TOWARDS AN ALLIANCE MANAGEMENT FRAMEWORK: AN INVESTIGATION ON NON-DECLARED OBJECTIVES AND THE ORIGIN OF MANAGEMENT FACTORS

A CAMINHO DE UM MODELO DE GESTÃO DE ALIANÇAS: UMA INVESTIGAÇÃO SOBRE OS OBJETIVOS NÃO-DECLARADOS E A ORIGEM DOS FATORES DE GESTÃO

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ABSTRACT

While strategies of making alliances are being increasingly implemented by organizations, investigations show that around 50% of such undertakings are not reaching their goals. This paper discusses two potential reasons for the failure of alliances organized according to a theoretical framework for the management of strategic alliances (SA). These reasons are (a) the lack of knowledge about the various factors that can influence strategic alliances and (b) a way of measuring the success of SA that does not take into account the existence of non-declared goals on the part of the parent organizations in alliance agreements. As far as the first reason is concerned, the authors suggest the need for considering four sets of factors in the management of SA. As far as the second reason is concerned, they reveal some non-declared goals of Brazilian partner organizations in two SA that have been recently examined.

Key words: strategic alliance, management factors, management framework, non-declared objectives.

RESUMO

Ao mesmo tempo em que estratégias de formação de alianças estão sendo mais utilizadas pelas organizações, as pesquisas indicam que cerca de 50% desses empreendimentos não estão atingindo seus objetivos. Este ensaio pretende discutir duas potenciais causas para o fracasso das alianças, organizadas em um modelo teórico de gestão de alianças estratégicas (AE). Essas causas seriam: (a) falta de conhecimento sobre a diversidade de fatores que são capazes de influenciar a AE, e (b) forma de medir o sucesso da AE, que não considera a existência de objetivos não-declarados pelas organizações-mãe nos acordos. Em relação à primeira, os autores sugerem a consideração de quatro conjuntos de fatores de gestão de AE. Quanto à segunda causa, eles mostram alguns objetivos não-declarados de organizações parceiras brasileiras em duas AE recentemente estudadas.

Palavras-chave: aliança estratégica, modelo de gestão, fatores de gestão, objetivos não-declarados.

INTRODUCTION

Organizations are making wide use of alliances to obtain competitive advantages in the market. They can be seen as cooperative undertakings with at least two parent organizations. They aim at reducing costs, minimizing risks, and learning by accessing resources and through the insertion of other organizations from the social network.

Many forms of alliances can be found in more dynamic and risky business areas, for example in the Research & Development area, and in market expansion area, particularly agreements between two or more parent organizations from different countries. Alliances can be classified as formalization criteria in three basic arrangements: joint ventures (JV) – formal alliances through a documented agreement resulting in a new legal entity; alliances formed through documented agreements in a limited period of time without resulting in a new company; alliances formed by informal agreements.

Despite the undoubted importance of alliances for organizations and the extensive theoretical development of this topic, the records of high percentages of failure or lack of success of alliances persist. The percentage of failure in alliances is of around 50% at the least, according to Das and Teng (1999, 2001), Tidd *et al.* (2001), Lam (2004), De Man (2005), and Todeva and Knoke (2005). This is a preoccupying index that leads to a need for new investigations on the stability of strategic alliances.

From the point of view of this paper, two main reasons could explain this high index of failures. One of them is the lack of an integrated view of all factors involved in the management of an alliance. This means the lack of knowledge by managers of the set of variables that may influence the performance of alliances. The other reason is that the objectives that parent organizations declare before and during the alliance do not represent completely their real goals. That might lead to a wrong performance assessment, since it is usually made upon declared objectives only. Thus, the main questions to be answered by this article are, "What are the management factors in a SA?" and "How to deal with the different nature of objectives in a SA assessment?"

Therefore, this article intends to demonstrate a previous theoretical framework for alliance management made up of a series of management factors and to recognize non-declared objectives of parent organizations before and during the alliance operation. This framework represents a step ahead regarding the partial view of alliance management found in the literature. It can be exemplified through the model proposed by Callahan and Mackenzie (1999), who only discuss factors related to the control of the alliance's the internal activities. Another model can be found in Techemayer's (2002) framework, which only involves factors of management originated inside the alliances. It is also necessary to consider the outside factors, such as factors from the external environment, among others. In the same way, none of them approaches the need for looking at the non-declared objectives of the parent organizations. Another objective of this paper is to discuss the adjustment of the management framework presented here by asking about its basic principles involved in common and particular, declared and non-declared objectives of parent organizations.

This article acknowledges that there are formal and informal alliances; in all of them it is possible to distinguish two phases, viz. before and after the agreement. The first phase is called pre-alliance and involves a strategic decision by the parent organizations, the choice of a partner and the agreement negotiation. The second phase is called alliance proper and it consists of the implementation and finishing stages of the SA. In formal alliances, these phases are clearly separated by the contract signature. The analyses available refer mainly to technological alliances, which are usually formed between two potentially competing organizations. The model also applies to other alliance types, such as those between clients and suppliers or firms and research institutions. However, the difficulties of management should be more relevant if there are similar interests in the cooperation.

Our purpose here is to discuss essential aspects in order to clarify what is considered as a successful alliance, and for that we distinguish between declared and non-declared objectives. This shall be done below. However, first we briefly approach the main theoretical alliances this study refers to. This is also designed to review previous studies that showed a high percentage of failures in this kind of venture. The management factors are discussed and organized in Table 1. Figure 1 presents the theoretical framework of management, followed by a discussion about its adjustment to the practice and some examples from the field. The final section brings considerations on how this article's analysis could help future alliances to be successful and more stable.

THEORIES THAT SUPPORT STUDIES ABOUT ALLIANCES

Since the first academic efforts to design theories applicable to alliances were made, many attempts have been undertaken. Several theoretical frameworks or models with different capabilities to explain the phenomenon of SA have been built. A recent empirical-theoretical review shows that the Transaction Costs Economy (TCE) and the Resource Based View (RBV) are being widely used. In a study that highlights its complementarity to RBV, Foss and Foss (2004) analyze some TCE failures in their explanation of the competitive advantage of organizations. They argue that "The dominant contemporary approach to the analysis of sustained competitive advantage is the RBV [...]" (Foss and Foss, 2004, p. 109).

Besides these two predominant theories, viz. TCE and RBV, there are other theories being widely used in studies about alliances. Ireland *et al.* (2002), for example, examined the alliance management from these two perspectives and also from the point of view of the social network theory. The present view on alliance framework is expanding based on these two

approaches, emphasizing the influence that one alliance can exert on another that involves the same organization (Gulati, 1998). This is also implied by the concept of "constellations of alliances" as described by Gomes-Casseres (1998). At the same time the strategic issues certainly lie in the alliance's origins, due to what is always highlighted when the topic is the management. Two of the theories cited by Das and Teng (2000) refer to such issues, which were also addressed in the comprehensive study by Hamel and Prahalad (1995) and in a specific study by Doz and Hamel (2000).

SUCCESS OR FAILURE OF ALLIANCES: A MATTER OF STABILITY

Alliances can succeed or fail in a complete or partial sense. The success or failure grade may be represented by a continuous line from complete success to complete failure. This is similar limits to Inkpen and Beamish's (1997) approach to stability and instability. According to these authors, instability is a major change in partner relationship status that is unplanned and premature from one or both partners' perspectives. Thus, a partially unstable SA would be subject to failure and to success to some degree. Complete stability could be related to complete success of a SA in the same way that instability could be identified as failure.

Several studies have been conducted to identify the main causes for the failure of alliances, such as those described by Tidd *et al.* (2001) and Ireland *et al.* (2002). In their book, Tidd *et al.* (2001, p. 197) state that "almost all innovation demands some form of collaborative arrangement to development or marketing, but the grade of failure of that alliance remain high" (here it means complete failure). Then they show the results of 16 previous studies that could help them to describe 10 more common reasons for alliances to fail: divergent strategies and goals (50%), problems of partners (38%), relationship between strong and weak partners (38%), cultural differences (25%), insufficient confidence (25%), operational and geographic adjustment (25%), personal conflicts (25%), lack of commitment (25%), unreal expectations (25%), and asymmetric incentives (13%). Ireland *et al.* (2002) either reviewed the literature to find causes for alliances to fail and found them described by Doz (1996): (a) conflicts generated by divergence of goals (which is inherent to alliances, but should be controlled); (b) opportunism of one of the partners; and (c) cultural differences of the partners. Moreover, several works, such as Inkpen (2000), Kale *et al.* (2000), Khanna *et al.* (1998), Levine and Byrne (1986), and Spekman *et al.* (1998) identified the choice of an inadequate partner and the difficulties to anticipate the capacity of value creation as failure factors of SA.

Since it is an entirely practical matter, the failure in an alliance can also be easily identified or demonstrated by firms' consultants. This can be found in Lam's paper (2004) titled *Why Alliances Fail?*, which is based on his experiences and studies at biotechnological and pharmaceutical companies.

The paper examines the grades of failure, analyzes on what failures might be based and suggests ways for pharmaceutical industries to improve their results. The author cites two lists of failure causes, indicated by two firms' consultant groups. The first group emphasizes cultural differences, company objectives, leadership, integration processes, market potential, technologies, technology environment, and governance structure. The second one contains a more detailed list with the following causes: senior management changes, slow or failed results, drastic change in business environment, weak commitment, merger or acquisition changes priority, poor leadership, ineffective governance, and incompatible objectives.

A recent review by Todeva and Knoke (2005) reaffirms that many analysts – they cite Harrigan (1988), Kogut (1988), and Dacin *et al.* (1997) – found high levels of instability and dissolution of SA with failure grades close to 50%. They also cite other studies, such as Bleeke and Ernest (1995), which state that more than 80% of international alliances ended in acquisition. The real failure index of 50% to 80% is not desired and justified for any undertaking that has so many advantages at the theoretical level.

In spite of the high level of alliance failure demonstrated by research, the number of organizations making partnerships has significantly increased. This raises the question whether the metrics being used are capable to produce unreal alliance failure results. Another possibility is that the non-declared objectives are as relevant as or even more relevant than the declared ones for organizations to justify the establishment of a new SA.

ALLIANCE OBJECTIVES AND OBJECTIVES OF THE PARENT ORGANIZATIONS IN ALLIANCES

According to the majority of previous studies, there are many objectives related to the establishment of SA. However, these studies do not specify whether those are objectives of the alliance *per se* (as a new venture) or objectives of one or the other parent organization for the SA. The objectives of the alliance *per se* are usually discussed by parent organizations and the main ones are usually expressed in the contract (in formal alliances). These types of objectives are called declared ones. The objectives of one or the other parent organization for the SA may be discussed between the partners or not. The goals that are not discussed are called non-declared objectives in this paper.

Declared and non-declared objectives do not have exactly the same meaning as common and private goals (see Ariño, 1995, 2003). Common goals are the shared interests of the partners in a SA, and private ones are the goals which each firm has for the SA and are not shared with its partner (Ariño, 1995, 2003). Thus, non-shared objectives are not the same as non-declared ones, because an objective can be important for both partners but they cannot declare it. In the same way, shared does not mean the same as declared.

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The considerable amount of knowledge acquired about SA objectives is probably much more related to the declared goals than to non-declared ones. However, a detailed analysis of the strategic nature of alliances may indicate the real objectives that the parent organizations have when they form alliances with other organizations and that are neither declared to the partner during the negotiation nor included in the formal contract, when there is one. The following topics explain this in more detail.

DECLARED OBJECTIVES

Ruffoni and Silva (2000) make a review of the literature on objectives of organizations when they form alliances. They offer an extensive list that contains the following objectives: developing new products and processes, adapting already existing products and processes, reducing the period of technological development, reducing the costs of technological development, using international network to share information, accessing new markets (national or international), having an almost vertical integration, becoming integrated into a big organization block, obtaining economy of scale and scope, obtaining competitive prices, getting access to structured marketing channels, and overcoming customs or legal barriers. Some objectives are found in more than one study, such as the improvement of the innovation capacity (Linnarsson and Werr, 2004; Oliveira and Goulart, 2003), the learning or acquisition of new competences (Fisher *et al.*, 2002; Khaana *et al.*, 1998), the development of new products (Liboni *et al.*, 2004; Tidd *et al.*, 2001), and technology transference.

Some authors, such as Das and Teng (2000), use the RBV theory to express the objectives that organizations have in forming alliances. Their work highlights Kogut's (1998) learning model, which contains a detailed view of alliance formation based on some resources, for example knowledge and technology. Kogut presents the following objectives for the establishment of alliances: acquisition of organizational know-how from other firms, and maintenance of one's own know-how with appropriation of other resources from the partner. Das and Teng (2000) amplify this model to other kinds of resources and indicate two reasons why organizations form SA or make mergers or acquisitions: (a) obtaining other resources, and (b) maintaining and developing their own resources by combining them with others resources of/from partner organizations.

One can observe that the majority of the alliance objectives explained in the literature refer to tangible or proprietary resources. Therefore, it is possible that a representative fraction of organizations that form alliances have the actual goal of accessing knowledge resources of the other organizations, such as the learning and acquisition of new competences. Because these kinds of objectives are difficult to measure, it may be that agreements focus more on proprietary resources. This would be an additional cause of distortion between real objectives and those that are made

explicit in the agreement. These aspects must be considered in a framework of alliance management and are explored in the next section.

NON-DECLARED OBJECTIVES

Some researchers demonstrate the strategic nature of the alliances, but in general they do not take into account the existence of non-declared objectives in the studies about SA. Only Ariño (1995, 2003) has discussed a special kind of goals called private ones. However, they are similar to non-declared objectives, but not identical with them. Moreover, this author does not discuss the influence of this kind of objectives on the stability or success grade of SA.

Some objectives may be kept as non-declared by a parent organization out of two basic motivations: (a) their existence is irrelevant to the partner; (b) they are so strategic that they are kept in secret in order to gain more than what is formally planned with the SA. There is one more interesting aspect to observe regarding the non-declared objectives: They may arise before or after the alliance contract. In this sense, they can be called initial or emerging based on considerations made by Doz (1996) and Ariño (2003).

Emerging non-declared objectives are those that the organization had not planned until the alliance agreement was made. These objectives originate during the implementation stage because organizations realize that an alliance has more potential than they had expected because some new possibilities become clear when it is carried out (implementation stage). When an organization sees these new objectives, the focus changes as it looks for new results in the cooperation. In such a situation, the organization has at least two options: to revise the agreement clarifying the new objectives and renegotiating with the partner, or to keep silence about its newly realized objectives. If the organization makes the first option, the emerging non-declared objectives become declared ones. If it makes the second option, the emerging objectives remain as non-declared ones.

Initial non-declared objectives appear to have more strategic characteristics than the emerging ones. Sometimes a partner prefers not to address some objectives in the negotiation because they do not seem important to and might not affect the other partner. However, many times, if one partner realizes these objectives of the other partner, the possible competitive advantage of the first partner will be reduced or disappear. Some kinds of learning can be an example of initial non-declared objectives. Another one can be the "negative strategies", i.e. strategies of one organization designed to obtain competitive advantages from disadvantages caused to the other organization. This is a kind of relationship in which one organization uses the weakness of another to obtain competitive advantage; it is the same principle of competition. Thus, in this situation the planned cooperation works as a competitive relationship.

WHAT DOES SUCCESS MEAN FOR SA? WHAT DOES SUCCESS MEAN FOR THE PARENT ORGANIZATIONS IN THE SA?

Das and Teng (2000), based on previous studies, argue that the performance of SA can be measured in several different ways, such as alliance longevity, profitability, or in terms of meeting the objectives of the individual partner organizations. In the latter approach, they recognize that each partner firm can evaluate the performance of an alliance differently. In their paper, Das and Teng (2000) see alliance performance as the degree to which agreed upon objectives of an alliance *per se* are achieved. Thus, the definition of success depends on which point of view is being used, i.e. whether it is the alliance *per se* or the parent organizations.

Regarding alliances *per se*, the partners should have the same objectives, i.e. perform activities in order to achieve the common objectives for both organizations, instead of each one's different objectives. From the point of view of common or declared objectives, the measure of the grade of success would be the same for both organizations. However, considering the existence of non-declared objectives of parent organizations, there are other points of view to be taken into account for an alliance's success. This is related to what success means for the parent organizations in the formation of alliances.

Thus, the success of an alliance and the success that each parent organization can get from it are completely different. It is much more difficult to measure the success that each parent organization can get separately because this is a very complex issue. This analysis is very similar to the view of Todeva and Knoke (2005), which is that the success of an alliance "meant that the partners achieved their own strategic objectives and recovered their financial capital costs".

Thus, the success grade of each parent organization separately regarding the alliance seems to be more difficult to measure than the success of the alliance *per se*. This is because the non-declared objectives may be less definite than the declared ones that appear in the contract. Moreover, each organization has a set of strategic objectives that can be met to various degrees by an alliance or other – since an organization can participate in one or more alliances with other organizations at the same time. Anyway, each partner should try to measure the performance of its SA in terms of its non-declared objectives.

The evaluation of the success or failure of alliances should not be a final measurement. Whether the alliance is for a limited or an unlimited term, managers should establish ways of measuring the performance during and after the alliance implementation. At the end of an alliance, even if it ended due to a contract clause or other unforeseen circumstances, the partners must incorporate the results achieved from this venture in order to get competitive capacity.

Therefore, before trying to establish the forms of the measurement of success for a SA, it is necessary to determine what kind of success shall be measured. It might be the success of the alliance *per se*, or the success that one or the other parent organization got from the alliance. For each case there will be different forms of measurement and the results will vary. These considerations should certainly be present in a framework of SA management in order to improve the rewards of the parent organizations.

FACTORS IN THE MANAGEMENT OF SA

Managing alliances means to make decisions that involve uncertainty and risks. Besides the inherent uncertainty of the business, management would be much better if risks could be reduced with good decisions, improving the conditions of the alliance to get a good performance. The best conditions of management take alliances to success. Several studies discuss these risks and present variables and factors for the success of SA.

The meanings of "risks", "variables" and "success factors" are different, but all of them can be used to analyze the management process of the SA and the conditions for its success. They constitute important factors that managers should observe so that alliances reach better performance levels. Because of this, in this study "risks", "variables", and "success factors" are taken as similar and are called management factors.

Authors who discuss management factors include Lam (2004), Tidd *et al.* (2001), Techemayer (2002), Das and Teng (1999, 2001), Gomes-Casseres (1998), Bruno and Vasconcellos (1996), and Doz (1996). Studies by these authors provided the authors of this article means to organize two sets of management factors: the factors originated in the pre-alliance phase and the factors originated in the alliance phase. An analysis made after this literature review brought the indication of several other factors. Part of these new factors originates in the pre-alliance; another part in the alliance, and a third part does not fit in any of these phases. These factors were listed and called external factors. They were classified in two new sets that were called factors originated in the parent organizations' strategies (including the influence of the network of relationships of the parent organizations) and factors originated in the institutional environment. These four sets of factors resulted in more than one hundred factors, which were then organized in groups, each one represented by a construct, according to the similarity of these groups of factors. These constructs are presented in Table 1.

All management factors should be considered in the alliance management. Heedlessness or unfamiliarity with some of these sources of influences will reduce the potential for success in the alliance. On the other hand, paying attention to this set of factors is essential for an effective management. Obviously there will be a hierarchy of the factors that might influence the alliance's success. However, any measurement of the relative importance of the management factors for the

Table 1 – Constructs resulting from the grouping of management factors related to its source and alliance stages.

Source of the factors and constructs	Stages of alliances	Constructs
Pre-alliance phase	Strategic definition	Previous experience of organization in cooperation activities Planning ability CEO (Chief Executive Officer) commitment
	Chose of the partner	Compatibility of the parent organizations strategic objectives Confidence in the partner integrity Resources Strategies
	Alliance negotiation	Culture Clarity of the alliance objectives High administration involvement Long time vision Responsibilities distribution criterion Planning ability Monitoring mechanism Choice of the contract terms
Alliance phase	Implementation	Ability to acquiring knowledge High administration influence Managers competency Monitoring
	Ending	Acquisition of experiences Analyze of results Performance evaluation
Parent organizations' strategies		Performance of parent organizations Structural changes of parent organizations Quality of parent organizations relationship
Institutional environment		Laws and regulatory system Market Relationship network

performance of an alliance should only be possible on the basis of specific analyses such as those limited by a sector.

A PRELIMINARY FRAMEWORK OF ALLIANCE MANAGEMENT

The ideas discussed in this paper can support the building of a preliminary framework of alliance management presented in Figure 1. It contains a simplified representation of how management, management factors and alliance objectives are connected to the real alliances. This framework is called preliminary in order to demonstrate that this building is the first step of a major study that should be made on a management framework for SA.

Figure 1 shows the parent organizations (A and B) that are establishing the alliance *per se* (organization C). The pre-

alliance is the phase before the alliance proper and it is made up of the following stages: (a) strategic definition of a parent organization to form an alliance, (b) identification of a partner among all organizations in the market, (c) negotiation of an agreement. The alliance phase is made up of (a) implementation of cooperative activities, and (b) end of cooperative activities.

The four sets of management factors are represented in Figure 1 according to where they originated and influence the alliance as indicated by the arrows that point to the alliance. The strategic objectives of A and B *per se* are represented in the rectangles for parent organizations A and B. The declared objectives of A and B in the alliance formation are represented in the rectangle for organization C (the alliance). On the right and left side of C there are grey areas which represent the non-declared objectives of organizations A and B separately.
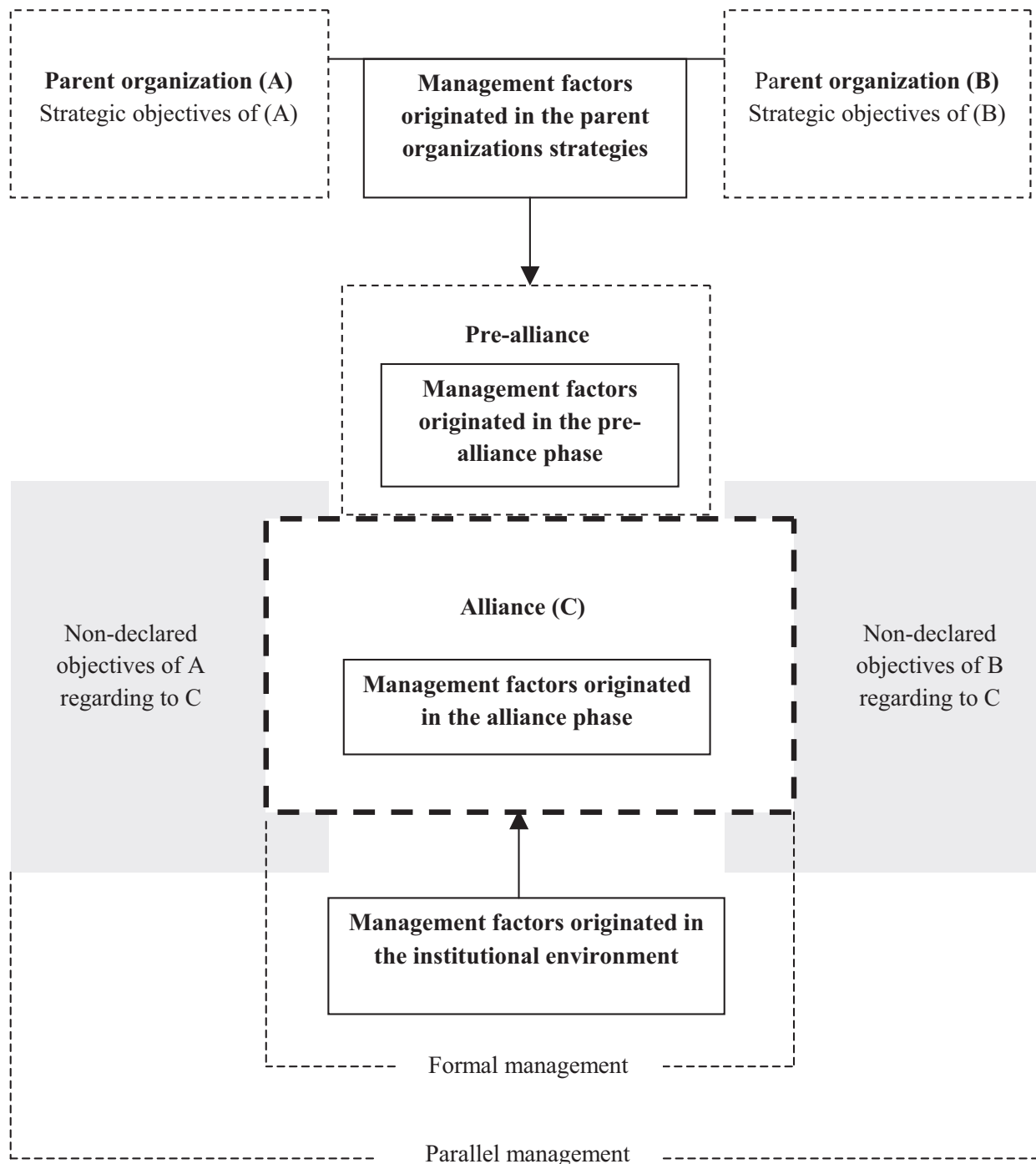
Figure 1 – *Theoretical framework of alliance management.*

They are in the shadow area of A and B that influences their view of the alliance's results, but does not influence the measurement of the alliance's performance in the view of the alliance managers.

At the bottom of Figure 1 there are two paths that the manager could take. One of them is a formal management, which is the management taken by vision from C about the declared objectives. This management performance will represent the effectiveness of C in achieving the common objectives of the alliance. Another path is the parallel management, which is the one taken by vision of both partners (A and B) about the non-declared objectives. This management performance represents the effectiveness of C in taking the non-declared objectives of A and B in the alliance formation.

METHODOLOGICAL PROCEDURE

After organizing the theoretical framework, a search for non-declared objectives in two strategic alliances, viz. SA1 and SA2, was undertaken. In a complete study, the alliances were identified and case studies were done in order to verify de adequacy of the framework in each case. However, this paper does not intend to explain all results of the case studies. The authors just want to show some results related to non-declared objectives and management factors.

Both alliances studied have the following characteristics: (a) they are dyadic; (b) they are formed between a Brazilian and a foreign manufacturing company; (c) the operation occurs in the Brazilian partner's manufacturing site; (d) there are formal cooperation contracts. Interviews with the main managers of the alliances were made from July 2007 to February 2008, based on two research protocols. The first protocol included all constructs presented in Table 1 as points of discussion. The main point of the protocols was: How has each construct contributed to the alliance's success? After talking about all constructs, the interviewer invited the managers to talk about specific constructs that refer to objectives of the alliance partners. This means spelling out the data about the two constructs in Table 1, which constituted the second research protocol: "clarity of the alliance objectives" from the negotiation phase and "monitoring" of objectives from the implementation phase. In this way, it was possible to obtain data in order to analyze the adequacy of the constructs of Table 1 as management factors in SA and the existence of non-declared objectives.

THE ROLE OF THE CONSTRUCTS REGARDING SA MANAGEMENT

As results, all constructs presented were confirmed by managers as important for the success of the SA. This was not a surprise because of the previous extensive theoretical and analytical research that resulted in Table 1.

EXAMPLES OF NON-DECLARED OBJECTIVES OF BRAZILIAN PARTNERS IN SAS

The most interesting data from the point of view of this paper is the perception of the non-declared objectives of A and B related to C. This means that one can observe in both cases data representative of the existence of the gray region shown in Figure 1. Table 2 shows the declared and non-declared objectives of the Brazilian partners in SA1 and SA2.

Table 2 shows many kinds of objectives. Contractual objectives constitute the object of the cooperation and are usually included in the contract. In both alliances studied other objectives addressed by partners in the negotiation were detected, due to the interest of both partners, and they were like a practical consequence of the contractual objectives. There are also emerging objectives that may appear even though the contract is already made. They were not realized or predicted during the partners' negotiation. These emerging objectives can be declared or non-declared, depending on their characteristics.

Table 2 also shows non-declared objectives of the Brazilian partner that are very different from the declared ones. It can be perceived that the Brazilian partner wanted to enhance the value of its brand on the basis of the public association of its own brand with the partner's brand. Moreover, in the alliance it was very important for this partner to use its available physical resources in order to help the company to get out of a financial crisis. In the SA2 case, from the Brazilian partner's non-declared main objective it could be seen that SA2 became independent from an old commercial distributor partner. It was very relevant for Brazilian partner because before this alliance its old partner had high distribution rights on the sales of manufactured SA2 products. Thus, as the alliance would bring new products, the old partner would not have financial rights on the sales of those products.

SOME CONSIDERATIONS ABOUT THE MANAGERS OF ALLIANCES, WHO TAKES FORMAL AND PARALLEL MANAGEMENT

The alliance managers are the people responsible for making decisions during the stages of implementation and end of the SA. It is possible that each parent organization appoints a manager to conduct its business interests in the alliance. Thus, the managers of A and B shall manage the organization C at the same time. These managers can be the ones who participated in the pre-alliance phase or others who were appointed in the beginning of the alliance phase. It is possible that both parent organizations prefer to hire an external manager only to represent them in the alliance, only for the stages of implementation and end.

The choice by A and B of who shall manage the alliance will not make any difference in their capacity to perform a formal management of the alliance. However, this choice will make an enormous difference for the conditions that the manager has to make a parallel management. If there are two managers, one of them from A and another from B, each one of them will possibly view the non-declared objectives from their original organization. Thus, the manager from A could make the formal management and the parallel management according to the non-declared objectives of A, and the same would apply to the manager from B.

HOW THE MANAGEMENT FRAMEWORK CAN HELP ALLIANCES AND PARENT ORGANIZATIONS TO REACH THEIR OBJECTIVES

Basically, the theoretical framework of alliance management presented by Figure 1 intends to clarify some important differences between declared and non-declared objectives and to organize the sets of management factors that could influence the alliances' results.

Reaching declared objectives is a basic function of alliance managers. In this way, the framework should be used

Table 2 – Declared and non-declared objectives of Brazilian partners in SA1 and SA2.

	SA1	SA2
Object of the cooperation	Manufacturing of trucks	Manufacturing of machinery for footwear industry
Declared objectives	Contractual objective: Cooperation in manufacturing trucks according to a monthly plan (quantities) Other declared objectives: Cost reduction in manufacturing	Contractual objective: Cooperation in manufacturing machinery according to the market absorption Other declared objectives: Reducing taxes for international trade Reducing service's periods for customers
Non-declared objectives from Brazilian partner	For becoming a stronger brand by association with a stronger world brand Using physical resources of the company to generate money flow and to take out the company from financial crises	Becoming free from a old partnership with a commercial distributor that had distribution rights above all sales of products they manufactured prior to this partnership

by managers to view all the possible variation factors of the alliance's performance. Their awareness of the four sets of factors is the first necessary step for the effectiveness of the alliance management.

Reaching non-declared objectives would not be considered a basic function of alliance managers, but frequently it could be more important than achieving declared objectives – from the point of view of A, B or both. In this situation, the framework should be used by managers to understand the differences between all kinds of objectives, from declared to non-declared initial and emerging ones, and later try to get those that are possible (if the manager is more related to A, B or both at the same time). Thus, it is very important for each partner to keep at least a manager in a SA who knows all its objectives in order to be able to make good decisions according to these objectives. So, they would be able to help alliance to get high performance regarding the declared and non-declared objectives at the same time.

FINAL CONSIDERATIONS

The framework presented was based on the assumption that there were at least four sets of different management factors that influenced the performance of SA and that there were different kinds of objectives that had to be taken into account to manage SA. According to these assumptions, non-declared objectives could be determining factors for the alliance's success or failure from the parent organization's point of view.

Supposing that each partner can have more than only one objective when the partners form the alliance, it is very likely that the main objectives have not been declared, even

though this happens sometimes. Thus, the success or failure of the alliance measured on the basis of the contract terms can become irrelevant for them. This means that an alliance considered as failed might make it possible for one or more parent organizations to reach non-declared objectives. In this case, an apparently failed alliance might represent the success of A or B or both of them. However, for some strategic reason, it is very likely that organizations are not interested in showing the results of non-declared objectives, which can be called non-declared results as well.

First the manager of the alliance shall reach the objectives of C through formal management. Depending on who is the manager of the alliance, the non-declared objectives of A or B can be disclosed, and on the basis of the disclosed objectives the manager can make a parallel management. This is more likely to occur if the manager is from A, B, or both of them. If the manager is external to the parent organizations, it will be more difficult and unlikely that someone could manage from the point of view of non-declared objectives.

A manager that has the ability to look at all variables that the framework suggests in a particular alliance will be more able to reconsider the strategy related to the agreement and also get better results from the alliance. However, the success of C might not reflect success from the point of view of A or B. In this case, each organization would know that the rewards of the other organization would be different, probably higher than the rewards recorded in the evaluation of the alliance. However, none of them would be interested to expose the detailed rewards, since the parent organizations might be potential competitors. Despite of the end of the cooperation, the organizations must use the results to improve their future competitiveness.

The non-declared objectives shown in Table 2 seem very important to Brazilian partners in SA1 and SA2. Maybe they could bring the same or more value for those partners than the declared objectives. Thus, this data confirms the possibility that the high index of alliance failure pointed out by previous studies might not represent the real statistics of the effectiveness of such undertakings. It suggests that the inquiry about the success must be related to different kinds of objectives or to the point of view that is adopted. This means that in order to investigate the performance of alliances one has to specify which point of view is being taken, whether of A, B or C.

This paper showed two examples of alliances whose objectives were different from the points of view of each partner and the contract as well. These cases show it could happen in real alliances. Therefore, this emphasizes the need for a parallel management for the alliance's success. However, more studies on this matter, including quantitative ones, are necessary in order to understand the impact of these types of objectives on the SA success index. Maybe another paper would be necessary to show more details of the variables involved in the SA process used as an example here.

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