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**THE ENIGMATIC CULTURE OF
BUSINESS ALLIANCES**

by

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ABSTRACT

The market and economic significances of business alliances are high, but so too are their failure rates. In an attempt to expand on the organizational knowledge regarding such failures (or successes) this paper identifies potential variables that may influence the ultimate success of such ventures. Absorptive and relational capabilities of organizations may be good indicators of alliance compatibility, depending on the size and nature of the industry. The central goal of this paper is to lay out variables and potential tools of measurement for A_{IQ} and R_{IQ} (A_{IQ} = *Absorptive Organizational Intelligence Quotient*; R_{IQ} = *Relational Organizational Intelligence Quotient*). Absorptive IQ and Relational IQ can be broken down into measurable components and a better understanding of what constitutes best partners may be formulated.

INTRODUCTION

As a senior manager in the information industry for 30 years, the author has seen many alliances birthed and destroyed. On first observation many *appeared* to be created on the foundation of mutual need. That is, a need to compete in a marketplace beset with frantic change.

A small software computer company would align with a telecom company or a global service provider would network with a domestic provider. Auto firms would hurriedly form alliances in attempts to stave off powerful competitors and navigate emerging markets. However, most of these alliances were plagued with issues from the beginning because of a lack of planning or because the industry was evolving at such an accelerated pace that by the time the alliance became functional, it was too late to be effective in the market.

An interesting alliance constructed in 1998 was *Concert* – a partnership between AT&T (now known as at&t) and BT (British Telecom). This joint venture was driven by then AT&T's chairman, C. Michael Armstrong, and his counterparts at BT.

This venture, initialized with over ten billion dollars, was to serve global enterprise customer's voice, data, and IP (Internet Protocol) requirements. In fact, it was to replace a working and profitable joint venture (JV) of AT&T's called *World Partners*. The *World Partners Company* was a joint venture with AT&T and a consortium of telecom players around the globe including firms like KDD (Japan), Telstra (Australia), and several major European players.

Yet, *Concert* was doomed from the beginning, not because it did not fulfill a driving market need, but because of cultural problems (both organizational *and* national) that prevented even the simplest of tasks from being structured and completed. *Concert* dissolved before lifting off the ground in 2002—in what was one of the largest, most costly, and market *invisible* alliances ever formulated within the information industry.

According to some estimates, 75 percent of these failures are attributed to various types of culturally related issues. There are several reasons why alliances succeed or fail. Gulati, Dialdin & Wang (2002) believe that many of these failures are related to the absorptive and relational capabilities (A_{IQ} and R_{IQ}) of an organization.¹

This paper offers a review of what the best management and market thinkers have found regarding alliance composition. Building on their knowledge, and the quantifiable views and experiences of executives and managers of recent (or current) global alliances, research needs to be sponsored and designed to examine the organizational conditions and variables that will provide a good alliance mix.

Relevant Alliance Statistics

It is popular for businesses to join forces, as over 10,000 corporate alliances were formed in 2000. Important alliances increased from 10 in 1978 to over 300 in 1990, to +1,000 in 2000. Currently, alliances make up over 15 percent of corporate revenues for the top 1000 US public corporations.² However, as previously mentioned, many studies indicate that the failure rate of alliances in certain industries can be as high as 75 percent. Alliances are created for many reasons. Typically, they are formed to pool capabilities, share costs, increase globalization, absorb or create technical changes, build vertical specialization, increase market speed/flexibility and reversibility, and, finally, to build on dynamic relationships and networks.

Researching and understanding the ensemble of elements that create the right primordial stew of good alliances can provide valuable information about economic and social growth of businesses.

LITERATURE REVIEW

“Despite their popularity and presumed strategic importance, alliances often fail” (Khanna, Gulati, Nohria, 1994).³ Khanna et al. argue that alliances are often tied up in conflict by managers with mind sets stuck on the idea that business relationships are either purely competitive or purely cooperative. As alliances are framed within the context of cooperation—the partners’ representatives (managers) want to act in good faith and the end result can be “a three-legged race—whereby they get to the finish line together or fail to get there.”⁴

Complex relationships are by their nature *asymmetrical*. Results, resources, and rewards are never evenly distributed among partners. Alliances can be couched within the framework of a learning relationship. “Disproportionate benefits are earned by the firm that finishes learning from its partner before its partner can do the same ... as it is then free to leave the alliance and deny its partner access to its know-how.”⁵

The author’s analysis centers on three main problems manifesting from this asymmetry. First, from a technology development perspective, a firm that has conducted its own research in a unilateral fashion “will find that its usual resource allocation pattern will be suboptimal in [an] alliance type situation.”⁶ Second, Khanna et al. argue that “the organizational structure and resource allocation process in the context of an alliance, where the two parties are simultaneously trying to learn from each other, requires *great flexibility*.”⁷ Finally, the failure to understand the difference in optimal research strategies in alliance vs. non-alliance situations “can lead to misinterpretation of ones partners’ intentions and thus cause conflict.”⁸

Khanna et al. (1994) identify an important holding wall for alliance structures. That is alliances are in a learning race to understand their respective organizations, cultures,

technology, markets, and, most importantly, conflicting links of cooperation and competition.

Simonin and Helleloid (1993) introduced another dimension to the learning race in their article, “Do Organizations Learn? Empirical Test of Organizational Learning.” Collaborative knowledge is the result of firms, learning from success and failure in collaboration. This knowledge is then transformed and applied when entering new collaborations. Two types of learning are explored: first, “the organization’s ability to learn from the success and failure in past collaborations when crafting new collaborations; and second, the organization’s ability to learn and develop skills through collaborations which can then be used to directly enhance a competitive position.”⁹ It is important to note that collaborations do not just involve the top managers of the firm – as in the author’s example of *Concert* (the AT&T and BT failed venture). They must include individuals from all levels of the firm and many supporting functions.

Collaborative know-how is valuable in four different phases of collaboration:

1. The identification and selection of potential partners;
2. Negotiating the terms of a collaborative agreement;
3. Monitoring and managing on-going collaborations;
4. Terminating collaboration.

The research conducted in this study clearly indicates that organizations develop specialized knowledge and learn from past experiences. Furthermore, collaborative knowledge is a “multifaceted construct involving many individuals and stages in the life of a partnership.”¹⁰

The impact of organizational culture on the *effectiveness* of strategic marketing alliances ties organizational culture and associated behaviors to performance (Leisen, Lilly, Winsor 1993). Leisen et al. identify specific alignment of culture, behavior and specific effectiveness aspects that would aid managers in *maintaining alliances*. Their work focused on the tourism industry, which has many natural alliances. For Leisen et al., marketing effectiveness is a function of the following predictor variables:

1. Values and beliefs held by the members of the organization;
2. Policies and practices used;
3. Translating core values into policies in a consistent manner;
4. The interrelation of core values and practices.

In addition, there are internal marketing processes that predict market effectiveness. “Market effectiveness can be set within the framework of four dimensions: operational efficiency; customer philosophy; adequate marketing information; and strategic orientation. This is sometimes known as “the internal marketing processes of a company” (Leisen, Lilly, and Winsor 1993).¹¹

The Enigmatic Culture of Business Alliances

In their research Leisen et al. (1993) define the dimensions of market effectiveness as:

Operational Efficiency – internal market processes including communications, coordination, and implementation of market activities or internal marketing communications and management.

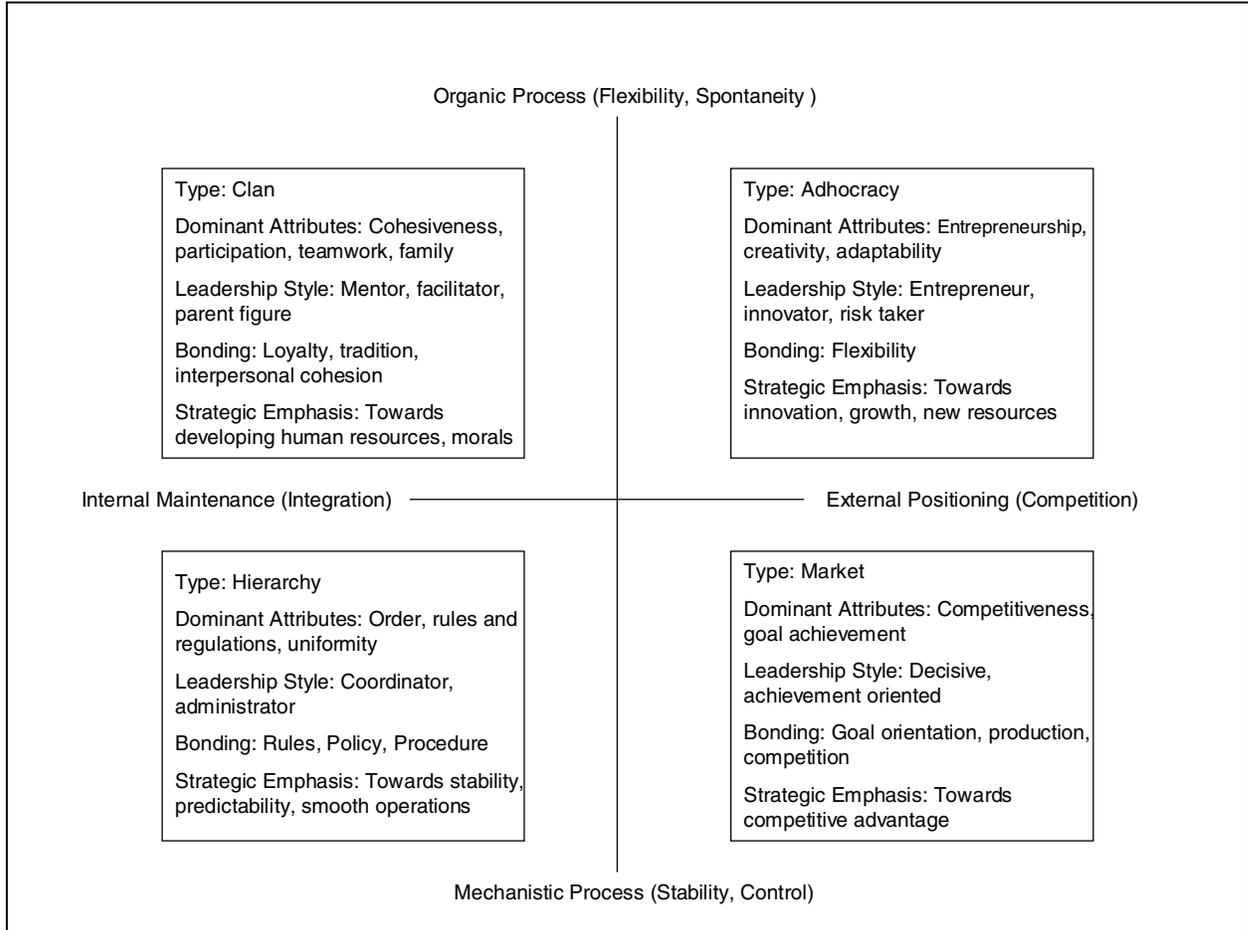
Customer Philosophy – an organization’s external focus on customer needs and wants and the understanding of customer satisfaction elements.

Marketing Information – estimates of sales potential assessments of marketing expenditures.

Strategic Orientation – an organization’s long-term survival.

Leisen et al. distinguish between four organizational cultures (taken mostly from Japanese companies) – clan, adhocracy, market, and hierarchy. “This culture typology is very suitable for our work because alliances are expected to have certain similarities with Japanese businesses. Further, typology distinguishes between external and internal oriented cultural types. These organizational culture types represent four cells in a two by two matrix organized along two dimensions of internal / external and organic and mechanistic.”¹² Recreated from the text of the article (with reference) the following is the matrix design:

Types of Organizational Cultures



Source: Adapted from Deshpande and Webster (1993) by Leisen et al. (1993)¹³

The two cultures on the left side (clan and hierarchy) are internally focused while the cultures on the right side (adhocracy and market) are externally focused. It is important to note that within almost every organization multiple cultures exist – with some being more dominant than others. However, the dominant type is usually utilized to label the organization’s or firm’s culture.

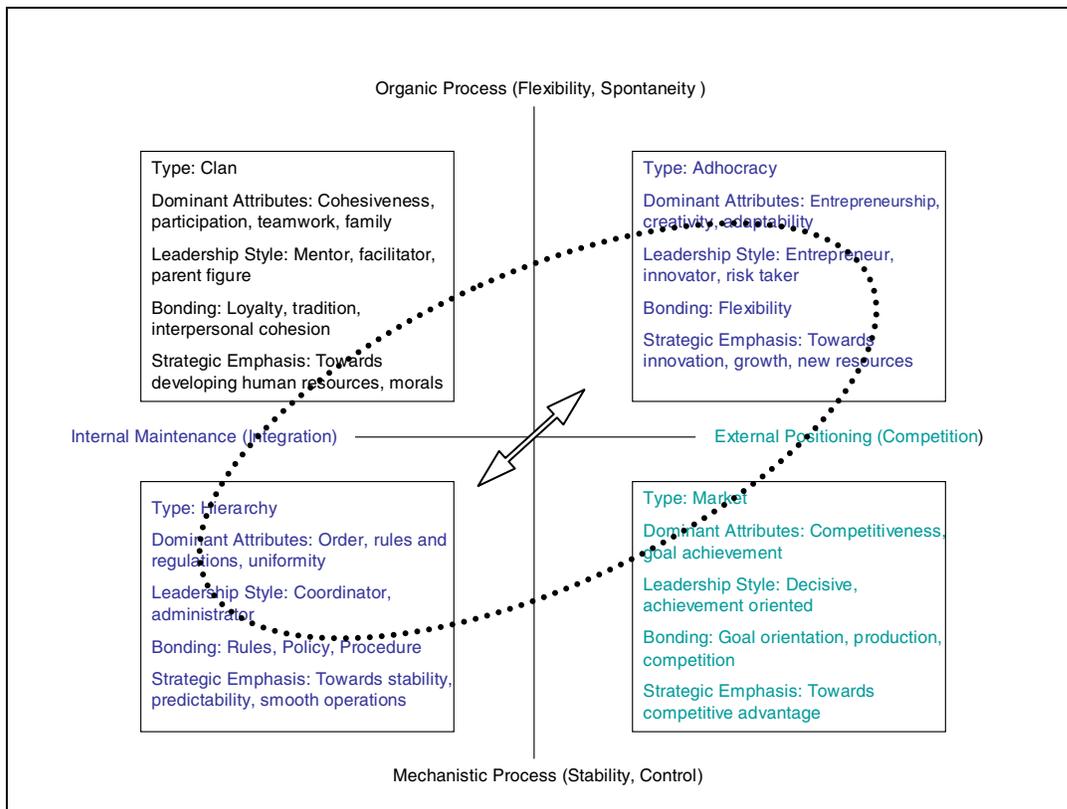
The Constituent Parts of Market Orientation

Leisen et al. define market orientation through: “inter-functional coordination (the sharing of *resources* – among the functional areas in order to create better customer value); customer focus (externally oriented understanding of customer satisfaction); and competitor focus (externally centered knowledge of competitors’ products and capabilities).”¹⁴ Their extensive research of the tourism industry showed that “the greater

the degree of hierarchical culture corresponds to a greater level of achievement in the internal dimension of market effectiveness, the greater the degree of market culture corresponds to a greater level of achievement in the external dimension of market effectiveness.”¹⁵ In addition to this finding the research indicated that “the idea that a greater degree of inter-functional coordination in the internal dimension of market effectiveness is supported.”¹⁶ Thus, Leisen et al. found that if strategic market alliances wish to improve their marketing effectiveness, they should strive to modify their organizational culture and strengthen market orientation. “The alliance with the greatest marketing effectiveness would be a mixture of hierarchy, market and adhocracy elements, be highly customer oriented and have a high degree of inter-functional coordination.”¹⁷

Why These Results?

According to Leisen et al., “Hierarchy culture may be needed for operational efficiency, adequate market information and strategic orientation. Market forms of culture may be needed to promote customer orientation and market data ... all of which require the external customer focus inherent in market culture.”¹⁸ Crucial to market orientation are adhocracy forms of culture which are highly oriented towards flexibility and dynamism – enabling alliances to identify and respond to changes in the marketplace. This, in turn, enables alliances to position themselves for long-term growth opportunities. It is also important for alliances to have procedures for collecting customer information and disseminating it throughout organizations. Thus, market orientation is an important determinate of marketing effectiveness. Cultural change of underlying norms, beliefs, and mindset can be initiated and absorbed by altering the behavior patterns of alliance members so that they focus on customers (Leisen, Lilly, and Winsor 1993). The center of cultural gravity for alliance success is represented within the circle of Leisen’s diagram, which is extremely useful in understanding culture within the dimensions of organizational and market effectiveness. Future works build off and branch out from these concepts.



Source: Adapted from Deshpande and Webster (1993) by Leisen et al. (1993)

(The above diagram was created by Deshpande and Webster without the perforated circle and commentary to indicate process dynamics. Hierarchy lends itself to execution while Adhocracy enables flexibility leadership and attitudes. *Still a market orientation is needed to cement the “will” of a good alliance.*)

THE MODERATING EFFECT OF NATIONAL CULTURE ON STRATEGIC ALLIANCES

Marino et al. (2000) conducted a study that concentrates on Small to Medium Sized Businesses (SMEs) and shows that firms with higher levels of entrepreneurial orientation will use strategic alliances more extensively than those with a weaker entrepreneurial orientation. This connects with the attributes of an “adhocracy” culture outlined previously. In addition, Marino et al. add another extremely important aspect to organizational culture, namely, national culture. Aspects of national culture include uncertainty avoidance, individualism, and masculinity. Their study examines the influence of national culture and these characteristics on a firm’s propensity to form joint ventures.

The examination of the relationship between an entrepreneurial orientation and strategic alliance usage, as well as the impact that national culture has on this relationship, is an important issue. Due to resource limitations, strategic alliances may be the best option for SMEs to compete in today's increasingly challenging external environment. However, if culture differences make some SMEs less likely to use strategic alliances then these enterprises may be at a further disadvantage....¹⁹

What Marino et al. show is that alliances are formed within a broader social context. To ignore this context adds to the risk of failure. From a global perspective, it has been documented that tolerance for ambiguity and uncertainty varies among societies. It is also known that one of the key drivers of alliance formation is to mitigate uncertainty with respect to markets, technology, and resource availability. Entrepreneurial firms in national cultures have exhibited (via their study) a positive relationship regarding their SAPs (Strategic Alliance Portfolio). Strong associations were shown with respect to individualism as well. "Members of individualistic societies, especially those who feel self reliant and independent, are less likely to pursue any group affiliation and engage in cooperative behavior, whereas members of collectivist societies are likely to search-out and value strong group ties."²⁰

Societies vary in characteristics around gender as well. Masculine cultures emphasize toughness and competitiveness, viewing the world in terms of winners and losers. Feminine cultures discourage competition and believe conflict can be resolved through compromise and negotiation (Hofstede 1997).²¹

In the author's study, a firm's propensity to leverage its entrepreneurial orientation via the creation and maintenance of an extensive SAP is discouraged primarily by two aspects of a firm's national culture – individualism and masculinity. As a result, nations steeped in these cultural characteristics will tend not to take full advantage of the benefits associated with strategic alliances. This is an important finding of social, economic, and global significance.

Larsson et al. (2003) bound these ideas of organizational culture together in a study centering on successful strategic alliances formed with Swedish partners. They referred to this as "the Swedish growth cocktail of combining brand drive forward, internal growth with resource-saving supplier alliances with minimal loss of control."²² This organizational growth "cocktail" can be deployed by other companies of different nationalities (Larsson et al. 2003).

The core of the research revolves around "lateral competencies" like cooperation, skill diversity, and creativity as they relate to more "vertical competencies" like competitive and efficient management control.

Lateral competencies can be especially valuable for managing strategic alliances where control is being shared by alliance partners. Traditionally, international growth is viewed as make or buy decisions through either organic, self made greenfield investments or cross border M&As – in contrast, strategic alliances offer relatively fast, cheap, and flexible growth at the expense of having to share some of the control.²³

IKEA and other Swedish companies “have shown that it is possible to use strategic alliances effectively as one key component of growth (international) with minimal loss of control. Larsson et al. believe that it is, in fact, Swedish leadership, organizational culture, career management, and national culture that make this possible.

Still, strategic alliances appear to be more advantageous in theory than in practice. “The key disadvantage of alliances appears to be in giving up partial control to other companies.”²⁴ Clearly this is what destroyed the AT&T and BT ten billion dollar venture in less than two years. It was a battle for control steeped in corporate culture too thick to breathe. Leadership, on both sides (US and UK) was trapped in their own whirlwind of control issues as opposed to market and practical logistics.

It is suggested that Sweden provides laterally adept and cooperative leadership styles, organizational culture, and career management that blend to provide a fertile ground for the development of the requisite trust needed for any joint venture. Larsson et al. (2003) indicate that Swedish lateralness emanates from how the Swedish people view their working lives and careers – it is a national culture reflected in organizational culture!

Questions Arising Regarding Alliance Success

As mentioned earlier, Gulati, Dialdin and Wang (2002) discuss two key characteristics of firms that may play an important role in alliance development. The first is absorptive capacity, which is the ability of a firm to recognize the value of new, external information, assimilate it, and leverage it to its economic advantage. “The underlying premise of absorptive capacity is [the fact that] *the ability of firms to recognize valuable information and make use of it largely depends on the level of prior related knowledge.*”²⁵ The second characteristic is relationship management, which refers to the “ability to coordinate alliance activities, manage conflict, foster trust, and encourage information exchange between partners.”²⁶ Poor conflict management skills, *the soft under belly of many alliances*, obstruct the pursuit of integrative goals, destroy relationships, and ultimately dissolve the alliance.

RESEARCH HYPOTHESES

Key Questions

The following key questions need to be answered by the research into business alliances:

Can the absorptive and relational capabilities of a firm predict successful cultural mergers regarding alliances? How do we determine an organization's absorptive and/or relational intelligence quotient (IQ)? What are the chief characteristics imbedded in an organization that render high absorptive and relational IQs? What role, if any, does firm size play? Are certain industries more capable of successful alliances because their organizational cultures are oriented towards absorptive and relational capabilities?

Key Definitions & Measurements: Absorptive Capacity

While absorptive capacity describes the ability of a firm to recognize the value of important external information, assimilate it, and leverage it to its economic advantage, how can we identify those organizations with a *propensity for this capacity*? Given that the underlying premise of absorptive capacity is “the ability of firms to recognize valuable information and make use of it ...”²⁷ *are there organizational characteristics and cultural traits endemic to absorption?*

It is hypothesized that absorptive capability is a function of the following organizational characteristics:

1. Environmental Scanning and Transfer Systems: This refers to a firm's ability to view the outside landscape of competitors, suppliers, customers, and relevant government agencies in terms of market and strategic positioning. It would include the use of market and research professionals along with technology to make this happen in an effective manner. The ability to move such information to appropriate parties internally is of the essence.
2. Data Know How – This is information synthesis and building that brings unique insight to data collecting. Merely collecting information is *useless and costly*. It is the weaving of this data into revealing constructs that enables good decisions to be made in a timely fashion.
3. Execution to Market Results: Aligned with Environmental Scanning and Data Know How, an organization must be able to execute operational plans before the intelligence vintages. Market Results completes the feed back loop for metric recalibration.

These three absorptive *assessment* variables (Environmental Scanning, Data Know How, and Execution to Market Results) constitute Absorptive IQ or A_{IQ}.

Metrics to Quantify *Absorptive IQ*:

- Information transfer systems (technology and use of technology)
- Data know how (information synthesis & building)
- Execution and market results (time to decision; time to market)

Key Definitions & Measurements: Relationship Management

Relationship management is the ability to coordinate alliance activities, mitigate or solve conflict, build trust, and encourage information exchange between partners. Poor conflict management skills abort alliances, hinder the pursuit of integrative goals, tear down relationships, and ultimately dissolve the alliance.

Testing an organization’s Relational IQ would be comprised of the following components:

1. Conflict Management: How do managers (from the CEO down through middle management) resolve intra-organizational conflicts? Does the CEO and top management set the tone for conflict management and, in turn, drive identifying features of the corporate culture?
2. Organizational Flexibility: How conducive is an organizational structure to cooperation and information synthesis? Is it steeped in hierarchy? Is it lateral or longitudinal in nature? What is the tendency towards the maintenance of layers and bureaucracy?
3. Resource Coordination: An essential component of trust and a willingness to bring quality to all avenues of the business.

These three relation *assessment* variables (Conflict Management, Organizational Flexibility, and Resource Coordination) constitute Relational IQ or R_{IQ}

Metrics to Quantify <i>Relational IQ</i> :	
• Conflict Management	(overall cultural dimensions – from CEO down)
• Organizational Flexibility	(lateral or longitudinal; layers and bureaucracy)
• Resource Coordination	(trust and tendency toward quality outputs)

Specific Hypotheses to Test:

The following are tentative explanations for the alliance phenomenon discussed and will be used as a basis for further investigation.

Hypotheses to test:

H₁: Organizational capability with respect to absorptive and relational IQ (A_{IQ} and R_{IQ}) is a *good* indicator of an *alliance's cultural potential to work*.

H₂: The *less organizational conflict* within a successful company, the *better* fit such a firm is for a potential alliance.

H₃: High technology and information systems, while helpful, do not *necessitate* good absorptive capacity. It is *middle management to executive communication of information that is a key indicator of alliance success*. (metric of A_{IQ})

H₄: *Cross industry relationships* require a high A_{IQ} but do not require as high a R_{IQ}, while *intra industry relationships* require a high R_{IQ} but not as high an A_{IQ}. (Like firms naturally repel, while unlike firms “attract.”)

METHODOLOGY AND EXPECTED RESULTS

The goal is to *measure the influence of absorptive and relational factors on culture – and their ability to predict the right cultural mix conducive to a good alliance*.

A good alliance is one that has three essential characteristics:

1. It meets the market needs *intended by the birth of the alliance*.
2. The alliance continues as long as market needs exist within the target framework.
3. The alliance, when it ends, ends with good relationships between partners. (Thus future networking continues.)

Sample and Procedure:

The plan is to construct a web-based secure *survey* soliciting directors and managers of 500 globally oriented companies to participate. These directors and managers would be

executives in at least one alliance over the past ten years. The data would be obtained from the latest Global D&B and filtered via telephone or e-mail solicitation.

Selected companies would have at least one HQ location in the US (to insure access ease) and be divided into two group sizes – firms with 100 to 499 employees and those with over 500 workers. In all cases, sales revenue would have to exceed 5 million US dollars per annum.

The survey would be completed via a *secure* Internet site and/or via post mail. Those companies that participate would be entitled to view the statistical results and general conclusions.

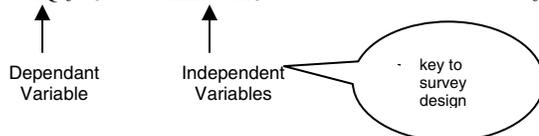
Industries in Study:

- | | |
|------------------------|--|
| Diversity in Size | - Nature of Industry |
| Telecommunications | - In high state of flux with <i>anticipated</i> global consolidation |
| Computer Manufacturers | - Consolidation foreseen as global prices collapse |
| Auto Industry | - A demonstration of how <i>national culture</i> can play an important role in alliances |

Measures:

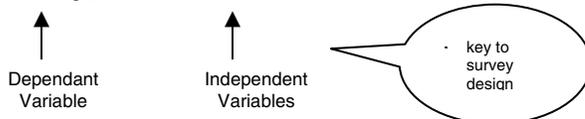
An Alliance Effectiveness Scale would be created to show how *key cultural variables influence the success or failure of an alliance*. The scale would be comprised of metrics that measure Absorptive and Relational IQs from the surveyed firms. Absorptive IQ would be a function of Environmental Scan (E_s), Data Know How (D_{KH}), and Execution to Market (E_m). A “national cultural” exogenous factor (E_{XX}) will be included in the final determination of A_{IQ} and R_{IQ} values. As such, key nations will be rated using *previous* works on “high and low culture” nations. Such works include “Culture Grams” as provided by the John F. Kennedy Foundation and Brigham Young University.

Or, $A_{IQ} f \{E_s, D_{KH}, E_m\} + a \text{ national culture factor } (E_{XX})$.



Relational IQ would be a function of Conflict Management (C_m), Organizational Flexibility (O_f), and Resource Coordination (R_c).

Or, $R_{IQ} f \{C_m, O_f, R_c\} + a \text{ national culture factor } (E_{XX})$.



Finally, an organization’s “Alliance Culture” (A_c) could be measured as follows:
 $A_c f (A_{IQ}, R_{IQ}) + \text{other environmental exogenous factors such as war, national crisis, etc.}$

The research will be conducted in the most objective manner possible. However, hypotheses by their very nature anticipate conclusions. The following are the expected outcomes of the research – *which is not to say this is what the quantitative survey results will discover.*

H₁: Organizational capability with respect to absorptive and relational “IQ” (A_{IQ} and R_{IQ}) is a *good* indicator of an *alliance’s cultural potential to work.*

Expected Result: Alliances are dependant on their ability to share information in an *asymmetrical* manner. This is usually grounded in trust, along with a manager’s willingness to take the risk of providing more than they receive. The higher the composite score of A_{IQ} and R_{IQ}, the greater the likelihood that partners will be able to achieve such harmony.

H₂: The *less organizational conflict* within a *successful* company, the *better* fit such a firm is for a potential alliance.

Expected Result: Conflict is the prime destructive element of alliances. It inhibits everything from the initializing of structure to customer facing. If a firm scores high on R_{IQ}, then they meet a necessary condition of alliance candidacy. Frequently, it is the CEO or the dominant culture of a company that establishes the nature of conflict resolution.

H₃: High technology and information systems, while helpful, do not necessitate good absorptive capacity. It is *middle management to executive communication of information that is a key indicator of alliance success.* (metric of A_{IQ})

Expected Result: Alliances often fail because they are concocted by egocentric CEOs. The stronger the link between middle management, upper management, and the CEO, the more likely that the firm is a good candidate for alliance. Good information systems are not enough. What is imperative is the strong *data know how* of an organization, that is the melding of intelligence at multiple levels into strategic imperatives, which indicate the strategic and progressive nature of an entity. As such, in the weighing process, Data Know How skills are the most significant.

H₄: *Cross industry relationships* require a high A_{IQ} but do not require as high a R_{IQ}, while *intra industry relationships* require a high R_{IQ} but not as high an A_{IQ}. (Like firms naturally repel, while unlike firms attract.)

Expected Result: Joint Ventures within industry should typically show a higher Relational IQ than Absorptive IQ because organizations within the same industry will

tend to manifest duplicate areas of control and management over specific research, development, and eventual product roll outs. Thus, conflict management, organizational flexibility, and resource coordination *outweigh*, in terms of overall alliance factors, items like environmental scanning, data know how, and execution to market.

It is expected that for intra industry alliances, $R_{IQ} > A_{IQ}$.

On the other hand, inter industry alliances would be more reliant on knowledge transfer in order to work well together (i.e., data know how and environmental scanning).

It is expected that for inter industry alliances, $A_{IQ} > R_{IQ}$.

While both A_{IQ} and R_{IQ} are important factors to determine *first-rate* alliance matches, one would be more indicative of intra vs. inter industry matching.

E_{XX} (National Culture) – this variable will be tagged to data published in Culture Grams re type of national culture.

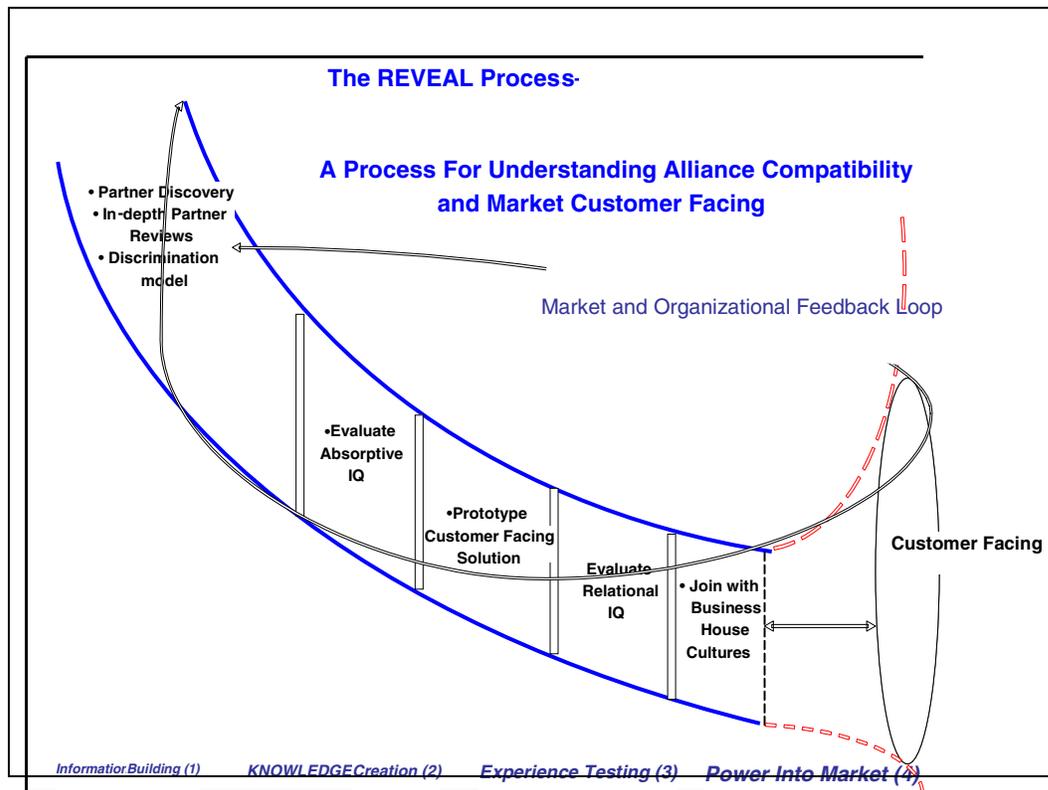
1 = High Context Culture (Less need to anticipate contingencies and provide for external legal sanctions – emphasis on trust.)

2 = Low Context Culture (High need to provide for external legal sanctions – emphasis on contract).

CONCLUSIONS AND IMPLICATIONS FOR MANAGERS AND EXECUTIVES

How alliances succeed is highly dependant on the parties absorptive and relational skill sets. These skills sets are comprised of components that can be measured by several variables. Absorptive talents can be measured by a firm's ability to understand the environment, data know how skills, and its' ability to get to market with agility. Relational talents can be measured by a firms' aptitude for mitigating and solving conflicts, and by its' organizational flexibility and resource coordination. All of these variables are, in large part, manifestations of *both* corporate and national culture.

The following pictorials show how the process of alliance evaluation would play out:



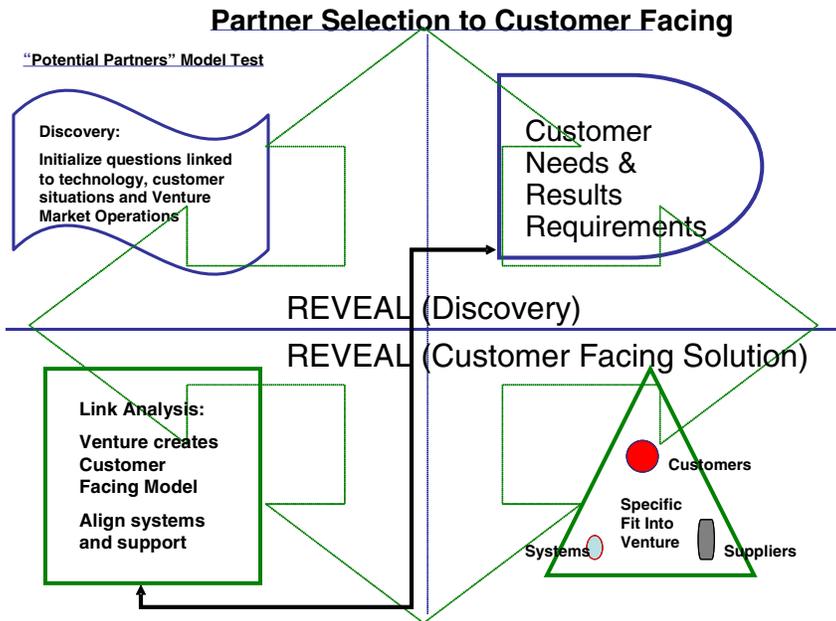
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This four-stage process would consist of:

1. Information Building - Partner discovery via managerial connectivity resulting in a discriminate model review process tied to business goals.
2. Knowledge Creation - Once a final list of potential partner(s) is selected, an Absorptive evaluation is made to narrow the field to one or two, or as many as are needed.
3. Experience Testing - Prototyping customer facing methods and rendering a Relational IQ for evaluation.
4. Power into Market - Formalizing agreement and joining into market venture.

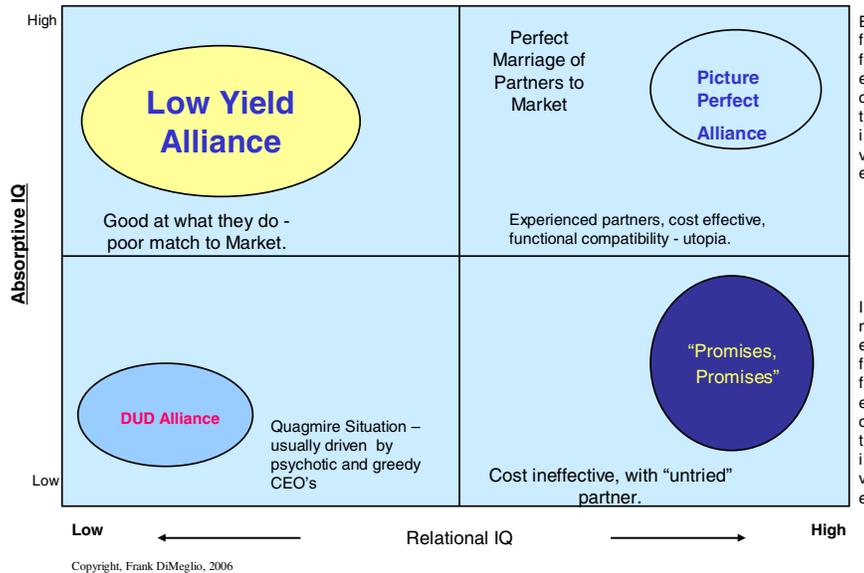
This model for alliance selection and compatibility testing is an attempt to reduce alliance failures and to increase levels of market success. Once the process for alliance compatibility method (REVEAL) is put into the field, an empirical tracking of the alliance formations should be compared and contrasted with similar ventures. Industry stratification can be set up to formulate hypotheses to see which industry mixes perform better than others. For example, are home goods and technology a superior market alliance mix than technology and mass media? A better understanding of successful

industry mixes via empirical tracking may shed further light on the influential organizational and market management variable needed for successful alliance formation. Below are “executive” pictorials describing the process of the REVEAL Alliance evaluation process.



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REVEAL'S PARTNER EVALUATION GRID
How To Evaluate Potential Alliances



The REVEAL Evaluation Grid indicates that high AIQ and high RIQ would render good energy to partner and market success. In effect, it takes the right market value proposition along with good partnering to make any given joint venture a success.

FURTHER RESEARCH OPTIONS

Finally, a couple of issues that would be good for further research include:

- Leadership’s influence on corporate culture;
- Corporate culture’s impact on strategic market effectiveness.

Business leadership today is in trouble. Without any means to balance CEO power, many companies are either in ruins, have low morale, operate at sub optimum capacity, and detract from the social and economic fabric of society. Compensation for failure along with an epidemic of self-proclaimed ownership behavior has led to the major failing of corporate America’s constituent base of customers, communities, and investors. Corporate culture, in turn, has a great impact on market effectiveness. As discussed earlier, an adhocracy is more likely to provide innovation and a market-oriented culture, one of customer satisfaction. What may be of research interest is how cultures melt down in the face of market change, adversity, and financial stresses.

To sum up, a CEO can single-handedly destroy a firm’s culture and market change can render once successful cultures and alliances obsolete. *How can we predict more successfully the ability of business cultures and their market alliances to withstand such storms.*

ENDNOTES

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⁷ Ibid.

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¹³ Ibid.

¹⁴ Ibid.

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¹⁷ Ibid.

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²⁶ Ibid.

²⁷ Ibid.