CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In this millennium, firms must do more than they first thought possible. This means that they have to be aware of all their potential capabilities and abilities, and use them not only for the benefit of their own companies but also for others. These collaborations within the company and without provide possible connections to create the strongest base for the firms and assist them in creating building, and sustaining their competitive advantage. Thus, strategic alliances are an inevitable factor for today's firms. Morover, international co-operation has been shifting from traditional joint ventures uniting multinational firms with local partners to strategic alliances set up between even global rivals. This is an emphasis to the cooperative elements of strategic alliances and suggests that networks evolve into multiple webs of technical, financial and social interactions (Gulati, 1999). Moreover, strategic alliance formation may allow firms to reduce the level of uncertainty that stems from some transactions.

Approaching collaboration from a dynamic, synergistic perspective shifts the unit of analysis from the firm and its resources to the collaboration of firms, focusing on intra-firm capabilities combined with inter-firm dependencies through the concept of coopetition (cooperation combined with competition). This simultaneous focus on internal, firm specific competencies and external, collaborative synergies plays an important role in creating new capabilities and thereby enhancing competitive performance. These capabilities are viewed as complex, dynamic and subjective set of assets, which are inherently indeterminate and continually reconfiguring. Hence, new capabilities can be created among the participants in a strategic aggregate arrangement as

a synergy (and not simply the sum) of the related capabilities brought into the collaboration by each member (Duysters et al. 2003).

1.1.1 Strategic Alliances

The term strategic alliance has been used to describe cooperative agreements ranging from repeated arms-length transactions to equity arrangements just short of mergers. It follows that there are various definitions of alliances. Gulati (1999) defines strategic alliances as voluntary arrangements between firms involving exchange, sharing or co-development of products, technologies, or services. A Strategic alliance is where two or more companies collaborate by sharing resources and activities to pursue a common strategy. It is a Coalition or cooperation agreement formed between a company and others to achieve certain strategic goals. Strategic alliances offer an opportunity for companies to collaborate in doing business thereby overcoming individual disadvantages (Somers 2005).

Banford et al. (2003) see alliances as formal and mutually agreed upon commercial collaborations between companies. Alliances can take the form of equity positions or contractual arrangements including but not limited to collaborative agreements, licensing agreements, joint ventures, consortiums, partnerships, and other forms of collaboration. In summary, a strategic alliance is a co-operative arrangement between two or more companies where a common strategy is developed in unison and a win-win attitude is adopted by all parties. The relationship is reciprocal, with each partner prepared to share specific strengths with each other, thus lending power to the enterprise. A pooling of all

resources, investment and risks occurs for mutual rather than individual gain (Somers 2005).

Inkpen et al. (2001) lists advantages of strategic alliances as to access new markets, materials and technologies, acquisition of needed proprietary resources, alternative to mergers and economies of scale and scope. A focus on core competencies and outsource of other aspects of the business as market access, minimization of the costs of research and development, transaction and production costs add to the same. Learning of new processes, skills, or competencies and risk sharing are key (Shenkar 2005).

1.1.2 Money Transfer Services (MTS) in Kenya.

In 2000, there were more than 10,000 alliances in the word market, almost double the number four years earlier. During the 1990-1999 period, there were 3005 joint ventures and strategic alliances globally involving the financial sector. Most of them were in the North America (1,640), followed by Europe (823), and the Pacific Rim (542). The UK accounted for 401 alliances in Europe. Almost half of these strategic alliances occurred in 1998 and 1999 (Sommers 2005). In Kenya, the finance sector has seen a lot of increased impetus in the building of strategic alliances since the 1992 liberalization of the economy. Most alliances have been between banks and microfinance institutions. Lately, these strategic alliances have shifted to MTS firms and banks and or microfinance institutions plus other financial agents; for example forex bureaus.

MTS in Kenya are provided by a variety of institutions and individuals. At one end of the spectrum are individuals using the very informal and basic systems of transfer such as

physical transport of cash themselves or through relatives and friends. At the other end are the modern commercial banks using state-of-the-art technology of electronic fund transfer systems. Along the spectrum exist a range of services of varying degrees of sophistication, including semi-formal providers. Generally, commercial banks are the major players in the money transfer business in Kenya, servicing mainly large users and, to a smaller extent, low-income users. Among the commercial bank instruments, telegraphic transfers, electronic funds transfers and bank drafts are typically used for large value transfers, as they offer the cheapest service for the transfer of large amounts. In addition, bank cheques are the preferred and often required means of payment for school fees.

Foreign based MTS in Kenya, most of which operate through commercial banks, are used almost exclusively to receive money rather than send it, Kabbucho et al (2003). Posta, Post Bank and Commercial banks have been the main formal providers of money transfer and payment services. Despite the network of formal providers throughout the country, however, rural areas and client segments such as low-income earners tend to be badly serviced or excluded. In the urban centers where formal financial institutions are concentrated, these largely target the corporate sector and high income individuals and exclude low-income earners through conditions such as high minimum balances for account opening, high minimum deposits and high fees for transactions.

For small amounts, entrepreneurs and individuals typically use informal means, Posta or Post Bank especially if it is a domestic transfer. Domestically and within the region, bus

and courier companies have also emerged as service providers who transport the money. Public offices, businesses, households and individuals need to make or receive payments.

1.2 The Research Problem

Sending or receiving money for either payment of salaries, settlement of business transactions, payment of school fees or for family support is common both for businesses and individuals. It requires efficient, reliable and affordable money transfer services where by money can be deposited in one location and withdrawn in another in both urban and rural areas. However, the availability of financial services has suffered a setback since the mid-nineties. Commercial banks have closed down less-profitable branches especially in rural areas. This has left many rural and low-income people with few if any formal service alternatives, especially for domestic money transfers. Such gaps left by formal providers have typically been bridged by informal means and services. These include transporting the money oneself or sending it with a friend or through a un licensed service. Bus and courier operators have since joined in to the MTS business, Monthly economic survey CBK (2000). This has changed over time as electronic and mobile communication has facilitated transactions, with more recently the launching of mobile telephony MTS by Safaricom and Celtel.

Organizations are becoming less self-sufficient and their survival largely depends on successful strategic alliances and co-operation with others. As a result, the number and pace of strategic co-operations between firms in the Money Transfer Services (MTS) are increasing significantly and managers in this field, directly or indirectly, are facing issues related to strategic alliances. Much attention has recently been devoted to key issues

surrounding strategic alliances and firms in the MTS are increasingly turning to alliances for them to successfully compete in the marketplace. At one extreme, some firms seem to have been quite successful in establishing and maintaining a web of lasting alliances. Firms at the other end of the continuum seem to have to their credit a long list of failed alliances. These realities highlight the need for research that can identify factors to be considered by firms when entering strategic alliances and provide insights into the factors contributing to success and failures of strategic alliances in Kenya.

The growing popularity of alliances is directly proportionate to the perceived benefits of these agreements. However, firms entering these agreements must also be prepared for challenges they might encounter. Parkhe (1993), found that alliances are subject to instability, poor performance, and may be dissolved. Dyer et al (2001) estimate that nearly half of all alliances fail. But the termination of alliances should not be prima facia evidence of failure because one of the advantages of alliances is flexibility, and the ability to dissolve them can confer substantial benefits to both partners.

Spekman et al. (1994) argues that although the characteristics of strategic alliances formation have been well explored in literature, little has been written about the factors associated with strategic alliances success and failure. Moreover, many of the research studies on strategic alliances have not specifically been concerned with the relationship and the interplay of specific factors and their association to strategic alliances success and failure. In order to determine factors to be considered by firms entering strategic alliances, and the factors contributing to success and failures in strategic alliances in the MTS, additional research is required. Thus, there is a compelling need to establish the

factors firms consider in entering strategic alliances and those contributing to success and failures of strategic alliances in the MTS.

1.3 Research Objectives

(i) To identify the factors considered by firms when entering strategic alliances.

(ii) To determine the factors contributing to the success and failure of strategic alliances in Kenya.

1.4 Importance of the Study

(i) The study will help managers to understand fully the subject of strategic alliances. It will highlight the factors leading to strategic alliance success and failure. It will show what managers and partners need to bring to the table and act as an impetus to already crippling strategic alliances.

(ii) Investors and the general public will be able to articulate and understand the strategies firms employ to diffuse the high rate of strategic alliances failure.

(iii) Researchers and scholars will enrich their knowledge and be enabled to make more informed decisions and choices pertaining to strategic alliances. This is good both for companies in strategic alliances and the economy as a whole.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In an increasingly competitive marketplace, businesses must search for every advantage they can find. More and more businesses are turning to strategic alliances. Strategic alliances come in many configurations, depending upon the amount of risk and reward that the parties are willing to share. A strategic alliance can be a great vehicle to get into new markets, to access resources needed to seize opportunities, and to improve bargaining power and service with suppliers. However, as with any new initiative, how you approach and implement this tool plays a critical role in whether or not your strategic alliance becomes a success (Ross et al. 2002). Alliances are a great way to work with other businesses to increase the scope and effectiveness of a business enterprise. If used correctly, a strategic alliance can become a powerful tool to achieving competitive advantage.

2.2 Motivation for Formation of Strategic Alliances

Each firm consists of a set of resources, which together form a resource profile: the portfolio of a firm's resources. Resources are all the assets, capabilities, processes, information and knowledge controlled by the firm and are a potential source of competitive advantage for the firm. The scarcer, more imperfectly imitated and more lacking in direct substitutes the resources are, the more value they have (Barney 2002).

Because a firm's strategy is always directed towards future goals, it has to constantly adjust its collection of resources. The strategic goals a firm has determined guide the necessary changes in its resource profile. Every strategy has its own typical resources

associated with it and furthermore every firm has a personal view on which resources are needed for a certain strategy (Barney 2002). Given the strategic aims a firm has formulated, a new resource portfolio has to be put together to achieve these future goals. Hence, a discrepancy between the present and the future needed resource profile will arise. To bridge the discrepancy between these strategic resource needs and the present resources a firm has, then it can form an alliance to fulfill its deficiencies.

Such an alliance is considered as a form of resource integration in which firms aggregate, share, or exchange valuable resources with other firms (Das et al. 2000). Firms that form strategic alliances to obtain resources assume that these resources are transferable and not location specific. Strategic alliances do not only give the opportunity to combine resources, but also to make a firm's own resource profile valuable (Hitt et al. 1997). So, the individual motivations to form an alliance are clear: firms want to fill up deficiencies in their resource profile and make a valuable resource profile that helps them reach their strategic goals. A perfect partner is one that has exactly those resources that a firm needs. But for an alliance to form, all partners have to agree and desirability of partners concerning their resource profile is important (Das et al. 2003).

Kogut (1998) summarize the motives for strategic alliances formation. He stresses enhancement of competitive position and provision of mechanisms for transfer of organizational knowledge. Strategic alliances lower the risk of entering an unfamiliar business territory. Zajac et al. (1993) notes the importance of alliances in overcoming legal and regulatory barriers, access to new markets and in product development. The relation between resource profile and strategy is more interdependent and resource profile

also influences the strategic course a firm will follow forming a strategic alliance. A strategic alliance will only form if firms have a reciprocal wish to cooperate: a mutual dependence in terms of resources. To form an alliance a firm will have to offer some resources itself to be attractive for partners. Eisenhardt et al. (1996) point to this paradox: firms need resources to gain resources. No firm wants to cooperate with a 'wallflower'.

Successful Strategic alliances have one thing in common; combining complementary skills and resources, contributed by each partner in order to extent and exploit core competencies, suggesting that access to complementary, related capabilities is a key motivation for collaborating in these types of alliances. Sakakiba (1997) makes a distinction between cost-sharing and skill-sharing motivation for collaborating and finds that cost sharing tends to involve partners with homogeneous capabilities, while skill sharing tends to involve partners with heterogeneous capabilities.

A synergistic perspective shifts the unit of analysis from the firm and its resources to the collaboration of firms, focusing on intra-firm capabilities combined with inter-firm dependencies through the concept of coopetition (cooperation combined with competition). This simultaneous focus on internal, firm specific competencies and external collaborative synergies plays an important role in creating new capabilities and thereby enhancing competitive performance. Hence, new capabilities can be created among the participants in a strategic aggregate arrangement as a synergy (and not simply the sum) of the related capabilities brought into the collaboration by each member.

The most common types of drivers that influence the propensity of firms to enter strategic alliances are turbulence in markets, resource constraints, market uncertainty, globalization of the industry, fast technological change and economies of scale, prior involvement in strategic alliances, risk sharing and consolidation of market position. Competitive forces also play a critical role in strategic alliance formulation in organizations (Lorange 1992).

2.3 Theories on Formation of Strategic Alliances

Many studies have been done to explain the formation of strategic alliances using various theories and models. Such theories emphasize on the economic approach, the resource based view and a combination of the two. Some new theories have come into consideration in the last decade or so, although there is a view that they stage from the original two (Williamson 1995).

2.3.1 Transaction Cost Theory

Based on an economic approach, transaction cost theory was proposed to explain the decision regarding markets or hierarchy in a firm's behavior. The main concepts are that when the transaction cost of an exchange is high, the form of internalization will predominate, and vice versa. However, there is the restriction that transaction cost theory only explains the motivation and resource-allocation under extreme conditions, and this limitation is extended to explain the situation in the formation of strategic alliances (Williamson 1995).

Although the transaction cost theory provides a useful explanation for the formation of strategic alliances, it has a major weakness in that the analysis focuses on single-party cost minimization rather than total cost minimization. Furthermore, it does not assign a significant role to partner firms' resources in theorizing which impelled the emergence of the resource-based view. In fact, it does not provide a method to resolve the problem of resource allocation.

2.3.2 Resource Based View

The resource-based view of the firm suggests that firms' derive competitive advantages from their preferential access to idiosyncratic resources, especially tacit knowledge-related (based) resources. Approaching alliance formation from a resource-based perspective has, traditionally, meant a focus on existing competencies (or lack thereof) that may propel firms to enter into new alliances rather than the conditions that determine the opportunity set firms may perceive (Gulati 1999). This internal, static focus implicitly considers firms as atomistic actors engaging in strategic actions in an asocial context, thereby encapsulating the external context within measures of competitiveness in product or supplier markets.

This view postulates that, the valuable resources that firms do not own are the motive for strategic alliances. Additionally, heterogeneity is the reason why firms are instinctive, and is the basis of resource-based view. When the degree of heterogeneity among firms increases, the higher the probability of forming strategic alliances. In short, by way of strategic alliances, firms can gain their partners' complementary resources to enhance or reshape their internal processing to create synergies and competitive advantages within

the market. Firms on their own cannot create all the resources and capabilities necessary to prosper and grow; hence collaboration can be regarded as a viable way of combining resources in order to exploit new business opportunities. This shifts the unit of analysis from the firm and its resources to the collaboration of firms, focusing on intra-firm capabilities combined with inter-firm dependencies embedded in a social context.

Although the resource-based view proposes a reliable perspective on a firm's resources to explain the formation of strategic alliances, there are some notable questions which remain: What is the criteria to form alliances when firms lack any desired complementary resources? Obviously, not every firm enters alliances in the real world, even though they lack some complementary resources (Borys et al. 1989).

2.3.4 De Novo Perspective

De Novo programming was proposed to redesign or reshape given systems to achieve a aspiration and or desired level. The original idea was that productive resources should not be engaged individually and separately because resources are not independent. By releasing various constraints, De Novo programming attempts to break limitations to achieve the aspiration or desired solution.

The De Novo perspective combines transaction cost theory and the resource-based view to provide a holistic perspective for achieving an aspiration. Based on transaction cost theory, if the minimum cost lies between the transaction cost and the production cost, the firm should seek strategic alliances. Here, we add alliance cost (e.g., shared operation, negotiating and risk cost) to explain the formation of strategic alliances, and the rule of

transaction cost theory can be modified as alliance cost. From the resource-based view, firms seek strategic capabilities by linking to partner's resources to create synergies in a market (Zajac et al. 1993). The rule of the resource-based view can be modified as alliance revenue.

2.4 Factors to Consider in Formation of Strategic Alliances

The two key determinants identified in strategic alliance formation are partner match and strategic orientation of the partnering firm. Partner match calls for the creation of alliances in which the chosen partners are similar in management style and company culture. Considerations such as domain similarity and goal compatibility have been found to enhance the effectiveness of interorganizational dyads (Dacin et al 1997). In fact, compatibility of the partners is critical to alliance success. The strategic orientation of a firm reflects the willingness of the firm to enter into strategic alliances and to adopt innovative strategies. Firms select strategies to improve their competitive postures and to gain an advantage over one or more competitors. Strategic alliances are formed based on strategies of how to manage uncertainties, how to overcome lack of resources and, in particular, how to manage the firm's range of interorganizational relations.

The secret of success of a strategic alliance is a clear understanding of the objectives and careful selection of partners. An alliance between or among companies requires clear and logical planning up front, appropriate monitoring during the project's lifetime and clear criteria for ending the relationship. These are the basic considerations necessary to creating and developing a strong strategic fit. Each of the participants should articulate the expectations that they have of each other and the projects, and they should discuss

and clarify what is expected before, during and after the operation of the alliance. Each should define the strategic impact of the alliance for each side, and the advantages to each party should be clearly set forth up front. In other words, the parties should establish achievable objectives for the alliance (Burchikhi et al. 2004).

Any transaction must be a win-win situation and it is important to draw strength from the competency of both parties. The alliance should produce balanced rewards for all participants. Each of the partners must benefit from the economic rewards of the alliance and should be equally charged with making the partnership succeed. An alliance will not work if one side takes advantage of the other. Eventually, the loser will understand what is happening, and it will pull out or refocus its efforts towards negotiating a better deal (Das et al. 2003). It is very important that each participant understand and have some comfort with the culture and general practice of the other organization. Most commentators believe that culture always wins out, and that compatibility and flexibility are critical. It is important to agree upon a planning and monitoring process to indicate the level of detail in, and forms of, presentation and operation. Each party should also understand the levels of risk tolerance of the other party with the project. In addition, a clear process of dispute resolution should be in place for any conflicts that may arise between organizations.

One of the key criteria is the selection of an appropriate partner. It is a mistake to only emphasize objectives and rationales rather than closely examining the cohesiveness of the participants in the project. Knowing a partner’s strengths, deficiencies, weaknesses and attitudes is a key criterion in laying the proper foundation for an alliance. It is vital to

consider how the alliance is to be staffed-from line to upper management. The alliance should not be viewed as a sidetrack to corporate advancement or, worse, as a dead-end position, but as part of a long-term career path (Das et al. 2003).

In the partner assessment step, projecting how the partnering companies will become an integrated venture is the first prerequisite to success. It is essential to look at more than one candidate, screening each candidate against the many criteria that will determine whether the alliance will hold up. In the documentation phase, it is important to plan with precision. Setting the alliance up in order to facilitate the cooperation of both partners is essential. An alliance not based on a "win-win" relationship will most likely fail, either immediately or over time. In addition, the proposed alliance must take steps to protect the proprietary data of each of the key players. This is also the time to specify with precision the people, resources and capital that each of the participants is going to contribute to the process as well as the control mechanism for the alliance's conduct of its affairs and the use and dissemination of its property and information (Hatfield 2001).

In the strategy development step, it is important to develop a clear rationale for choosing an alliance versus other forms of transactions. This rationale is most compelling when it is based on a factual assessment of the current business, its core competencies and future prospects. This analysis will serve as the basis for establishing clear goals and objectives, ensuring that the proposed alliance will fulfill these goals (Barney et al. 2002).

2.4.1 Evolution of Strategic Alliances

Doz (1996) sees successful strategic alliances in evolutionary terms: goal setting, learning and reevaluation - readjustment of goals over time. As alliances develop, partners monitor them in terms of efficiency, equity and adaptability. They make adjustments to their relationship, moving away from its initial conditions. Unsuccessful alliances stumble on the absence of learning, or stunted learning. Partners may understand what is needed but cannot make it happen. If negative re-adjustments occur that are counterproductive, partners conclude they cannot work together and wind up, otherwise they steer the alliance into sustainability and prosperity.

2.5 Key Success Factors for Strategic Alliances

Ross et al. (2001) says that partnering companies should have complementary needs and skills - not similar strengths and weaknesses. For the alliance to succeed, the two partners should have more strength when combined than they would have independently. Mathematically stated, it must be a "1+1=3." That is parts are better than one. If it is not, the alliance should be avoided as it will stumble. Each partner must have the managerial ability to cooperate efficiently with the other. Management, in turn, must have an equally cooperative spirit. They must have a high level of profession so that the inevitable problems can be resolved. The person leading a company's alliance contribution must have authority and power bestowed by the senior executive staff. He or she must be able to marshal internal resources and focus people on the alliance. Unless top and middle management are highly committed to the success of the venture, there is little chance of success; as such, this must be viewed as an important career-path position (Banford et al. 2003).

All members of the alliance must see that the structure, operations, risks and rewards are fairly apportioned among the members. Fair apportionment prevents corrosive internal dissension. Beyond a good strategic fit, there must be careful coordination at the operational level where plans and projects are implemented. There is a strong correlation between success of a venture and clear overall purpose - specific, concrete objectives, timetables, lines of responsibility and measurable results (Bucklin et al. 1993). Financial and non-financial performance measures should be designed to fit each alliance. Careful and ongoing evaluation is a must. Each partner's commitment of financial, personnel and other resources should be agreed upon and clearly understood by the partners at the outset. Partners must be realistic about the amount of internal resources and "hidden assets" they can commit to an alliance.

Control mechanisms as to the alliance's affairs as well as its products and information should be agreed upon and clearly understood by the partners at the outset. A dispute resolution mechanism should be agreed upon at the beginning. Alliances between parties of equal size or strength seem to have more success than combinations that can be dominated by one partner. Communication between partners is critical for building a successful relationship. In order to achieve the benefits of collaboration, effective communication between partners is essential (Cummings et al. 1984). Communication allows the partners to understand the alliance goals, roles and responsibilities of all the actors. It also helps with the sharing and dissemination of individual experiences (Inkpen 2001). In sum, more successful alliance relationships are expected to exhibit higher levels

of quality communication, more information sharing between partners, and more participation in planning and goal setting than less successful ones.

The centrality of trust in developing long-term organizational relationships has been emphasized in the alliance literature (Harbison et al 1998). The existence of trust in a relationship reduces the perception of risk associated with opportunistic behavior. Partners that trust each other generate greater profits, serve customers better, and are more adaptable. When exchanges are governed by trust, the transactor can reduce transaction costs (e.g. bargaining and monitoring costs). Studies suggest that one critical factor determining alliance performance is the degree of trust between alliance partners (Bleeke 1993). Indeed, it has been argued that trust is so important to alliances that it is considered the "cornerstone of the strategic partnership success". Thus, trust between partners is positively related to the success of an alliance.

Commitment suggests a future orientation in which partners attempt to build a relationship that can weather unanticipated problems. A high level of commitment provides the context in which both parties can achieve individual and joint goals without raising a spectre of opportunistic behavior (Bidault et al. 1984). Indications of commitment include investment by the participating organizations, exclusive agreements between the organizations and the absence of major conflicts between the organizations (Anderson 1991). Committed partners are likely to be more cooperative, communicative and flexible in accommodating conflict issues. Commitment development between partners within an alliance would act as a counterbalance against failure of the strategic

alliance. In fact, a higher level of commitment to alliances relationship is positively related to the alliance success.

Collaboration is the key dimension of the strategic alliance relationship. The alliance partners must collaborate to achieve their strategic objectives. The collaborative associations are interactive and adaptive in nature (Anderson 1991). Understanding the nature and scope of collaboration is essential in analyzing the operation and success of an alliance. A highly collaborative relationship provides the flexibility and adaptability necessary to overcome uncertainties, resolve conflicts and achieve mutually beneficial outcomes. The greater the extent that a collaborative relationship exists between the alliance partners, the higher the probability of success. Conflict often exists in inter organizational relationships due to the inherent interdependencies between partners (Borys et al. 1989). Bidault et al. (1984) posited that firms in strategic alliances are motivated to engage in joint problem solving because they are, by definition, linked together to manage an environment that was more uncertain and turbulent than each one could control.

Marketing mix strategy is a surrogate tool. Universally acceptable products and services with similar pricing, promotion, placement, service levels and general outlay add to the extend of appeal to customers (Kotler 2003)

2.5.1 Factors Leading to Strategic Alliances Failure

Strategic alliances can lead to competition rather than cooperation, to loss of competitive knowledge, to conflicts resulting from incompatible cultures and objectives, and to reduced management control (Chang et al. 2006). A study of almost 900 joint ventures found that less than half were mutually agreed to have been successful by all parties (Dacin et al. 1997). A strategic alliance can fail for many reasons, among them are failure to understand and adapt to a new style of management, failure to learn and understand cultural differences between the organisations, lack of commitment to succeed and strategic goal divergence. Insufficient trust, operational and geographical overlap coupled with unrealistic expectations adds to the same (Duysters 2003).

Reasons for failure and non performance of strategic alliances are poor communication, lack of trust, poor vision, and lack of shared goals or strategic direction. To maximize the potential for success and minimize the risks of failure, two key steps may be identified: selection of appropriate partner and alignment of objectives, vision and values. Rule et al. (1998) cautions: be just as careful in selecting a business partner as a spouse, Common purpose is important. Poor project management by companies involved in alliances is a major cause of failure. Companies must continuously monitor how fast moving markets and advances in technology may modify the assumptions and expected outcomes that prevailed when the deals were signed. The trouble begins when executives underestimate how much time and energy must be committed to managing multiple partners.

Unanticipated conflicts in objectives, business plans and operations may cause a dramatic change in the viability of a particular alliance. This leads to a strategic gridlock. Losing

control of basic strategy is even more suicidal. In every alliance, the partners relinquish some control with the expectation of shared returns. If a participant unduly depends upon the alliance for growth, it can lose sight of its overall business strategy and fail to focus on its own business. One of the worst things that have happened with the strategic alliance concept is that a partner ends up creating a competitor, instead of a partner to share proceeds (Somers 2005). More myopic partners focus on benefits to the other. The failure of the parties to act in unison because of a focus on what the other participant is obtaining from the alliance (i.e. a feeling that the alliance is more beneficial to one of the parties) leads to misunderstandings. This, coupled with poorly defined goals, often leads to unanticipated difficulties - the failure to agree upon specific goals and objectives such as return on investment, market share, market expansion and cost containment. On the other hand, the failure to select the right partner can make even the best deal unsuccessful Ohmae (1989).

Deep-rooted cultural values lead to conflict and incompatibility between partners. Together with poor communication they are cited as the most important factors behind the high failure rate of most alliances. Political and cultural differences between countries are as well considered to be a major factor influencing the degree of success in the transfer of technologies or managerial techniques between organizations (Marosini 1998). The words of Lewis (2000), makes some interesting observations on strategic alliances across borders. Long borders, collectivism, geographic remoteness, frequent attacks by neighbors, frequent warfare, and expansionism together with the influence of a bleak climate leads to difficulties in driving strategic alliances to prosperity. Thus, culture has a big role in the success of cross border alliances.

2.6 Challenges of Strategic Alliances

Alliances are relational contracts among two or more firms. The relationships are intended to last multiple years, though failure rates reportedly are high. Opportunism is a familiar concept in legal and economic studies. The most quoted definition of opportunism belongs to Oliver Williamson, who characterized it as “a condition of self-interest seeking with guile.’’ The distinctive feature of this definition is the notion of “guile,” which is described as “lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse.” In the more recent economic literature, opportunism is typically condensed into “shirking” and “cheating.” In the strategic alliance context, two forms of “cheating” are most prominent: stealing and holding up. The temptation to act opportunistically in the alliance setting has several sources. (Wiliamson 1995).

Kanter (1994) focuses on the risks of free-riding (shirking) and leakage (stealing) of technology. One of the most important sources of moral hazard risk in alliances is the sequential performance obligation of the partners. This risk is typically confronted through various contractual mechanisms. For example, the larger alliance partner often makes a substantial upfront investment in the smaller partner. After the initial investment, staging is a conspicuous feature of most alliance agreements. In addition, each alliance partner typically owns separate assets, which, though dedicated to the alliance, are subject to the alliance partner’s exclusive control and revert back to the separate partners upon dissolution. This clause ‘holds-up’ strategic alliances to success.

2.6.1 Exit Strategy

The problems of opportunism that lie at the heart of strategic alliances are a familiar feature of the business organizations. In particular, general partnerships and closely held corporations share the challenge of creating a lasting and cooperative relationship among a small number of participants. In both forms of organization, the potential for stealing and hold-up loom large, and exit structure plays a crucial role in regulating the potential for opportunism (Segil 2004).

2.6.1 Contractual manager

In most cases, strategic alliances are headed by a professional manager, among his tasks of optimal resource allocation lies the expertise and power to act as a mediator. He oversees the partner identification and selection, contract negotiation, implementation and ultimate achievement of the partner's objectives persie.

2.6.2 Exit at will

The default rule of exit in partnership law is at-will dissolution. Exit, or the threat of exit, is a powerful constraint on opportunism. Like the two-edged sword, however, exit rights also might be used to act opportunistically. In many partnerships, therefore, the default rule can be changed, and the parties agree that the partnership will endure for a particular term or specified undertaking. Of course, even in such arrangements, the partners are allowed to exit, but if a partner leaves the partnership under circumstances not sanctioned by the partnership agreement, the departing partner may be subject to damages for breach of contract. The result is a form of "lock-in" that attempts to discourage opportunistic exit.

The termination structure of alliances is entirely contractual, and as we would expect, alliance partners often strive to obtain the benefits of lockin without constructing a suicide pact. Most alliances have termination provisions that are tied to the completion of a specified undertaking. Prior to that event, the partners may exit only “for cause,” a term that typically includes breach of the strategic alliance agreement and may include other events. If those were the only termination provisions, the exit structure of alliances would look very much like a partnership for term or a closely held corporation subject to the law of minority oppression (Hatfield 2001).

2.6.3 The contractual board

Many alliances have contractually constituted management committees comprised of representatives of each alliance partner. Such will encourage an improved information flow and improved coordination on strategic level decisions by forcing consensus. In a paradigmatic alliance comprised of two alliance partners, each partner appoints several representatives to a management committee. Most alliance agreements assign a variety of tasks to the contractual board. The unifying theme of these provisions is the need to fill gaps in the alliance agreement as the relationship matures. Delegates are tasked at preparing development plans, supervising the progress of the alliance, recommending actions in response to unforeseen events, and supervising the transition of development and growth activities (Dyer et al. 2001).

Any decisions of the board must be unanimous, thus presenting, in a two-partner alliance, the possibility of deadlock. Of course, the parties recognize this possibility, and alliance

agreements routinely provide for dispute resolution in the event of deadlock. The contractual board provides one supremely important advantage over the contract manager: exit without breach. This advantage turns on a critical aspect of strategic alliances, namely, that opportunistic behavior is extraordinarily difficult to police via contract. If one alliance partner is chiseling, the other party may know it but may not be able to prove that the behavior constitutes a breach of the alliance agreement. By forcing a decision at the committee level, a strategic partner may curtail opportunism before it has a chance to do substantial damage to the alliance.

2.6.4 Multi stage dispute resolution

Under the elaborate, multi-stage, dispute resolution process, four outcomes are possible: the partners could resolve the dispute at the committee level or at the senior officer level. If these fail, then the partners could resolve the dispute by reference to a contractually designated decision maker. A final option could be to take their dispute to arbitration. Of course, the existence of a series of procedures may itself encourage early resolution (Inkpen 2001).

2.6.5 Arbitration

Many other alliances take a more direct route to arbitration. Sorting it out in the legal profession. This is a very strong indication that the partners are parting ways. Not only is it a very expensive exercise, most of the times, but also can take a long time to determine and decide cases of high commercial value. Where no justifiable commercial value to be enjoyed by the partners, out of court dissolution is advisable (Hoffman 2005).

2.7 Summary

It is becoming increasingly difficult for one company to house all skills and know-how it needs to be a profitable business. No one company can keep all the relevant resources in house. As a result strategic alliances have become the center piece of establishing a competitive edge. Strategic alliances can give firms quick and flexible access to markets, technology and other idiosygratic resources. They can also provide flexibility to handle change and hedge risks (Hoffman 2005). There is some indication that alliances are increasing in size over time and this raises a broader issue of whether competition between firms is being replaced by competition between constellations of alliances (Duysters et al 2003). The process of formation of formation of strategic alliances is a key cornerstone to managing alliances to success, prosperity and sustainability. Partnerships change lives.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter defines the population of study and explains the design and methodology of data collection and analysis.

3.2 Research Design

This descriptive study indented to identify factors considered by firms when entering strategic alliances and the factors contributing to the success and failure of strategic alliances in Kenya. Being a descriptive study, it is aimed at determining who, what, when and how phenomenon.

3.3 The Population of Study

The population of study consisted of commercial banks in the records of the Kenya licensing board, as at 31st June 2007. Commercial banks constitute a very big percentage of the money transfer business in this country (kabbucho et al. 2003). Banks involved in strategic alliances were sampled out using random sampling method. Out of the 15 firms sampled, 5 failed to have their questionnaires back despite mail and phone requests. The remaining 10 responded positively and their responses form the basis of the study findings.

3.4 Data Collection Method

The researcher used questionnaires to collect primary data. The questionnaires consisted of three sections. Section A consisted of open-ended questions and gathered the general information about the firms and what factors they considered when entering strategic

alliances. Section B consisted of Likert type of questions and obtained data on the factors that contribute to success of strategic alliances. Section C consisted of likert type questions and obtained data on the factors leading to strategic alliance failure. An introduction letter addressed to the Director of Operations was send together with the questionnaire. A copy of each appears in the appendix.

The questionnaires were sent via e-mails to Nairobi. For companies in Mombasa, the questionnaire were delivered in person and picked at an agreed time. One person per organization filled the questionnaire, preferably the director of operations or a senior manager. However, in cases where none of them was available, a knowledgeable senior staff with regard to the business operations of the firm completed it. Follow ups were by phone and the email.

3.5 Data Analysis

Completed questionnaires were edited immediately after receipt from the respondents during the analysis stage to ensure completeness and consistency. Data was then summarized in tables according to the different variables. Cumulative tables were also used to sum together similar responses from the questionnaires. The analysis for responses in part A were shown as percentages and mean while in pat B and C the responses were analyzed using Statistical Package for Social Sciences (SPSS) and were shown as mean and standard deviation.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS.

4.1 Introduction

The first part of this chapter highlights the profile of the organizations that responded and the factors they considered when entering strategic alliances. The second part compares the relative importance of the factors that lead to strategic alliance success while the third part compares the relative importance of the factors that led to strategic alliance failure.

4.2. The Organizations' Profile

Out of the 10 firms that responded, 5 were fully privately owned, 4 were partly owned both by government and private while only one firm was fully owned by the government.

Table 4.1 Profile of Organizations Ownership

Ownership	No. of Firms	Cumulative Total
Fully Private	5	5
Part Ownership	4	9
Fully Government	1	10

Source: Field Data

The profile of the organizations mainly showed fully private ownership at 50 %. Such firms had full business oriented management teams where decision making and implementation was first and swift, thus less delay. Forty percent showed government partnership with the private sector. Only ten percent was fully owned by the government and this was characterized by long decision making hierarchy hence a marked delay in implementation of policies.

Table 4.2 Distribution by Core Business Profile

Business Profile	Frequency	Percentage
General banking	**7**	**70 %**
Asset financing / Mortgage	**2**	**20 %**
Savings only	**1**	**10 %**
Money Transfer Services	**0**	**0 %**
Other services	**0**	**0 %**
Total	**10**	**100%**

Source: Field Data

From the profile, general banking services were offered by seven of the firms as core business; this is a whopping 70 % as compared to only 20 % whose core business was mortgage and asset financing. This is mainly because most of the respondents were commercial banks. A paltry ten percent of the firms' core business was savings only. Despite the fact that a greater percentage of money transfer services was done by the commercial banks, none registered it as its core business. This can be attributed to their proximity and strategic locations and the fact that it was a product just out to supplement their margins.

From the data 60 % of the firms indicated that they were more than 5 years old, had an average of ten branches in the country and transmitted money both locally and internationally. These firms were more stable and deeply in the financial industry offering a wide range of services. Such contributed to an estimated 80 % of the money transfer business in Kenya. 20 % were less than five years old with few branches located mostly in major towns where they are sparsely clustered.

4.3 FACTORS CONSIDERED IN JOINING STRATEGIC ALLIANCES

This study sought to identify factors considered by firms when entering strategic alliances. Relevant open ended questions were administered and the respondents were required to list the factors. Content analysis was applied to highlight the relevant factors. Those recorded appear below in table 4.3.

Table 4.3 Factors Considered in Joining Strategic Alliances.

Factor	Frequency	Percentage
Prospect for Growth	7	21.87 %
Partner Match	6	18.75 %
Level of Risk Tolerance	6	18.75 %
Strength of Competency	5	15.65 %
History of Partner	4	12.5 %
Benefits	4	12.5 %
Total	N=32	100 %

Source: Field Data

Most of the firms listed prospect for growth (both in market share and productivity), partner match, level of risk, strength of competency, history of partner and benefits to be derived as the factors they consider when entering strategic alliances. Of these, prospect for growth was rated highly, at 21.87 % followed by partner match and level of risk tolerance at 18.75 %. Most firms are out to expand their operations at minimum risk possible hence increase in productivity. The strength of competency to be expected was listed at 15.65 % as they are not out to create competitors but partners to share proceeds. The history of the prospect partner and benefits expected to be derived were listed at 12.5 % each. Firms would wish to form an alliance with another which has had a successful one before.

4.4 Factors Leading to success and Failure of Strategic Alliances

The study sought to determine the factors leading to success and failure of strategic alliances in the Money Transfer Services sub sector. Respondents were therefore asked to rank the factors on a five point scale: where **1** represented the least in importance while **5** represented the most in importance. Mean and standard deviation for each factor was then calculated and the results cross tabulated for purposes of interpretation. A high mean shows high importance, a low standard deviation represents high importance and vice versa.Those recorded appears below in table 4.4.

Table 4.4 Response to Strategic Alliance Success and Failure Factors

Factors	Mean	Std. Deviation
Success Factors		
Increased Trust	4.50	.707
Suitable Partner Selection	4.30	.823
Goal Congruency / Clarity	4.10	1.101
Common Strategy	4.00	1.054
More Communication	3.90	.994
Clear Performance Measures	3.60	1.174
Increased Commitment	3.50	1.581
Managerial Ability	3.40	1.265
Marketing Mix	3.40	1.075
Collaboration	3.30	.949
More Control /Coordination	3.30	1.337
Failure Factors		
Inappropriate Partner	4.40	.843
Lack of Sufficient Trust	4.30	.823
Goal divergence	4.10	1.101
Opportunistic Conflict	4.10	.994
Poor Vision	4.10	.738
Unrealistic expectation	4.00	1.054
Poor Control	3.80	1.033
Poor communication/ control	3.80	1.033
Lack of Strategic Fit	3.70	1.160
Lack of Commitment	3.70	1.418
Cultural Differences	3.70	.949
Poor Marketing Mix	3.20	1.033
Valid N (list wise)		

Source: Data Analysis **n = 10**

From the research most firms rated trust as the most important factor for strategic alliance success with the highest mean score of 4.50 and a standard deviation of 0.707. One critical factor for strategic alliance success is trust. This confirms the words of Bleeke (1993) that trust is so important to alliances that it is considered the cornerstone of strategic partnership success. This was closely followed by suitable partner selection with a mean score of 4.30 and a standard deviation of 0.83 as a very important while goal congruency was rated with a mean score of 4.10 and a standard deviation of 1.101. The right partner propels the alliance to the right direction of success. With the wrong partner, conflicts of interest arise and such strategic alliances are doomed.

Common strategy was rated with a means score of 4.0 and a standard deviation of 1.054 as an important factor. Through application of a common strategy, partnering firms are able to move forward together. This increases bonding and holds alliance partners together as it takes a common course. Commitment by alliance partners is essential as it provides the context in which partnering firms can achieve individual and joint goals by using available resources at full capacity. Committed partners are likely to be more cooperative, communicative and flexible in accommodating conflict issues.

Despite the that fact that clear performance measures, coordination, managerial ability and marketing mix were factors leading to strategic alliance success, they were rated least with a mean of 3.30 and 3.40 respectively. Financial and non financial performance measures should be designed to fit the alliance pact with careful and continuous evaluation to keep the alliance on the right strategic direction. A high level of professionalism is need both in line staff and the management so that there is clear

coordination and control. The right marketing mix (price, place, promotion,….) should be integrated and all marketing activities well coordinated for alliance success to be realized.

From data collection, selecting inappropriate partner contributed most to strategic alliance failure as rated with a mean score of 4.4 and a standard deviation of 0.843. Choosing a partner is very important, the right partner propels the alliance to the right direction of success; with the wrong partner, the signing of the alliance pact is a precursor to failure. Lack of trust was rated as a key strategic alliance failure factor garnering a mean of 4.30 and a standard deviation of 0.823. Even the best founded, right partnered alliance would crumple if shirking, cheating, chiseling and unfaithfulness cropped in.

Where there is goal divergence and opportunistic conflicts, interests shift and resource allocation is curtailed. Conflicts can be characterized by failure to agree upon specific goals and objectives such as return on investment, market share, market expansion and cost containment. Unanticipated conflicts in objectives, business plans and operations can cause dramatic changes in the viability of strategic partnerships.

Lack of strategic fit, commitment and cultural differences garnered a mean score of 3.70 each and standard deviation of 1.160, 1.418 and 0.949 respectively as very important factors leading to strategic alliance failure. Strategic fit calls for alignment of both partners to be integrated together, assess current business, its core competences and future prospects in line with the strategic orientation of both partners. If this lacks, partnering alliances cannot hold. Deep rooted cultural values lead to conflict and

incompatibility between partners unless they are wisely handled. Culture is the way of life of people; failure to appreciate and embrace it can lead to failure in strategic partnerships. On the other hand, poor marketing mix, with a mean score of 3.20 and standard deviation of 1.033 can lead to strategic alliance failure due to confusion and subsequent conflicts especially where there exists price differences in the same market.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS.

5.1 Introduction

This section contains a summary of the study findings. It also presents the conclusions arrived at and the study limitations and impediments. The last part of this chapter contains recommendations for future research and implications for policy and practice.

5.2 Summary, Discussions and Conclusions

This study was a survey of the factors firms consider when entering into strategic alliances and the factors leading to success and failure of strategic alliances. Results indicate that firms consider prospect for growth, partner match, strength of competency, level of risk and benefits expected to be derived as important factors before signing an alliance pact.

A major objective of the study was to ascertain what drives firms into success, sustainability and prosperity. From the findings of the study it comes out clear that the study objective was achieved. It is further evident that increased trust, a suitable partner, goal congruency, a common strategy and increased commitment are key factors leading to strategic alliances success. The findings further reemphasize the findings of Bleeke (1996) that trust is a key corner stone of strategic alliance success. Moreover, in appropriate partner, lack of sufficient trust, goal divergence and opportunism, coupled with poor vision can wreck strategic partnerships.

The identification of factors considered important by firms when entering strategic alliances provide valuable information as to what managers need to bring to the table when searching for strategic alliance partners. Moreover, the results of the survey are valuable insights in the subject of strategic alliances. Further, the study shows what drives strategic alliances to success, sustainability and prosperity.

5.3 Limitations of the Study

The study was fraught with several drawbacks especially in collecting the data. One was the fact that most respondents had the opinion that the researcher was bound to benefit financially: this was overcame by clearly explaining the core objectives of the study. The other major limitation was the unwillingness of firms to give comprehensive information about success of their operations.

5.4 Recommendations for Further research

The same study can be done in different industries which are involved in frequent strategic alliances especially the ever versatile ICT. This study also recommends that a further study be done to determine the potential and future of the MTS business since there is so much interest mostly by the government and its agents.

5.5 Implications for Policy and Practice

From the findings of this study, prospects for growth both in market share and productivity is a key factor firms consider when entering strategic alliance. Trust is a cornerstone of strategic alliance success and choosing the wrong partner is a precursor for failure.

Strategic alliances have become the centre piece for competitive edge. There is some indication that strategic alliances are increasing in size and further literature show that there is an inclination towards entering new markets in strategic alliances. Thus there is need to earnest the cooperative elements of strategic alliances as these networks evolve into networks of technical, financial and social interactions. Sustainability of these corporations is good for the economy as a whole.

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APPENDICES

Appendix i : Introduction Letter

Stanley Kavale.
School of Business
C/OBandari Campus
University of Nairobi
P. O. Box 30197
Nairobi.
10th September, 2007.

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student of the University of Nairobi, School of Business, Bandari Campus. In order to fulfill the degree requirement, I am undertaking a project to study Strategic alliances in Kenya; The case of money transfer services, as part of the academic requirements towards completion of the course.

You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filing out the accompanying questionnaire, which I will collect from you personally.

The information that you are going to provide will be used exclusively for academic purposes and will be treated with strict confidence. At no time will your name appear in my report. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours faithfully,

STANLEY KAVALE	**DR. MARTIN OGUTU**
MBA STUDENT	LECTURER / SUPERVISOR
SCHOOL OF BUSINESS	SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI	UNIVERSITYOF NAIROBI

Appendix ii : Questionnaire

PART A

General Information

i. Name of your Company ………………………………………….…(Optional)

ii. Job Title ……..……………………………………………........…(Optional)

iii. How many branches / out lets does your firm has…………………….

iv. How long has your company been in the Money Transfer Service

Business (MTS).…….......?

v. Give name of your MTS product / service …………………………..

vi. What is your core business? Does your firm make / receive foreign transfers……………………..

Vii. What other services does your firm offer ……………………………

viii) What factors does your firm consider when entering into strategic alliances?

Please list

PART B

Success Factors

Please rate the factors that you think leads to success of strategic alliances in your company by ticking once for every factor. (5-very important, 4-important, 3-some important, 2-not important, 1- not at all)

Factor	5	4	3	2	1
Managerial Ability					
Increased commitment					
More Control / Coordination					
Clear Performance Measures					
Suitable Partner Selection					
More Communication					
Collaboration					
Increased Trust					
Strong Marketing Mix					
Goal Congruency/Clarity					
Common Strategy					

Include any factors that may have been left out.

PART C

Factors Leading to Failure

Please rate the factors that you think leads to failure of strategic alliances in your company by ticking once for every factor. (5-very important, 4-important, 3-some important, 2-not important, 1- not at all)

Factor	5	4	3	2	1
Lack of Commitment					
Lack of Sufficient Trust					
Poor Communication					
Un Appropriate Partner					
Lack of Strategic Fit					
Unrealistic Expectation					
Poor Vision					
Goal Divergence					
Opportunism / Conflicts					
Poor Control / Management					
Cultural Differences					
Poor Marketing Mix					

Include any factors that may have been left out.

Thank you very much for your valuable time.

Appendix iii: LIST OF COMMERCIAL BANKS IN KENYA AS AT 31ST JULY 2007.

1. African Banking Corporation

2. African Development Bank

3. Akiba Bank

4. Bank of Africa

5. Bank of Baroda

6. Bank of India

7. Bankers Trust, Nairobi
8. Banque Indosuez
9. Barclays Bank
10. Bishara Bank
11. Central Bank of Kenya
12. CFC Bank
13. Citi Bank
14. Citi Finance Bank
15. Commercial Bank of Africa
16. Consolidated Bank
17. Continental Bank of Africa
18. Cooperative Bank of Kenya
19. Development Bank of Africa
20. Diamond Trust
21. Dubai Bank
22. Equatorial Commercial Bank
23. Equity Bank
24. Family Bank
25. Fina Bank
26. First American Bank of Kenya
27. Giro Bank
28. Guardian Bank
29. Habib Bank
30. Housing Finance
31. I & M Bank
32. Imperial Bank
33. Industrial Development Bank
34. K- Rep Bank
35. Kenya Commercial Bank
36. Kestrel Capital East Africa
37. Korea Exchange Bbank
38. Mashreq Bank
39. Middle East Bank
40. National Bank of Kenya
41. NIC
42. Pan African Bank
43. Post Bank
44. Prime Bank
45. Prudential Bank
46. Stan bic Bank
47. Standard Chartered
48. Transnational Bank
49. Victoria Commercial Bank

Appendix iv: Strategic Alliance Formation Criteria

Planning the Alliance—Phase 1

- Defining the strategy
- Screening alliance opportunities
- Defining alliance objectives and goals
- Using strategy to surface hidden agendas
- Choosing an appropriate alliance type
- Developing internal alignment
- Developing partner criteria

Forming the Alliance—Phase 2

- Initiating a partner search
- Evaluating partner candidates
- Conducting due diligence
  - Determining capability
  - Determining compatibility
- Negotiating the alliance
  - Forming the negotiation team
  - Preparing internally for strategy, tactics, and roles
  - Launching negotiations
  - Conducting negotiations
  - Including legal counsel appropriately
- Transitioning to implementation
  - Debriefing the negotiation
  - Determining accountability
  - Transferring the knowledge and responsibilities

Operating and Managing the Alliance—Phase 3

- Conducting joint operational planning
  - Scenario planning
  - Governance structure
  - Decision making
- Assigning an alliance manager
- Launching the alliance
  - Developing joint metrics
- Solving problems and resolving conflict

Review and Evaluation of the Alliance—Phase 4

- Monitoring performance and report results
- Conducting an alliance audit
- Managing change
  - Re-launching the alliance
  - Re-negotiating the alliance
- Terminating the alliance
- Building organizational alliance capability
- Alliance portfolio management
- Supplier relationship management
- Cross-border alliances

Managing Unique Alliance Types

- Implementing the paradigm shift away from classic customer-vendor relationships
- Generating more value from supplier relationships
- Best practice framework for Supplier Relationship Management (SRM)
- SRM governance framework
- Typing, tiering, and managing supplier value
- Capturing and managing key customer value to upgrade to alliances
- Implementing a governance structure for managing key customers as alliances

Source: Lorange, P. & Roos, J. (1992).