal set of policies and procedures must be generated to establish why the search is being conducted, what the parameters of the search should be, where (e.g., in what geographic markets) the search should take place, how it should be conducted and which members of the firm should be involved in the search.

Each firm's awareness produced a series of capabilities necessary to meet its needs, as well as some notion of firms with the potential to provide those capabilities. A number of approaches were utilized to execute the policies and procedures issue (see Table 4.27).

Three general conclusions may be drawn from participant responses. First, policy or vision statements clearly existed with respect to partner search criteria. In other words, firms had a good grasp of which capabilities were required to

Table 4.27
Search Criteria Policies And Procedures

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Corporate Policy and Procedures Exist	• No Formal Policy and Procedures Exist • Partner Capabilities Clearly Defined • Process Occurs At Executive Level	• Corporate Vision Statement Exists • Partner Capabilities Clearly Defined • Formal Search Rarely Used
Service Supplier Perspective	• Business Template Exists • Process Occurs At Corporate Level	• Policy Exists • No Formal Procedures Exist	• Corporate Vision Statement Exists • No Formal Procedures

meet their requirements. Second, formal procedures to conduct the partner search process rarely existed or were rarely used. Third, whatever search criteria direction exists is generated and directed at the corporate or senior executive level.

Conclusion -- OC - Q1

Firms understand the operational capabilities necessary to meet the requirements of change identified in Need Awareness. However, the formal procedures used to execute the partner search process (to obtain those operational capabilities) are lacking. Two potential explanations exist. First, the procedures are not well understood. Second, and more likely, the procedures have not been developed or are considered unnecessary because as was typically the case, an alliance was developed based on a previous business relationship.

OC - Q2: How, and to what extent, are partner selection criteria influenced by the alliance process?

The determination of specific partner selection requirements are driven by the Search stage of the General Alliance Model. Establish Selection Criteria addresses partner qualifications and capabilities (see Table 4.28).

Table 4.28
Partner Selection Criteria

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Quality Processes • Growth Potential • Financial • Culture • Alignment With Our Strategy	• Understand Our Business • Performance Capability • Systems Support • Managerial Talent • Source Of Labor Pool • Growth Potential • Culture	• Vision • Culture • Sense Of Urgency • Performance • Systems Support • Regional Provider
Service Supplier Perspective	• Account Profitability • Cost To Service Analysis • Growth Potential	• Account Profitability • Culture • Financial • Match Capability To Customer Requirements • Growth Potential	• Vision • Culture • Business Growth

The dominant factors of qualification were a sense of comfort or fit with regard to a potential partner's organizational culture and the potential for business growth. Beyond that qualitative or intuitive assessment, manufacturers and service suppliers focused on different types of capabilities. Manufacturers stressed technological and

information systems support skills, operational service performance, an ability to understand the business and become strategically aligned regarding business vision. Service suppliers focused on the potential profitability of the account and the tradeoff between their firm's capabilities and manufacturers' service requirements.

Conclusion -- OC - Q2

A primary factor of partner qualification was a qualitative judgement of organizational "fit." Given that alliances are hypothesized to require a significant degree of human resource investment as well as physical resource investment and operational performance capability, the result is not surprising. A second key factor, potential business growth, reflects firms' desire and willingness to modify business practice in order to achieve a common financial and strategic goal. Differences in qualification and capability beyond the two common, primary factors appear logical and consistent with each party's level in business channels.

OC - Q3: How are joint operational standards determined?

In each alliance, the determination of alliance operating standards primarily took place through joint meetings. Formalization of those standards varied slightly. In Alliance A, the standards were detailed in the service package. In Alliance B, the standards were detailed in the contract; in Alliance C the standards were detailed in an addendum to the contract.

Routine review and adjustment of the operational standards were also conducted similarly across the alliances. In general, meetings included some senior executive representation, but primarily involved middle management; managers with operational, day-to-day oversight of the alliance; and plant, transportation, warehouse and/or analyst personnel. Senior executive representation was typically called upon for particularly difficult problem-solving.

Determination of joint operational standards was significantly assisted by two additional activities: communication of (partner) expectations and agreement with regard to formal goals.

First, all firms concurred that communication of alliance expectations must be clearly and openly discussed because they were essential to develop the operating standards. For example, in Alliance B, Manufacturer B gave Service Supplier B a list of performance or operational expectations at the beginning of each year. In Alliance A, partners routinely exchanged expectations of individual plant demands, trailer capability to meet those demands and on-time service performance against standard on a plant by plant basis. Mutual expectations of volume commitment and procedures to address problem consignees were similarly communicated. In Alliance C, Service Supplier C worked from a formal list of strategic and operational performance expectations developed and routinely updated by Manufacturer C.

Second, all firms concurred that communication and

agreement regarding formal goals were important to development of joint operating standards. Goal establishment was a mutual process in Alliances A and B. For example, in Alliance A, clearly defined goals were jointly developed and defined during semi-annual and quarterly meetings. Goals were specified within the service package at a global level and at the individual plant level. In Alliance B, formal goals were jointly established with regard to productivity and performance at a first-of-the-year meeting. Starting in the third year of the alliance, goal development involved more of both firms' individuals and the trend has continued as time has progressed. In Alliance C, formal goals were developed and updated by Manufacturer C, although Service Supplier C considered service improvement an important responsibility (e.g., what can it do to "go beyond" Manufacturer C's basic performance goals?).

Conclusion -- OC - O3

The determination of joint operating standards involved highly consistent preparation and execution across the alliances. The preparatory foundation required clear communication of partner expectations, and an understanding and agreement with regard to goal-setting. Goal establishment was a mutual process in two of the three alliances. Joint meetings were utilized to actually "hammer out" the operational standards. The standards were clarified in writing through a number of formats (service package, contract, contract addendum). Regular review meetings

primarily involved middle management; managers with operational, day-to-day oversight of the alliance; and a variety of functional personnel. Senior executives were also included, oftentimes to resolve particularly difficult issues. In conclusion, the development of joint operational standards involved both a detailed planning perspective and a multiple-level organizational perspective.

OC - Q4: How, if at all, do firms evaluate joint operational standards?

The General Alliance Model introduced in Chapter Two suggests a number of dimensions (Formalization, Information Access and Connectivity) are utilized to measure adherence to joint operating standards, e.g., operational effectiveness. Each dimension's role is examined.

Formalization

Formalization is composed of two elements: defined procedures and continuous performance measurement. Each element is considered.

In each alliance, procedures or interorganizational rules and methods existed to detail how partners would conduct business operations. First, partners relied upon formal procedures which were carefully detailed in legal agreements: the service package (Alliance A), contract (Alliances B and C) and a formal expectations sheet (Alliance C). Service supplier rules, roles, responsibilities and performance were clearly spelled out in each alliance. For example, Manufacturer B provided Service Supplier B with daily and

weekly schedules and forecasts which detailed appropriate responsibilities. These procedures included mutual objectives which were clearly posted at all organizational levels, including the warehouse. Other formal procedures, such as monthly conference calls and monthly meetings in Alliance A were also utilized. Second, each alliance relied upon more informal methods such as daily telephone calls, a simple walk across the hallway (Alliance B) or multiple irregular phone calls and meetings (Alliance C). All firms agreed that such procedures were important, particularly with regard to providing consistent, quality customer service. Aside from several problems in Alliance A, partners generally believed that operational procedures were being carried out fairly well.

In summary, procedural rules and methods were considered a very important measure of adherence to operational standards. Firms utilized both formal and informal procedures.

The second element of Formalization, continuous performance measurement, revealed three important points (see Table 4.29). First, all firms agreed that performance measurement standards were quite formalized. The nature of such measurement allowed alliance partners to know exactly what performance expectations and standards were. Second, firms agreed that measurement systems were jointly developed. Although the standards were open to question and adjustment, they were either entirely, or primarily, developed to comply

Table 4.29
Continuous Performance Measurement

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Formal Standards • Joint Systems Development • Carrier Self-Measurement Against Standard	• Formal Standards • Joint Systems Development • Mutual Review Against Yearly Objectives	• Highly Formal Standards • Joint Systems Development • Measurement Via Monthly "Report Card"
Service Supplier Perspective	• Formal Standards • Joint Systems Development • Trend Against Manufacturer Standard	• Formal Standards • Joint Systems Development • Against Manufacturer Goals	• Highly Formal Standards • Joint Systems Development • As Per Manufacturer Standards

with manufacturers' projections because the manufacturer was the customer and held the balance of power. Third, the performance measures were essentially functional in nature and one-sided in Alliances B and C (e.g., service supplier against standard). For example, representative measures included storage and handling per cwt. charges, pounds/cases per labor hour, productivity, damage, etc. In Alliance A, joint measures were developed and evaluated regarding service (e.g., percentage of on-time pickup at origin) and administration (e.g., shipment status, billing errors, claims).

In conclusion, both elements of Formalization were utilized to measure adherence to joint operating standards, e.g., operational effectiveness. Firms utilized both formal and informal procedures to detail the rules, roles, responsibilities and methods of business operations.

Additionally, highly formalized, jointly developed measurement systems were employed. These systems emphasized functional performance and predominantly supported the objectives and goals of manufacturers, rather than both parties or the alliance itself.

Information Access

Information Access is composed of two elements: cooperation and competence-based trust. Each element is considered.

Cooperation at the operational level concerns the willingness to share information, particularly for future use. Four key points require mention. First, all firms commented that operational cooperation was excellent. For example, Manufacturer C provided access to its proprietary warehouse system and extensive systems support to assist Service Supplier C in developing a warehouse management system. Such cooperation built significant trust between the two firms. Second, access to operational information was very available; personnel who needed the information, asked for it and used it. Typically, the heaviest users of such information were analysts, joint team members and operations managers, and middle management. Third, the shared information was primarily generic in nature (e.g., volume forecasts for workload leveling, pallet quantities, commitment of product and equipment, delivery dates, code date throughput) and was utilized to improve productivity and provide comprehensive performance measurement. Fourth, certain information was not

shared; in particular, other customer accounts and customer bases. Some service suppliers restricted customer access into load movements and location or did not offer account profitability figures. In summary, Cooperation was considered a critically important measure of operational effectiveness.

The second element of Information Access, competence-based trust, elicited a very consistent series of responses (see Table 4.30). Competence-based trust reflects an emphasis on functional issues -- information exchange and/or communication, competent performance and credibility. In contrast with the more intuitive descriptions of character-based trust discussed previously, firms generally described this element of Information Access as more quantifiable.

In summary, Information Access most accurately represents the industry phrase "walk the talk" as a measure of

Table 4.30
Role And Rationale Of Competence-Based Trust

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Functional Performance • Sharing Data • Credibility	• Chemistry and Faith Between Parties and Organizations	• Exchange Of Standard Information Which Doesn't Provide A Competitive Edge • Competence • Performance Capability
Service Supplier Perspective	• Communication • Performance • Acknowledge Mutual Risk	• Commitment • Faith	• Performance • Credibility

operational effectiveness. The accessibility and usefulness of information and the willingness to share it, combined with a firm's trust of partner functional performance makes Information Access a key measure with which to evaluate joint operational standards.

Connectivity

Connectivity is composed of two elements: responsiveness and technology adoption. Each element is considered.

In each of the alliances studied, the element of responsiveness played an important role. Firms' assessment of responsiveness was remarkably consistent (see Table 4.31).

Table 4.31
Communication Systems Responsiveness

	Alliance A	Alliance B	Alliance C
Manufacturer Perspective	• Sophisticated and Informal Systems • Fairly Easy Information Sharing • Critical Component Of "Perfect Order" Measurement	• Sophisticated and Informal Systems • Good Level Of Information Sharing • Key Component For Customer Service and Customization	• Sophisticated and Informal Systems • Very Open Information Sharing • Partner Systems Very Responsive • Key To "Event Driven" Order System
Service Supplier Perspective	• Sophisticated and Informal Systems • Information Very Easily Shared • Partner Systems Highly Responsive	• Sophisticated and Informal Systems • Good, Open Information Sharing • Partner Systems Highly Responsive	• Sophisticated and Informal Systems • Very Good Information Sharing • Critical At Strategic and Analyst Levels • Key To Order Management

Three critical points require mention. First, each alliance utilized both sophisticated (e.g., primarily EDI but also RF, satellite, fax) and informal (e.g., telephone, written and face-to-face contact) communication systems or methods. Second, firms strongly concurred that timely, accurate information was easily shared and steadily improving at both the business and personal level. Third, partner communication systems provided high levels of responsiveness in terms of critical customer service support, better operational direction and exception-based reporting. In summary, responsiveness of communication systems was a critical measure of a firm's operational standards.

Technology adoption, the second element of Connectivity, considers a firm's internal qualifications of communication capability. With the exception of Manufacturer A, all firms stated that its partner's level of technology adoption was important. Three general reasons surfaced for support of technological capability. First, firms observed that technological sophistication created and pushed change in both big and small organizations. This point was emphasized by both manufacturers and service suppliers, and likely was supported by the successful implementations of various technologies in Alliances B and C. Second, technology adoption enhanced measurement systems development, which is critical to operational performance. Third, technology enhanced alliance communication capability. In summary, technology adoption was an important indicator of a firm's

internal operational effectiveness as well as its commitment to meet joint operational standards.

Conclusion - Connectivity

The dimension of Connectivity represents a particularly important measurement or evaluation of joint operational standards. First, Responsiveness requires firms to rely upon timely and accurate partner communication and performance, in both sophisticated and informal manners. In recent years, sophisticated manufacturer strategies of customer service utilize such levels of total systems efficiency and mutual capability. Such reliance builds operational trust. Second, the modification of basic business practice is clearly evidenced by the changes that technology adoption instigated. Although technological sophistication does not guarantee operational success, it signaled a willingness to change and a financial and human resource commitment to improvement.

Conclusion -- OC - Q4

The three dimensions (Formalization, Information Access and Connectivity) suggested by the General Alliance Model to evaluate joint operational standards were, in fact, clearly evident. In contrast to the measurement of alliance effectiveness in which two dimensions (Actual Net Benefit and Partner Coordination) appeared to be most heavily weighted, the dimensions of Formalization, Information Access and Connectivity appeared to be equally prevalent and important. In combination, the presence of the dimensions' six elements represent a very comprehensive assessment of joint operational

standards.

OC - Q5: How critical are the components of joint operational standards to long-term alliance viability?

In the prior discussion of the General Alliance Model's Process Component, it was observed that alliance partners desired and expected continuous improvement (e.g., modification) to occur. As such, the determination of which dimensions of effectiveness are critical to long-term alliance viability really concerns which dimensions most impact modification and/or continued success. Each dimension is briefly discussed.

Formalization, and in particular the element of continuous performance measurement, critically impacted the decision to sustain, modify or terminate an alliance because it affected the issue of pricing (e.g., contracts and rates). In one Service Supplier C executive's words: "It (performance) is the key issue -- you must perform or it's over." Second, long-term alliance viability may also be affected by the nature of performance measurement. That is, will performance be assessed solely on low cost, or are measures of total systems efficiency and assessment utilized? Alliances A and C particularly struggled with this issue. Third, performance and performance measurement is a required, evolutionary task which must always be improved. Finally, individuals in all firms were quick to point out that operational and personal relationships could supplement, but not replace, performance.

With regard to the dimension of Information Access,

operational cooperation and competence-based trust clearly exhibited an important influence on assessments of an alliance's long-term viability. The close interpersonal relationships developed through operational cooperation are critical to alliance effectiveness. Regarding this point, an executive at Manufacturer C commented that "(our) friendship and the success of the alliance could be coincidental, but I believe it isn't." As noted previously, trust builds upon such cooperation and friendship.

The dimension of Connectivity affected long-term viability, primarily through the element of Responsiveness. Timely and accurate information exchange, whether formal or informal, assisted sophisticated manufacturer customer service strategies based upon total systems efficiency and mutual partner capability. The rationale for an alliance's continuity may depend upon such responsiveness. Technology adoption signals a willingness to change and commit physical, financial and human resources to an alliance. Such commitment appeared to serve the role of a qualifying characteristic rather than a critical characteristic.

Conclusion -- QC - Q5

Without question, Formalization is the most critical component to long-term alliance viability because it includes the element of continuous performance measurement. A number of reasons support this conclusion. First, performance measurement impacts price, contracts and rates. Second, the nature of performance measurement may be a critical alliance

issue. Third, performance measurement is a long-term commitment which must occur as modification occurs. Finally, although Information Access (e.g., cooperation and trust) play a very integral role in alliance success, they support but cannot replace performance.

OC - Q6: How are the requisite levels of risk, benefit, cooperation and trust established between alliance partners at the operational level?

Similar to cooperation at the strategic level, cooperation was established through joint problem solving and communication at multiple organizational levels, particularly the middle management and operational levels with day-to-day alliance oversight. Joint problem solving depended heavily upon the use of integrated teams of empowered personnel supported by senior management. Extensive communication in the form of multiple daily phone calls, regular conference calls, action plans and documented follow-ups, regular site visits, etc. were integral to building cooperation.

With regard to trust, the General Alliance Model suggested four sources for the establishment of competence-based trust: specific competence, interpersonal competence, competence in business sense and judgement. Evidence of each source is briefly considered.

The notions of "quality-based, process-oriented and necessary business requirements" frequently described how functional competence or operating knowledge and skills built trust. All service supplier personnel, particularly those

managers operating at the day-to-day alliance interface, were extremely conscious of the fragile nature of maintaining business if performance was lacking. Interpersonal competence, or "people skills," built trust through "chemistry and rapport and creative synergy." These skills were particularly evident with regard to shared site visits, problem solving teams, close personal relationships and the analyst and floor level personnel who never met each other but spent a considerable portion of their day solving problems via telephone and fax. "Vision and patience" describe how a partner's competence in business sense builds trust. A broad base of experience or expertise reflects a willingness to see the long-term aspect of the alliance, rather than simply short-term financial payoff. In other words, firms are under considerable pressure to display short-term success, and the nature of alliances run counter to such a perspective. Finally, good judgement (e.g., decision-making), which is typically a by-product of business sense, creates trust in an operational sense.

Similar to the strategic level, the establishment of benefit and risk at the operational level are highly subject to firm-specific leadership and personal judgement. Given the multiple levels of managerial participation in operational activities, a broader base of intuition and assessment are available to draw upon. In the alliances studied, the degree of operational benefits were frequently subject to the opinions of those parties most involved in the management and

execution of operational activities. This level of acknowledged empowerment and responsibility directly reflected senior management's confidence in the alliance and its key contacts, and also built considerable confidence and enthusiasm among the involved individuals.

Assuming that the risk of partner performance has been acknowledged and accepted, risk at the operational level primarily requires consideration of personnel changes both within the firm and the partner firm. The departure, transfer, demotion or promotion of individuals at the key contact, manager, analyst or hourly level create risk for an alliance. A number of executives and managers discussed the difficulty of mitigating the risk of personnel change in alliances. Consideration of this issue impacts a firm's training and development efforts, as well as the need to effectively communicate the alliance's vision.

Conclusion -- OC - Q6

Establishment of acceptable levels of cooperation, trust, benefit and risk require consideration of several issues. First, an acceptable level of cooperation can be significantly planned and measured through joint problem solving and communication at multiple organizational levels. Establishing acceptable levels of trust was consistent with the four sources of trust suggested in the General Alliance Model. Trust in functional competence and operating skills is able to be assessed quantitatively, and is primarily a function of the day-to-day alliance interface where operational information is

exchanged and performance occurs. Competence in business sense and judgement are also somewhat measurable. Establishing acceptable levels of benefit requires the assessment of how well functional activities meet predetermined plans; the assessment process is assisted by the inclusion of those individuals' opinions most involved in the performance of operational activities. Beyond partner performance, establishing acceptable risk for an alliance is a difficult topic that firms are just beginning to address. In particular, it concerns changes in key contacts and support personnel, the (cross) training and development of new personnel and the need to clearly communicate alliance vision.

SUMMARY - THE OPERATIONAL COMPONENT

The General Alliance Model's Operational Component represents the development of partner joint operating standards and the evaluative mechanism of an alliance's operational effectiveness. The influence of the alliance process creates an understanding of the necessary operational capabilities to meet a firm's previously identified needs, but the formal process (to obtain those operational capabilities) are lacking. Partner search criteria are driven by the Search stage of the General Alliance Model. Two primary factors of partner qualification were identified: a qualitative judgement of organizational "fit," and the ability for potential business growth. The level of a firm's position in business channels determines additional partner qualification and

capability requirements. The determination of joint operating standards involved highly consistent preparation and execution. The preparatory foundation required clear communication of partner expectations, and an understanding and agreement with regard to goal-setting. The execution required a multiple-level organizational perspective. The three dimensions (Formalization, Information Access and Connectivity) suggested by the General Alliance Model to evaluate joint operational standards appeared to be equally prevalent and important. In combination, the presence of the dimensions' six elements supplied an extensive assessment of joint operational standards. Formalization is the most critical dimension to long-term alliance viability because it includes the element of continuous performance measurement. Specifically, performance measurement impacts price, contracts and rates; often represents a critical strategic issue; requires a long-term commitment of constant modification; and is supported by, but cannot be replaced by, cooperation and trust. An acceptable level of cooperation can be significantly planned and measured through joint problem solving and communication at multiple organizational levels. Establishing acceptable levels of benefit requires the assessment of how well functional activities meet predetermined plans; the assessment process is assisted by the inclusion of those individuals' opinions most involved in the performance of operational activities. Beyond partner performance, establishing acceptable risk for an alliance is

a difficult topic that firms are just beginning to address.

SUMMARY

Chapter Four documented the case study results and applied the results to the research questions presented in Chapter Three. Prior to discussing results, each alliance was described including the circumstances and firms involved. Following the overviews, the case study results were applied to the General Alliance Model's Process, Strategic and Operational Components.

CHAPTER V - CONCLUSIONS

This chapter describes the research conclusions and discusses their implications. First, the rationale for the structure of the conclusions is provided. Second, the conclusions are defined, and then reviewed in terms of their importance and relationship to the research results provided in Chapter Four. Finally, implications for industry practitioners, academicians and future research efforts are discussed.

STRUCTURE OF THE RESEARCH CONCLUSIONS

The General Alliance Model may be considered from several different perspectives. First, it may be examined as three independent components. A second, and more theoretically insightful and managerially relevant perspective may be provided by viewing the model as four horizontal levels (Schmitz 1994). This approach generated five general propositions for alliance success. While the findings of this research support Schmitz' (1994) propositions, another perspective is created by the inclusion of a third party (e.g., service suppliers) which provides further insight into the creation, implementation and maintenance of alliance practice as described by the General Alliance Model.

This perspective is dual in nature. First, productive alliance relationships must consider: (1) requirements to achieve initial alliance success; and (2) requirements beyond the achievement of initial alliance success. In other words, while certain activities, perspectives and skills position a firm for success in the beginning of an alliance, other activities, perspectives and skills must be developed and utilized to achieve long-term alliance success. Second, operationalizing the considerations includes both organizational and individual requirements. The following two sections discuss the relationship between the organizational and individual requirements.

REQUIREMENTS TO ACHIEVE INITIAL ALLIANCE SUCCESS

This section describes and discusses four requirements to achieve initial alliance success. Each requirement is an essential "building block" in the foundation necessary to create successful long-term alliance practice. More specifically, the four requirements to achieve initial alliance success enable alliance partners to develop a set of activities, perspectives and skills that focus primarily on current capabilities and needs. Thus the following requirements are integral to achieve initial alliance success:

- Understand The Influence Of Previous Business Relationship History
- Recognize Benefit Expectations
- Develop Trust
- Utilize Organizational Learning

Each is discussed.

UNDERSTAND THE INFLUENCE OF PREVIOUS BUSINESS RELATIONSHIP HISTORY

Prior business relationship history may be influential at the organizational level and/or at the individual level (e.g., close senior executive or manager relationships). Such history affects the General Alliance Model both positively and negatively. In either case, a failure to formally address this issue appears to be commonplace, and thus influences judgements and behaviors that impact initial alliance success.

In the initial stages of the General Alliance Model (e.g., Search and/or Selection/Decision), a firm which possesses considerable prior business relationship history with a potential alliance partner often fails to utilize a formal, comprehensive search process. Relationships of "convenience" that appear to be beneficial to both parties are common to such an informal perspective of analysis. If some type of analysis is conducted, firms that are "known commodities" may not receive the same degree of scrutiny or have to meet the same requirements as potential partners without such extensive history. In either case, the initiating or searching firm may not clearly formulate and consider initial and secondary alliance expectations and objectives due to the bias of previous business relationship history. Moreover, effective internal organizational communication of those expectations and objectives may fail to occur, as senior executives or key managers assume that all

personnel share a common perspective of the relationship in question and its future potential. Additionally, information which provides improved understanding of alliances in general and/or potential alliance operating requirements may not be collected. Opportunities to achieve strategic and operational benefits with potential partners that possess more compatible and complementary cultures, philosophies and necessary capabilities may be overlooked. Overall, this approach may produce a very limited spectrum of prospective partners and, worse yet, an unwise selection of a partner.

Conversely, prior business relationship history, particularly close individual (e.g., senior executive) business and personal relationships, may create a mutual vision and drive creativity that leads to initial alliance success. Moreover, previous business relationship history in the form of organizational loyalty developed and exhibited over time frequently inspires potential partner confidence and respect for competent performance. In sum, prior history may clarify awareness of needs, as well as provide valuable information regarding potential partner qualifications and capabilities.

The latter stages of the General Alliance Model (e.g., Implementation/Administration and/or Assessment) are also impacted by previous business relationship history. In a positive sense, extensive prior history provides a foundation for the development of organizational and individual level cooperation and trust which are critical to alliance

Implementation/Administration. Conversely, the ability to begin with a "clean slate" and radically reengineer business practice may be limited by the level of comfort or restricted vision that organizational familiarity may sometimes engender. Furthermore, the Assessment stage may be colored by individuals' feelings or memories based upon past, rather than current and future strategic effectiveness and operational performance requirements.

In general, firms appear to acknowledge and better understand the importance and impact of prior business relationship history on the latter, rather than the earlier, phases of the General Alliance Model. Two points require specific mention. First, an unwillingness to acknowledge bias due to extensive prior business relationship history may make it very difficult to build organizational support for a comprehensive partner search and selection process. In particular, influential senior executives or managers must recognize this potential pitfall. Second, it is both logical and oftentimes desirable to ally with longstanding business parties. Previous relationship history is certainly not unhealthy in and of itself. However, it is mandatory that organizations pay attention to, and understand, its impact on alliance practice. Such attention requires the input of multiple individuals -- preferably senior executives and managers who will objectively analyze (1) a potential partner with respect to current and future strategic fit; and (2) a current partner with respect to strategic effectiveness and

adherence to operational standards. In conclusion, a formal review process is a requirement to assess the influence of previous business relationship history on initial alliance success.

RECOGNIZE BENEFIT EXPECTATIONS

Firms become involved in alliances to attain a variety of benefits. The second requirement to achieve initial alliance success focuses on the need to clearly recognize and define the scope of those benefit expectations. Specifically, the recognition of benefit expectations requires the ability to (1) define and communicate expected benefits; (2) discuss and be willing to incur the necessary costs to achieve such benefits; (3) measure outcomes to determine the extent of benefit achievement; and (4) encourage a number of general factors which facilitate the achievement of expected benefits.

First, the effective definition and communication of benefit expectations requires senior management support. Defining expected benefit is essential to determine necessary alliance costs and to develop measurement standards. The level of expectations typically mandates the degree of necessary costs in physical and human resources. Additionally, clearly communicated expectations regarding objectives, goals, plans and procedures are critical to develop a consensus of measurement standards at the alliance, organization and individual levels. Finally, there must be recognition that benefit expectations will include mutual

"early wins" or a "quid pro quo" mindset, especially early on.

Second, requisite costs to achieve alliance benefit should be discussed in the Search and Selection/Decision stages, and carried out and measured in the Implementation/Administration and Assessment stages. Costs fall into two categories: (1) systems and physical facilities investments (e.g., the organization level), which are alliance and firm-specific and may entail some latitude regarding timing and necessity; and (2) personnel investments in time and training (e.g., the individual level), which are mandatory for alliance success.

Third, the ability to measure benefit expectations is essential. Measurement requires financial and strategic reporting capability. Benefits must be apparent, although they may be intangible as well as tangible. Both the organization and individuals should benefit in terms of increased learning, trust, enthusiasm, growth opportunities, etc. Benefits may be operational (e.g., improved productivity, stability, functional expertise) or strategic (e.g., improved profitability, customer service, market share, reputation); firm-specific or mutual (e.g., improved problem resolution, better understanding of systems requirements and changes); and qualitative (e.g., improved sense of trust and communication) or quantitative (e.g., improved responsiveness to customer inquiry, "perfect order" characteristics).

Finally, although benefit expectations are alliance and firm-specific, a number of general factors facilitate the

achievement (and thereby reduce the relevant costs) of such expectations. First, each organization must clearly understand its role in the alliance. Second, individuals must understand how they contribute to their firm's performance or role. Third, the alliance must have economic value to both partners. Equal commitment to achieving such benefits must also exist. Fourth, comprehensive performance measurement and timely feedback is necessary. Beyond alliance and organizational measures, measurement should utilize the intuition and perceptions of those individuals most intimately involved in the management and execution of day-to-day alliance activities. Fifth, a long-term view of alliance benefit is essential to realize the costs of physical and human resources.

DEVELOP TRUST

A third key to achieving initial alliance success is the development of multi-dimensional trust between individuals and organizations. Such trust includes a qualitative assessment of a partner's attributes or characteristics which are reflected in its philosophy or organizational culture (e.g., the element of character-based trust), as well as a quantitative assessment of actual behavior and operating performance (e.g., the element of competence-based trust).

Trust is the bridge between recognition of benefit expectation and the organizational learning process. As cooperation grows between individuals and firms, the levels of

strategic (character-based) and operational (competence-based) trust grow as well. Both elements of trust evolve gradually: they must be tested, proven and earned over time. It should be noted, however, that the passage of time does not guarantee the development of trust will necessarily occur. When credible, consistent, reliable operational performance is exhibited -- competence-based trust will evolve. The requirement of credible performance occurs at both the organizational and individual level. Such performance is the foundation for the development of strategic, character-based trust. In other words, credible performance must be demonstrated to gain an opportunity to display and build strategic trust.

Strategically, trust is an intangible, intuitive measure of alliance effectiveness. For example, "everything" cannot be written into a contract. Nor do contracts spell out how to achieve trust. When viewed in terms of interorganizational faith and chemistry, trust is the basis for influential decisions that would not otherwise be possible in business relationships. In other words, trust is the soft side of a relationship -- a vision or mindset which can't be measured but one knows if it is or isn't there. Finally, trust requires individuals and firms to be counted upon -- it is the willingness to protect partner interests in times of need without allowing them to be hurt in the process.

Trust is created at all organizational levels and leads to more extensive information sharing and improved

communication between organizations and individuals. Two requirements are necessary to accomplish these results. First, senior executives and managers must understand and encourage the development of the multi-dimensional nature of trust. Second, individuals' actions must accurately reflect both verbal and written commitments, because alliance partners continuously evaluate the consistency and credibility of knowledge, promises and performance over the life of an alliance. In other words, maintaining trust at the organizational and individual levels is a never ending, and critical, process.

UTILIZE ORGANIZATIONAL LEARNING

The final requirement to achieve initial alliance success concerns the opportunity to learn, as an organization. An important driver of the partner search and selection process is the desire to gain exposure and access to reliable suppliers of innovative ideas and expertise. Both organizations (e.g., technology and systems expertise) and individuals (e.g., vision and creativity) may supply such innovation. Organizational learning becomes critically important when it is operationalized during the Implementation/Administration stage.

The notion of organizational learning may be thought of as a two-step process. First, the learning organization recognizes that it has shortcomings (e.g., quality and/or performance measurement, systems development, information

technology applications, customer service provision). The alliance is viewed as an opportunity to learn critical skills and gain knowledge from the partner firm to resolve these shortcomings. The "acquired" skills and knowledge are transferred throughout the firm on an organizational and individual level. In the second step, the firm reapplies that "learned" knowledge to other customers and business situations. In other words, the learning organization creates a "template" of valuable product/service offerings to bring to the marketplace and expands its opportunity to "grow the business." Organizational learning is not restricted to a particular level of channel member; all organizations have the potential to learn.

Two points regarding organizational learning require specific mention. First, a prerequisite to organizational learning is the existence and encouragement of a "trial mentality" throughout an organization. This mindset is characterized by strong senior executive support of experimentation -- moreover, it acknowledges that such experimentation will most certainly fail on some occasions. Most important, such experimentation will not result in penalties to individuals and organizational business units. A "trial mentality" mindset encourages individual level empowerment, enthusiasm and innovation that drives successful alliance practice. Second, conventional wisdom suggests that organizational learning is assumed to be the sole property of firms with an experimental corporate culture or reputation.

This does not appear to be the case in practice. A corporate culture with a "conservative" or cautious reputation is clearly not incompatible with innovative thinking. In particular, firms in the early stages of the General Alliance Model (e.g., Need Awareness and Search) would do well to bear this point in mind.

In conclusion, organizational learning provides a way to translate an organization's motivations for alliance involvement (e.g., benefit expectations) into initial alliance success. As such, organizational learning represents the fourth and final requirement to achieve initial alliance success and completes the foundation to develop successful, long-term alliance practice.

CONCLUSION - REQUIREMENTS TO ACHIEVE INITIAL ALLIANCE SUCCESS

This section has described and discussed four requirements to achieve initial alliance success. Table 5.1 summarizes each requirement's organizational and individual level elements.

REQUIREMENTS TO ACHIEVE LONG-TERM ALLIANCE SUCCESS

This section describes and discusses requirements to achieve long-term alliance success. Unlike the requirements for initial alliance success, the following requirements are likely to arise after a considerable period of time has passed, and an alliance has achieved initial success and a sense of maturity. While different alliances will likely

Table 5.1
Requirements To Achieve Initial Alliance Success

Organizational	Requirement	Individual
• Utilize A Formal Search And Selection Process • Utilize A Formal Assessment Process • Acknowledge Partner Search And Selection Bias	Understand The Influence Of Previous Business Relationship History	• Support Formal Organizational Processes • Provide Objective Analysis
• Define And Communicate Expected Benefits • Determine And Be Willing To Incur Appropriate Investments • Develop Measurement Capability • Provide Economic Value To Both Parties • Communicate The Organization's Role • Utilize Individuals' Knowledge	Recognize Benefit Expectations	• Define And Communicate Expected Benefits • Provide Executive Support • Understand One's Role • Provide Perceptions Of Knowledge
• Provide Competent Performance • Protect A Partner In Need • Exercise Good Judgement And Decision-Making	Develop Trust	• Provide Competent Performance • Protect A Partner In Need • Develop Multi-Dimensional Trust • Display Consistency With Regard To Verbal And Written Commitments
• Seek Innovative Suppliers Of Ideas And Expertise • Reapply Learning • Develop And Encourage A "Trial" Mentality • Understand Conservatism And Creativity	Utilize Organizational Learning	• Provide Executive Support Of Experimentation • Embrace Empowerment • Display Innovation And Enthusiasm

confront each of these requirements at different points in time and sequences, all of the requirements will eventually generate discussion and some consideration. This will be the case because organizations and individuals often focus so intently on the achievement of a particular goal (e.g., initial alliance success) that attention to issues beyond that goal are oftentimes forgotten or given insufficient attention (e.g., long-term conditions). In addition, as an alliance progresses, unique demands and new operating conditions may evolve. These demands and conditions must be addressed in order for an alliance to be modified and adapt to a changing environment. In particular, the ability of alliance partners to address the following requirements will significantly impact the achievement of long-term alliance success:

- Acknowledge Multiple Levels Of Performance
- Acknowledge The Importance Of Low Cost
- Recognize Organizational Risk and Adaptation
- Consider Reward Beyond Traditional Structures

Each is discussed.

ACKNOWLEDGE MULTIPLE LEVELS OF PERFORMANCE

With regard to achieving long-term alliance success, the key point is simple: benefit achievement requires performance. Discussion of alliances often creates the impression that a partnership is held together primarily by personal relationships and/or the intangible components of trust and cooperation. While personal relationships, trust and

cooperation may certainly be the "glue" binding alliance partners together, the competent performance of each partner's roles and responsibilities is critical to maintaining successful long-term alliances. Failure to achieve required performance levels may signal that an alliance should be discontinued.

Alliance performance may be thought of as joint behavior or action that meets mutual strategic expectations and adherence to operating standards. Acceptable performance enhances trust and cooperation and creates an assumption that partners will continue to perform as promised. In most business relationships, the extent to which current performance is relevant to future business is uncertain at best. While it is a prerequisite for continued business, current performance does not ensure future performance will be acceptable. Uncertainty in long term performance is dangerous because alliance partners are very dependent upon each other, have made physical and human resource investments in the relationship and would have difficulty replacing their partner. Because such performance is so critical, however, alliance partners often consider it not just in terms of meeting current expectations, but in terms of meeting long-term expectations of operational and strategic goals.

Specifically, long-term performance (and performance improvement) represent a continuous requirement at multiple levels: (1) alliance performance; (2) partner (e.g., organization level) performance; and (3) key contact (e.g.,

individual level) performance. Each level incorporates both quantitative and qualitative elements. Given its relative simplicity, partner performance will be examined first and then compared to alliance performance. Key contact performance is addressed last.

Partner performance is often measured quantitatively in terms of an organization's ability to meet pre-determined standards. Generally, such standards are easy to assess. Traditional partner performance measures include on-time delivery, fill rate, etc. Performance failure can severely impact an alliance both operationally and strategically. For example, if controllable internal conditions and/or uncontrollable market conditions cause a firm's performance on a key metric to becomes a significant concern to its partner, both firms may question the alliance relationship until the problem is resolved because partner performance has created a significant point of conflict. Partner performance also includes a qualitative or intuitive dimension. This perspective is concerned with a partner's corporate strategic vision (e.g., the driver for performance) as well as systems, infrastructure and training capability and execution (e.g., the ability to perform).

Alliance performance is much more difficult to evaluate than partner performance. Typically, alliance performance is assessed in terms of a qualitative, "general feeling" of success or failure. Qualitative alliance performance is concerned with difficult concepts to measure such as service

quality, consolidation benefits or creative problem solving. Quantifying these elements into hard numbers, rather than utilizing intuitive feelings, is difficult if not impossible. Thus, it is typically easier to make general comparisons between an alliance and other less successful relationships than to try to develop and compare actual numbers.

Quantitative alliance performance usually focuses on financial elements such as costs, productivity, market share and sales volume, even though it is often difficult to attribute direct numbers to specific alliance activities (e.g., productivity increases can be attributed to new technology, general economic factors, improved facility layout and design). In the future, organizations desire a broader assessment capability; that is, they would prefer that alliance performance go beyond, for example, simple cost computations. For example, organizations are beginning to develop and integrate "pay-for-performance" components into reporting systems. Another way to quantify alliance performance is to utilize joint measures of partner performance based on controllable alliance operations. Finally, adding intangible (e.g., qualitative) benefits to the evaluation system would reduce the mistrust that results from purely price or cost comparisons, but such evaluation methods appear to be infeasible at this point in time.

Key contact performance refers to the operational and personal aspects of the relationship between key alliance managers. Key contacts are responsible for quantitative

operational activities that are measured and communicated on a routine basis between alliance partners. For example, a key contact who leads a continuous improvement team can be evaluated against successful implementation of improvement suggestions. The qualitative element of key contact performance refers to assessments of relationship trust, cooperation and communication. Although such close personal relationships are common in alliances, key contacts strongly emphasize that meeting operational performance requirements are key to achieving alliance success. In other words, the issue is not whether key contacts' personal relationships can substitute for partner or alliance performance, but to what extent those personal relationships can enhance overall long-term alliance success.

In conclusion, long-term performance and performance improvement represents a continuous requirement at three levels: the alliance; the partner (e.g., the organization); and key contacts (e.g., the individual). Each level contains quantitative and qualitative elements. It is imperative that organizations and individuals acknowledge the multiple levels of performance; structure appropriate training, measurement and reporting to support the multiple levels of performance; and encourage its improvement. Table 5.2 summarizes the multiple dimensions of alliance performance. As such, the concept of performance demands that alliance partners continually ask, "What have we done for each other and the alliance lately?"

Table 5.2
Multiple Levels Of Alliance Performance

Performance Level	Quantitative Assessment	Qualitative Assessment
Alliance Level	Financial Performance Elements (e.g., Cost, Productivity, Sales Volume, Market Share)	Conceptual "General Feelings" Of Success Or Failure (e.g., Creative Problem Solving And/Or Consolidation Benefits)
Partner Level	Ability To Meet Pre-Determined Standards (e.g., On-Time Delivery, Fill Rate)	Corporate Strategic Vision; Systems, Training And Infrastructure Capability And Execution
Key Contact Level	Measurement Against Improvement Suggestions (e.g., On A Continuous Improvement Team)	Regarding Levels Of Trust, Cooperation And Communication Within Personal Relationships

ACKNOWLEDGE THE IMPORTANCE OF LOW COST

Beyond the recognition and understanding of competent performance at the alliance, partner and individual level, a fundamental tenet of long-term alliance success is that it should reflect a broadened vision of supply chain value -- rather than a traditional, functional perspective in which low cost is a surrogate for performance. The requirement to acknowledge the importance of low cost considers its presence within that broadened vision of alliance practice. Given alliance partners' desire to achieve and maintain long-term success, organizations must realize that the issue is not whether low cost will disappear as a viable measurement of performance -- but rather how to cope with it and address its presence as only one measure of performance.

A low cost, functional perspective is typically conceptualized as narrow or short-term in focus. Moreover, its presence may hinder necessary investments and creativity required to improve alliance performance. In contrast, designing and maintaining long-term alliances based on supply chain value frequently represents a considerable risk because they require the commitment and development of scarce human and physical resources. Alliances are not a quick fix -- it often takes time to reap the full benefits of their human and physical resource investments.

Organizations, and senior executives in particular, must therefore confront the issue of whether a low cost focus alone can adequately measure partner performance. For example, can relatively intangible partner contributions such as the development of increased customer loyalty and business growth that often result from value-added enhancements and more effective and efficient supply chain performance be adequately measured on cost alone? Unfortunately, a short-term focus (e.g., low cost) is often too impatient or short-sighted to comprehensively consider such partner performance. As a result, an alliance may experience dysfunctional conflict or be terminated prematurely. In summary, the desire to lower operating costs is not incompatible with alliance practice. What is incompatible, however, is to utilize low cost as the sole determinant of performance.

A second, and related issue, thus requires organizations to develop different approaches to more comprehensively assess

the low cost versus supply chain value perspective. The requirement at the individual level is to recognize, understand and carry out their role within that broadened assessment structure. These related requirements are best illustrated by use of an example. Suppose that a manufacturer utilizes certain individuals (e.g., key contacts) to analyze transportation pricing policy and manage an alliance on an informal, decentralized (plant by plant) basis. This approach makes it difficult to consider both a plant's low cost goals (e.g., negotiating transportation price) and overall alliance performance (e.g., analyzing supply chain value). The difficulty lies in the conflicting challenges of the assessment approach. The individual, or key contact, focuses on plant performance and low cost goals. But from the organization's perspective, one plant's efficient performance may result in another plant's inefficient performance and thus supply chain value may suffer.

One solution to the problem is to clearly separate operational performance (e.g., low cost) from the negotiation of price (e.g., supply chain value). In other words, responsibility for the negotiation and purchase of transportation across all business divisions should utilize corporate negotiation resources to focus on the tradeoffs that drive supply chain value. This represents the organization level perspective. Responsibility for managing each plant's transportation operations should focus on achieving operational transportation quality. This represents the

individual level perspective. In essence, this approach acknowledges that alliance performance requires the assessment of both low cost and supply chain value. The approach also acknowledges the need for the individual and the organization to achieve different, but complementary objectives.

In conclusion, achieving low cost will always be critical to long-term alliance success regardless of the approach utilized. However, the assessment process should be designed to include and consider both low cost and supply chain value. Moreover, the structure must also provide both organizational and individual perspectives. Finally, in order to truly understand and assist a customer's business, the approach must be relationship specific (e.g., customized).

RECOGNIZE ORGANIZATIONAL RISK AND ADAPTATION

Organizational risk and adaptation incorporates a more micro-level focus than the prior two requirements. In other words, more specific attention is directed toward individuals' actions that affect organizational behavior and long-term alliance success. Organizational risk and adaptation incorporates two separate, but related, characteristics.

The first characteristic concerns the fact that key managers and contacts in an alliance often develop a greater loyalty to the alliance than to their own firm. This dilemma of loyalty often creates a situation where an individual must solve "a puzzle of expectations and a puzzle of needs." In other words, alliance (e.g., organizational level)

expectations and individual level expectations conflict with regard to the requirements or needs of an alliance's day-to-day management.

Schmitz (1994) utilized the term "united front" to describe the loyalty, trust and close personal relationships that develop between, and bond together, ad hoc teams and direct alliance key contacts. Oftentimes, these individuals view their jobs as integral to the achievement of an alliance's goals. Additionally, the individuals work together to fight alliance barriers which exist in each organization's corporate hierarchy. In essence, the united front represents the alliance's "social contract" -- and its inherent strength.

Although the united front is highly productive and essential to initial alliance success, it raises several critical challenges for long-term alliance success. First, is there a point where the trust developed by key alliance managers creates a degree of risk that may seriously threaten the organization's overall well-being? Second, how does the organization cope with the increasing dependence on such key managers? For example, what if a key alliance manager leaves the firm (perhaps to a competitor), is promoted, requests a transfer, or becomes ill for an extended period of time? Finally, can the alliance's united front undermine its own success?

To a limited extent, firms are aware of the potential for a united front becoming problematic. One obvious solution is to reduce organizational dependence on alliances and thus

reduce the risk of "misplaced loyalty." However, to firms extensively involved in alliances, this is not a viable solution -- because most executives and middle managers believe that replacing a current partner is a very difficult and painful task due to the critical role (e.g., volume commitment, operational expertise, systems support, reliability) a partner typically plays in a firm's success.

One approach to resolve this issue is to encourage key contacts at the middle manager and operational levels to get to know, work with and trust personnel at multiple levels of the partner's organization. Thus dependence on any one individual is reduced since the organizations and the individuals develop a broad network of contacts who are aware of alliance issues and activities. Another approach is to regularly rotate personnel through the organization. This approach reduces the risk of losing key personnel but may be achieved at the cost of reducing loyalty, trust and close relationships between key contacts. Another drawback to this approach is that most organizations lack sufficient personnel for job rotation as well as the extensive time required for training. However, the approach is strongly advocated by some organizations. For example, service supplier investment in such personnel training may be considered its form of research and development.

A second characteristic regarding organizational risk and adaptation concerns changes in key individuals (particularly senior executives or managers) which may drastically affect

corporate strategy and leadership and thus an alliance's business role and vision. Oftentimes, this type of change represents a shift in organizational culture. For example, a change in senior management may instigate a shift from a cooperative, long-term alliance perspective to a short-term, cost-cutting mode. An important requirement for organizations and individuals is to carefully monitor alliance partner philosophies of cost and supply chain value -- and realize that the emphasis can change rapidly. If such radical shifts do occur, a reassessment of each firm's economic and strategic role in the alliance is required to ensure that their mutual goals remain compatible and/or complementary. In particular, the long-term nature of alliance interdependence as well as financial and human resource investments make such vigilance a requirement. Assuming that such changes in corporate direction will not occur is a risk that allying firms cannot afford. The risk of "being burned" by such changes reemphasizes the importance of carefully researching and wisely selecting alliance partners in the Need Awareness, Search and Selection/Decision stages of the General Alliance Model.

CONSIDER REWARD BEYOND TRADITIONAL ORGANIZATIONAL STRUCTURE

The final requirement examines how both organizations and individuals must expand their horizons with respect to achieving long-term alliance success. Perhaps more than any requirement, this exemplifies the potential scope of the

change management process. As alliances achieve a significant degree of long-term success, considering cross-organizational reward systems for individual key contacts represents a significant shift in perspective for most organizations. Traditionally a taboo subject, the notion of one organization evaluating and compensating another organization's personnel is an interesting requirement for a number of reasons.

In recent years, considerable attention has been given to developing ways to "push" the boundaries of organizational success beyond what has been historically acceptable. Corporate downsizing, frequent job switching and reduced loyalty between organizations and individuals makes innovative reward systems a highly relevant contemporary topic for consideration.

The traditional manner of compensation for individuals involved in alliances is straightforward and no different from that of other personnel in a firm. However, given the extensive daily involvement of cross-organizational key contacts (especially those individuals located on common sites), it is possible to consider how cross-organizational reward systems could be applied to motivate key alliance contacts. Carefully designed and innovative cross-organizational alliance personnel reward systems may offer a distinctive way to alleviate job switching, loyalty issues (e.g., risk within the united front), increase alliance performance and drive an alliance relationship vision down closer to "the front line."

From a financial perspective, it would appear that the structure of cross-organizational reward systems would be highly relationship specific. In addition, it is likely that the systems would have to be highly formalized with regard to individual level (e.g., key contacts) responsibilities and organization level performance standards. In particular, individuals would need to feel comfortable with work environments, reporting relationships, performance standards and reward systems that require satisfying not just one, but two organizations. Additionally, individuals would need to feel comfortable with a certain amount of uncertainty -- and opportunity.

Another consideration to cross-organizational compensation is the danger that the firm's perspective will continue to be based on a traditional "win-lose" scenario. For example, differences in opinion may exist regarding the sharing of cost reductions. In other words, if benefits were "discovered" jointly, they would likely be shared equally between partners. But if one partner discovered and implemented an idea alone, how should the benefits be shared, if at all? Should the savings translate, for example, into rate reductions for the partner which initiated the idea, or will the fact that both partners will benefit indirectly be satisfactory? If conflicts arise from determining which partner should receive the "reward," cross-organizational compensation for individual employees would be even more complex to manage.

Experimentation with cross-organizational reward systems represents a commitment to, and an extension of, strategic and operational levels of cooperation and trust. Such experimentation may provide the potential to "move" alliances beyond the boundaries that organizations currently believe are achievable. In particular, the consideration of cross-organizational rewards exemplifies the creativity -- and the challenge -- inherent in managing alliances at the organizational and individual levels to achieve long-term alliance success.

CONCLUSION - REQUIREMENTS TO ACHIEVE LONG-TERM ALLIANCE SUCCESS

This section has described and discussed four requirements to achieve long-term alliance success. Table 5.3 summarizes each requirements's organizational and individual level elements.

SUMMARY - RESEARCH CONCLUSIONS

The requirements to achieve initial and long-term alliance success represent two dimensions of a change management process. Additionally, the requirements to achieve initial alliance success are the "building blocks" or foundation to achieve long-term success. Although the sequential nature of each dimension's requirements is somewhat alliance and firm-specific, certain general conclusions may be offered.

Table 5.3
Requirements To Achieve Long-Term Alliance Success

Organizational	Requirement	Individual
• Assess Strategic Compatibility • Provide Capability And Execute • Recognize Multiple Levels Of Performance	Acknowledge Multiple Levels Of Performance	• Understand Internal And External Expectations And Standards Of Performance • Expect And Achieve Continuous Improvement • Increase Cooperation, Trust And Communication
• Acknowledge And Determine The Role Of Low Cost And Supply Chain Value • Design Multiple Dimensions Of Assessment	Acknowledge The Importance Of Low Cost	• Understand The Role Of Low Cost And Supply Chain Value • Understand One's Role In Achieving Low Cost
• Monitor The "United Front" • Monitor Partner Changes In Organizational Culture	Recognize Organizational Risk and Adaptation	• Solve The "Puzzle Of Expectations And Puzzle Of Needs" • Monitor Partner Changes In Organizational Culture
• Motivate Key Contacts • Communicate Alliance Vision • Experiment • Resolve How To Share Improvements	Consider Reward Beyond Traditional Organizational Structure	• Become Comfortable With Satisfying Dual Organizational Structures • Become Comfortable With Experimentation • Understand The Alliance Vision

In terms of achieving initial alliance success, requirements one and two represent an assessment of a firm's historical manner of doing business as well as providing an indication of the direction and benefits it expects to realize in the future. First, firms must have a particularly strong understanding of how previous business relationship history influences the initial stages of the General Alliance Model (e.g., Need Awareness and/or Search). That understanding should be applied to latter stages of the General Alliance Model as well, particularly regarding Assessment. Such understanding provides a realistic analysis of organizational compatibility in terms of complementary goals, strategies, strengths, etc. Second, the recognition of benefit expectations and the ability to define and communicate them, as well as discuss their costs and measure their outcomes is essential for initial alliance success. Third, operationalizing alliance benefit expectations requires the development of multi-dimensional trust at the organizational and individual levels. Trust represents the "bridge" between the recognition of benefit expectations and the application or utilization of organizational learning necessary to achieve many of those benefits. The attainment of these three requirements allows the fourth and final requirement of organizational learning to provide a unique and efficient way to translate alliance motivations (e.g., benefit expectations) into organization and individual-level success. The key to organizational learning is an active search for reliable

innovative suppliers of ideas and expertise, and a corporate-wide "trial mentality."

With regard to long-term alliance success, requirements one and two represent comprehensive, enhanced perspectives of performance. Such performance assessment is necessary to measure how well expectations of alliance benefit are actually being achieved. First, firms must acknowledge the multiple levels of performance to ensure partners' future operational competency and strategic compatibility. Second, given that acceptable performance exists -- firms must consider low cost as well as supply chain value, and design structures that incorporate both dimensions of assessment. Organization and individual level perspectives must be incorporated within those assessment structures as well. Requirements three and four focus specific attention upon personnel directly involved in an alliance and the interrelationship with the their organizations. That is, while attention to organizational requirements remains important, more specific consideration of individuals' impact on successful long-term alliance practice is examined. Given that partner investment and reliance are an accepted fact of daily operational and long-term strategic success, the third requirement considers how organizational risk and adaptation are addressed with regard to (1) key alliance personnel and (2) exposure to radical shifts in partner business philosophy and practice. The final requirement considers how innovative reward structures can be designed and implemented to enhance alliance loyalty,

performance and vision.

IMPLICATIONS OF THE CONCLUSIONS

As discussed in Chapter I, strategic alliances hold considerable interest for both industry practitioners and academics. It was also observed in Chapter I that there is an imbalance between theoretical and practical knowledge concerning alliances. Specifically, practical knowledge is lacking. The stated purpose of this research was to address that imbalance from both a practitioner and academic perspective.

The preceding conclusions generated by the General Alliance Model suggest that the primary academic contribution of this research has been the development of a method to link alliance theory (what to do) with alliance practice (how to do it). In other words, general theory which hypothesizes that "win-win" relationships are beneficial lacks a specific structure (e.g., the eight requirements) to achieve initial and long-term alliance success. The primary practitioner contribution of this research has been the development of a method to guide and assess the development and maintenance of logistical alliances in order to achieve more efficient and effective business practice. Given the two broad contributions, seven more specific implications are offered. Each is discussed.

CHANGE MANAGEMENT AT THE ORGANIZATIONAL AND INDIVIDUAL LEVELS

First, the conclusions strongly support the notion that the General Alliance Model represents a method to guide and assess the management of change at the organizational (e.g., philosophy and mission) and individual (e.g., attitudes and behaviors) levels. From an academic perspective, the General Alliance Model integrates organizational systems and stages theory, channels and relationship marketing, and the logistics literature to describe the change management process. More specifically, the Process Component reflects the evolutionary process of change necessary to create, implement and maintain successful alliances. Facilitators and constraints of the Process Component evolve from broad-based, strategic factors to more specific, operational factors as the alliance evolves. That evolution reflects an increasingly operational commitment to the process of change management. The strategic effectiveness of an alliance and adherence to joint operating standards reflect measurements and subsequent assessments of how well that change process is being carried out at both the organizational and individual levels.

From a practitioner perspective, although firms readily acknowledge that alliance practice will require changes in business philosophy and behavior, the recognition and understanding of what must change is another issue altogether. In order to operationalize the change management process, senior management should formally examine an alliance with regard to each of the eight requirements at the organizational

and individual level to (1) identify any current or potential shortcomings; (2) identify clear and consistent goals for necessary improvement; and (3) design and plan to achieve the improvements (e.g., what human and physical resource commitments are required). The assessment should be formalized in a concise, comprehensive written document and then analyzed by the managers and key contacts being assigned to, or already committed to, the alliance. A consensus among all involved individuals must be reached. This process and resulting document should provide a foundation to support management of the alliance and highlight the firm's organizational and individual level strengths and weaknesses. The document should be updated on a regular basis (e.g., every six months to a year) and should support the routine meetings and performance reviews that direct the alliance's management.

THE COSTS OF BUSINESS MODIFICATION

A second implication is that there will be costs to implement the business modification or change management process implied by the organizational and individual requirements. From the practitioner perspective, recent research in the grocery industry has suggested that the largest cost for many firms to adopt business modification (e.g., alliance practice) will be "people" costs -- that is, cultural changes that must occur as individuals relinquish traditional habits and practices and adopt new methods of training and education, organizational reporting relationships

and accountability, and performance measurement both at the business unit and individual level (Salmon 1993). An outgrowth of the formal review process noted above was the identification of human and physical resource commitments necessary to achieve alliance goals. Human resource or "people" costs will particularly require commitment at the organizational level in terms of time and innovation. In terms of time, firms must identify relevant constraints of available personnel and how many alliances it can effectively be involved in. In particular, firms must assess how the commitment to a new alliance may possibly affect the management of existing alliances. Additionally, the organization must be innovative. In other words, the necessary skills to develop key alliance personnel must be identified. Formal programs should be developed to: (1) provide education and training for prospective alliance managers and key contacts; (2) identify and "track" individuals who best fit the firm's profile of successful alliance managers; and (3) plan to utilize the trainees, over time, to become the alliance "trainers" so that the education and training program is based upon practical experience. These commitments reflect the critical notion that "alliances are only as good as the people involved in them."

Academically speaking, the General Alliance Model contains the potential to provide a significant contribution with regard to addressing (and reducing) the aforementioned "people costs." That contribution is two-fold. First, on a

macro level, replication of the model's applicability to other industry settings and channel levels is a logical and important test of generalizability. Second, at a more micro level, the General Alliance Model provides a guide to research relationship-specific issues such as cooperation and multi-dimensional trust that have previously been treated in an anecdotal or prescriptive sense in the literature. Specifically, an important methodological opportunity has been initiated with regard to developing and testing new scales specific to alliance practice. This task is especially imperative given that many scales currently being utilized in alliance research were developed to study adversarial, rather than cooperative, channel relationships (and thus may not be completely relevant to alliances). The knowledge generated by such academic research can assist managers in better understanding and operationalizing the personnel-related elements of the change management process.

THE BARRIERS TO BUSINESS MODIFICATION

A third implication beyond the awareness of, and willingness to incur the costs of business modification, is that there will be barriers to such modification -- the largest of which will be operational and cultural rather than financial or technological. Therefore, the most critical changes for firms will be mandatory investments in personnel (e.g., individuals) rather than somewhat firm-specific, optional investments in systems and facilities. This

implication is essentially practitioner-focused.

Operational barriers to personnel investment are twofold. First, there may be a failure to recognize that financial investments in "bricks and mortar" can be easily duplicated. Additionally, there may be a failure to recognize that (to a certain degree) technological sophistication is oftentimes a qualifier rather than the primary basis for alliance partner selection. In either case, valuable resources and attention that should be devoted to personnel may be diverted in less productive areas. The second operational barrier is concerned with a firm's unwillingness to truly empower individuals to play an important role in an alliance. This barrier focuses on a firm's level of trust in its personnel. This barrier diminishes a firm's partnering skills and makes it a less attractive alliance partner.

There are also two cultural barriers to personnel investment. First, attitude-based barriers may exist. The traditional adversarial perspective of business philosophy, which is somewhat prevalent in older employees, may be problematic in terms of acknowledging the importance and value of cooperation, trust and loyalty. Attitude barriers may also exist with regard to the patience required to allow alliance relationships to evolve. Both barriers imply senior management direction and support to encourage organizational change. Second, skill-based barriers may exist with regard to the analytical and systems capability required for an individual's job performance to occur in a manner which

supports alliance objectives of creativity and responsibility. The absence of operational and cultural barriers is perhaps best exemplified by the importance of a "trial mentality," which was discussed previously in regard to the organizational learning process.

EFFORTS TO ACHIEVE INITIAL VERSUS LONG-TERM ALLIANCE SUCCESS

A fourth implication concerns distinctions between the management of efforts to achieve initial and long-term alliance success. To support and create initial alliance success, the influence of previous business relationship history, the recognition of benefit expectations and the development of multi-dimensional trust are required to apply or utilize the process of organizational learning. Issues of initial success require that practitioners focus considerable attention on the assessment of current partner compatibility, involvement and benefit expectations (e.g., current capabilities and needs). Such attention can be formalized to a considerable degree. For example, a key issue concerns the development of planning structures for personnel (cross) training, the identification of key contacts and joint teams, and appropriate investments that have been noted above.

Conversely, requirements to achieve long-term alliance success are directed toward comprehensive levels of performance assessment, resolution of philosophies and practice of low cost and supply chain value, recognition of organizational risk and adaptation, and consideration of

forward-thinking reward structures. In general, these issues require that practitioners focus considerable attention on future partner compatibility, involvement and measurement of actual alliance benefit achievement. Such attention is somewhat less amenable to formalized planning and analysis and more responsive to creativity, innovation and vision. For example, long-term alliance success will be greatly assisted by the development of mutual performance measures that require experimentation, risk and enhanced systems reporting development and capability (e.g., both current and future capabilities and needs). In summary, while these generalizations are broad in scope, they do suggest that different executive and managerial perspectives and skills may be involved in directing and achieving the two dimensions of alliance success. Future academic efforts in this research area which more clearly distinguish these two dimensions offer the potential to significantly improve the operationalization of alliance practice.

THE ROLE OF CUSTOMIZATION

A fifth implication concerns the need to recognize that customization is a requirement for alliance success. Customization requires recognition of differences in partner needs and motivations, benefit expectations and operating conditions. In other words, while alliance procedures can be formalized (e.g., what decisions need to be made at each stage or step of the General Alliance Model), the nature of the

decisions will differ on an alliance by alliance basis.

For example, practitioners must recognize that a potential partner's environmental conditions and motivations regarding alliance formation will frequently be different than theirs. When environmental conditions are similar, motives are more likely to be similar, while the reverse is also true. Likewise, if needs are similar, mutually beneficial alliances are easier to achieve. If conditions and needs are dissimilar, it is important to discover synergies or complementary needs in order to achieve mutually beneficial outcomes. For example, manufacturer and service supplier perceptions significantly differ with regard to inventory reduction (manufacturers perceive it as more important) and leveraging capital (service suppliers perceive it as more important). If these differences in perceptions are not addressed, mutual benefits may not develop or at least may fail to reach their full potential and an alliance will be less successful than it could be. However, the differing perceptions can be considered and planned for in complementary terms. Suppose a manufacturer desires a decrease in inventory and determines it can be achieved by outsourcing warehousing operations to a service supplier who specializes in inventory management. As part of the alliance arrangement, the manufacturer agrees to share sales/promotion information in a timely manner. If the cost to develop and/or implement the information system is shared between partners, the service supplier will achieve its goal of leveraging capital for

systems and technological development. In this example, both partners achieve their motives and mutual benefit is provided. Customization requires analytical and intuitive capability to recognize where it is necessary, as well as the flexibility and innovation to design and execute it. The requisite degree of customization should, in part, be a deliverable of the formal review process.

ALLIANCE FAILURE MAY BE STRATEGIC OR OPERATIONAL

The sixth implication concerns the need for practitioners to be aware that alliances can fail in terms of either strategic effectiveness or operational effectiveness (e.g., adherence to operational standards). Formal planning, measurement reporting and assessment of the two dimensions of effectiveness are essential to such awareness. Given that proper planning (e.g., consideration of benefit expectations) has occurred in the initial phases of the alliance, this implication particularly acknowledges the importance of multiple levels of performance and the low cost versus supply chain perspective issue.

From an academic perspective, this implication is particularly important because it reflects why academic alliance research must remain relevant and applicable to industry practitioners. This research has specifically attempted to learn why and in what ways interorganizational relationships succeed and/or fail. In order to achieve that purpose, the research has relied heavily upon the cooperation

and insight of industry as well academic professionals. Therefore it is imperative to maintain the cooperation and trust of industry practitioners to assure that future research efforts remain of value.

From a practitioner perspective, an alliance requires recognition and understanding of the multiple levels of performance and a philosophy of performance because it provides a mutual foundation for partners to understand why the relationship is succeeding or failing. In other words, managerial attention to an alliance is greatly assisted by a framework of assessment. This framework will prevent wasted time and energy and/or misidentification of problems. Specifically, management attention to alliance failure can occur with regard to three operational dimensions (Formalization, Information Access or Connectivity) or five strategic dimensions (Length of Alliance Relationship, Alliance Management, Actual Net Benefit, Partner Match or Partner Coordination). Management should regularly and formally review the operational and strategic dimensions of effectiveness in light of alliance, partner and individuals' performance requirements and the business philosophy of performance.

THE VALUE OF CASE METHODOLOGY FOR ACADEMICS AND PRACTITIONERS

The seventh and final implication concerns the fact that this research represents an example of the successful use of exploratory case methodology to build a foundation for more

quantitative, future research efforts. It demonstrates the valuable role of qualitative research methods, in particular the ability to uncover knowledge and insights that would not have been possible with more quantitative approaches -- particularly in a research area in a nascent state of development. Moreover, it has utilized a dyadic design to probe business perceptions and practices in an area of study that is of strong interest to both academics and industry practitioners. In this respect, the research clearly represents an example of the potential for university research to support the visions of both the industry and academic communities.

SUMMARY

This chapter described the research conclusions and discussed their implications. First, the rationale for the structure of the conclusions was provided. Second, the conclusions were defined and reviewed in terms of their importance and relationship to the research results provided in Chapter Four. Finally, the conclusions' implications for industry practitioners and academicians were discussed.

APPENDICES

APPENDIX A

INTERVIEW GUIDE AND QUESTIONNAIRE

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 the 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 and in the current position. Please also describe any other relevant prior positions you may have held, and your knowledge and/or involvement with the partner firm.

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 were the key parties 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? Was there an initiating party? What, if any, process did the initiating party use to choose the focal partner? Were criteria developed to aid in this decision process? Were alternative partners considered? Was a standardized or tailored process utilized? If tailored, what criteria were adapted? 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 form the alliance? What activities facilitated or constrained the agreement? Was there a formal contract created and, if so, what was the length of the contract and its content? How important was the contract? Why? Who was involved in the contract development process?

Describe how the alliance was implemented. What changes occurred in your firm's operating practices? What changes occurred in your partner's operating practices?

What activities facilitated or constrained implementation? What investments were required in physical and/or human resources to implement the alliance? Who was involved in the implementation?

Describe the alliance operating structure. How is business conducted in the alliance? What are each partners' roles and responsibilities and who are the contact persons involved? Describe the exchange process (formal/informal; regular/irregular meetings; where are the meetings held; who is involved).

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

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?

Strategic Component:

Is there a strategic vision for the alliance? How is your firm's strategic vision communicated down the organization? Is it done well?

Did each partner form expectations about the alliance? 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 your expectations for the alliance evolved as the relationship was formed and developed. How did you initially feel about the alliance? Has the alliance met your firm's expectations? 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?

Does your firm measure alliance effectiveness? If so, how does the measurement process occur? What elements are critical to the measurement process?

Probe for responses concerning expectations and realization in the following areas:

> ***Power Imbalance*** **(Which party, if any, has the greater power or leverage? Why? Has the balance**

of power changed over time? Why?)

Managerial Imbalance (Does each partner contribute equally in terms of key contact numbers and organizational level?)

Conflict (How is conflict managed and resolved? Is the dispute resolution process formal or informal?)

Compatibility (Is the alliance partner's philosophy and organizational culture compatible with your firm's?

Net Benefit (Have the alliance benefits been greater than the costs? What has been the strategic contribution of the alliance to your firm? To your partner? Describe any other benefits.)

Cooperation (How do you work together to accomplish goals? How important is the product/service of the partner to your firm? And vice-versa? How easily could you replace the partner? And vice-versa?)

Character-Based Trust (What is trust? How is it created? Do you trust your partner's motives, integrity, openness and discreetness?)

Operational Component:

Describe how the alliance's operational procedures were determined. What were your initial expectations in terms of alliance operating structure? Has the alliance met

these expectations? Please describe.

How is the alliance managed? Who is involved at the strategic and operational levels at each firm? Do the key contacts change on a regular basis? What risks are involved if they do (or don't) change?

Describe how performance is measured? What measurements does each partner use? Are the measurement standards formalized? Were the measurement standards jointly developed? Are the measures shared? Please provide frequency and communication format. How does performance measurement results affect the decision to alter, continue or terminate the alliance? How, if at all, is performance measurement related to price/rates/costs?

What information is shared between partners? How frequently does sharing occur? Who has access to the information and how is it utilized? What information is not shared? Why? How easily is information shared?

Probe for responses concerning expectations and realization in the following areas:

> *Defined Procedures* (Are operating procedures detailed and in written format?)
>
> *Continuous Performance Measurement* (How is performance tracked and shared? How could it be improved?)

Cooperation **(How do you work together to accomplish operational tasks?)**

Competence-Based Trust **(What is trust? How is it created? Do you trust your partner's operational knowledge? interpersonal competence? business sense and judgement?)**

Responsiveness **(Are you responsive to the partner's special requests? And vice-versa?)**

Technology Adoption **(How is information transmitted? In (un)sophisticated formats? How important is such technology to alliance success?)**

Closing Questions:

Please describe the similarities and differences between this alliance and typical relationships with a manufacturer/logistical service supplier. What differentiates this alliance from other alliances? From other non-alliance relationships? How could this alliance be improved? Where do you see the alliance heading in the future?

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 more fully understand this alliance?

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:

Robb Frankel
Doctoral Candidate
The Eli Broad Graduate School of Management
Department of Marketing
370 North Business Complex
East Lansing, MI 48824

FAX: (517) 336-1112

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 alliances with third party service suppliers:

   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 operational 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 operational 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 operational 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 service provision are a real problem.

Strongly Disagree 1 2 3 4 5 Strongly Agree

11. The market in which I purchase services 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., systems, facilities, 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., systems, facilities, 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 upon your past and present experience, to what extent do you believe:

    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

Relationship Specific Measures

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

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

3. In general, to what degree do each of the following lead to the success of logistics alliances with third party service suppliers? 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 -- Ruekert and Walker (1987); Van de Ven and Ferry (1980); and Bucklin and Sengupta (1992; 1993)
32,34	Organizational Compatibility -- Ruekert and Walker (1987); Van de Ven and Ferry (1980); and Bucklin and Sengupta (1992; 1993)
35	Trust -- Anderson and Narus (1990)

36 Prior History of Business -- Ruekert and Walker (1987); Van de Ven and Ferry (1980); and Bucklin and Sengupta (1992; 1993)

37 Perceived Effectiveness -- Ruekert and Walker (1987); Van de Ven and Ferry (1980); and Bucklin and Sengupta (1992; 1993)

Note: Full Citation 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 building and maintaining logistical alliances between manufacturers and service suppliers. The research purpose will be carried out by conducting three in-depth dyadic interview sets with manufacturers and service suppliers and comparing the results across and between matched dyadic sets.

B. Research Objectives

The specific objectives of the research were as follows:

1. Identify and document alliance process stages, constraints and facilitators between manufacturers and service suppliers;

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

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

4. Generate future research topics and directions for logistical 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 focuses on alliance relationships. To provide a little background on the dissertation, I have enclosed a short write-up concerning the research. I wish to interview three manufacturers in the grocery industry as well as the firm which represents its best logistical service supplier alliance partner. Your firm has been chosen to participate and your name was given to me as a potential contact person.

These interviews will take approximately 2-3 hours each. I hope that your company will agree to participate and that I can schedule a one-day visit to tour your facilities and interview you and any other personnel at your firm which you feel would be appropriate and beneficial. The interviews will focus on how the alliance relationship was formed as well as how it currently operates.

I will call you next week to discuss the dissertation research and answer any questions you may have. I expect that you may require internal approval prior to agreeing to participate. Let me assure you that all information provided in the interview(s) will be kept strictly confidential and that I am willing to sign any statements to that effect. Company specific material will not be utilized without approval from

the appropriate channels of authority. Please 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 the 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 this formation process is critical.

RESEARCH STRUCTURE

The research structure utilizes in-depth interviews with the 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 one of their logistical service suppliers. Interviews with both of the alliance partners will focus on: (1) the

alliance formation 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 formation 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 service suppliers will be critical in guiding the interviews.

II. Field Guidelines

A. Access to Interview Candidates

Key organization and interview candidates will be approached through relationships at Michigan state University. The senior level executive at each manufacturer will be contacted and requested 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 relevant location(s) will be arranged and interviews with the key contacts will be

scheduled.

The partner firm will be approached and requested to participate. The manufacturer will be requested to assist in confirming the service supplier's participation. Key informants will be identified at the service supplier. A visit to the service supplier's relevant location(s) 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) secondary data compiled on the focal firm; (2) the interview guide; (3) a sufficient number of the support questionnaires; (4) paper and tape recorder; and (5) itinerary for the trip.

The following items should be reviewed prior to each interview: (1) secondary data compiled on the focal firm; (2) 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 with regard to informants at the partner firm and within his/her own firm.

D. Support Questionnaire

The support 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 support 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. Support Questionnaire (see Appendix A)

IV. Format for Completing the Case Study Reports

Maintain/Develop a file on each participating firm. The file should include the informants' names, addresses and titles; detailed information of the time and location of each interview; completed questionnaires; documentation received during and after the interview; taped conversations of the interviews; 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 organizational 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 stages and steps of the three model components. Environmental factors that explain anomalies, different opinions and evidence that does not converge across multiple sources should also be noted.

Develop a sequential understanding of each business relationship and the formation of the alliance from

conceptualization, implementation and current alliance structure. Specific information provided by informants 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 within each firm as well as across the alliance. This information should be organized by the stages and steps of the three model 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. categorize the data based on comparisons of similarities and differences as noted in the case study reports developed above. Give each category a label that describes the similarities.

Axial coding combines the data 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.

Selective coding creates a core category that explains the primary phenomenon of the case. This core category is developed by integrating the other categories into a higher level 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 wherein the first step (open coding) builds a 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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