Alliance Culture:
It's in the DNA!

Special report prepared for the Association of Strategic Alliance Professionals

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Introduction

This white paper contains the findings from a study of alliance culture that started in 2009. As a result of discussions with Jack Pearson, Vice President and Global Head alliances at Quintiles Transnational, we came to realize that one of the biggest long-term challenges for alliance professionals was fostering collaborative capability throughout their organizations. Although alliance scholars such as Robert Spekman had previously coined concepts such as an "alliance mindset," no one had really outlined the specific elements of such a mindset so that it might subsequently be measured. As a result, we determined that categorizing what was meant by an "alliance culture" could fill an important gap in understanding the causes of alliance success. We reasoned that alliance managers who could quantify the nature of their organizations' alliance culture would be in a better position to determine how to improve and leverage it.

As we started to explore this theme, we found that the literature provided some, but not enough, cues for executing a large scale study into this area. We therefore conducted a number of interviews within Quintiles and partners to enrich our understanding of this concept. These interviews enabled us to put together definitions of the components that would make up an alliance culture and codify its various dimensions in a survey.

At the ASAP Summit 2010 in Anaheim we presented the results of our interviews and pilot survey, and we announced a large scale study. In May 2010 we emailed our survey to the ASAP membership. This paper presents the first analysis of our results.

We would like to thank Quintiles for its support of this study, ASAP and Norma Watenpaugh for supporting our data gathering, and, of course, all the respondents to our questionnaire for taking time to help us advance our understanding of this important topic. We hope all of you will find these initial results valuable for their daily work in the field of alliance management.

June 2010

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1. Alliance culture

Two ways to view the various style names for template text are: Why are some companies more successful with alliances than others? Because some companies have built up an alliance capability. They have invested in tools, skills and processes that support alliance management. Recent ASAP studies have shown that companies that invest more in alliance management than others have higher alliance success rates[1].

However, one element was missing in those studies: the soft aspects of alliance management. The alliance literature points out the importance of having an "alliance mindset[2]" or "alliance culture" inside an organization in order to be successful in alliance management. With phrases like "alliances are in our genes" or "our organization is not alliance minded", managers also seem to recognize that something like an alliance culture exists. But what is an alliance culture? What elements constitute a healthy and beneficial alliance culture? And can we measure it?

This white paper gives insight into these soft elements of alliance management. Based on the alliance literature, interviews with managers and a large scale survey among the ASAP membership, we developed a method for measuring alliance culture which will enable companies to measure and benchmark their alliance cultures.

Why is having an alliance culture important? The current generation of organization managers was educated with the idea that each company operated on a standalone basis, causing them to focus on building routines and processes that worked best for their given firm. For the larger part of the twentieth century that idea dominated business thinking, causing the large multidivisional companies that emerged to become separate worlds of their own. External organizations were seen as customers, suppliers, or competitors, but not as partners. With that also came a set of norms, values and behaviours that directed managers to optimize their businesses internally, keep knowledge and information in-house and see other organizations as external entities to sell to, buy from, or compete against.

With the change towards the network economy, alliances have become increasingly important for revenue generation, innovation and cost

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[1] De Man, A.P., & Duysters, G.M. (2009). *The Third State of Alliance Management Study*, White Paper for the Association of Strategic Alliance Professionals.
[2] Spekman, R.E., en L. Isabella, 2000, *Alliance Competence*, New York, John Wiley & Sons.

management. The network has become the firm, and this has required a change in attitudes as well. Now, companies need to think of customers, suppliers and competitors as potential collaborators. Therefore, having a collaborative, alliance culture should help companies become more effective and hence gain a competitive advantage in a network economy. Positive effects of a strong alliance culture would therefore be expected in three areas:

It increases the alliance success rate. A well developed alliance culture reflects a deeply felt collaborative orientation across the firm that should make it easier for a company to work with partners and for a partner to work with your company.

It simplifies alliance management. If everyone in an organization lives and breathes alliances, there is likely to be less need for procedures to check and control whether all employees adhere to alliance policies.

It creates support for alliances within an organization. Employees in a company without an alliance culture are likely to look with suspicion towards any firm with which an alliance is announced. This will delay implementation of the new alliance.

Taking a cue from previous research, there are four elements that make up an alliance culture[3]. The first is the norms that guide behaviour that befits alliances. We identified ten alliance norms, based on previous research[4] and interviews. The second is partner focus, where the organization is focused on working with partners in such a way that the partners in the alliance integrate seamlessly. The third element is language and refers to terminology, communication and stories used in a firm about its alliances. The fourth and final element is public displays and is the extent to which alliances are visible in a company. Table 1 gives an overview of these four main elements and the individual items that are part of them.

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[3] Clegg, S.R., T.S. Pitsis, T. Rura-Polley, M. Marosszeky, 2002, Governmentality Matters, *Organization Studies*, 23, 3, 317-337.
[4] Cannon, J.P., R.S. Achrol en G.T. Gundlach, 2000, Contracts, Norms, and Plural Form Governance, *Journal of the Academy of Marketing Science*, 28, 2, 180-194.

Table 1: The Elements of Alliance Culture

Norms	Definition
Empathy	Trying to see things from the partner's perspective
Conflict harmonization	Spirit of mutual accommodation; extent to which parties are confrontational or consensus seeking
Flexibility	Attitude that an agreement is a starting point to be modified as circumstances change
Solidarity	Belief that success comes from working cooperatively together instead of competing against one another. Burden sharing; revenue sharing
Mutuality	Attitude that each party's success is a function of everyone's success; one cannot prosper at the expense of one's partner
Restraint of use of power	Forbearance from taking advantage of one's bargaining position in an exchange
Spirit of commitment	Staying in the alliance for the longer run; the opposite of opportunism
Trustworthy behavior	Refrain from consciously damaging a partner
Pro-active	Initiate activities in the alliance, rather than wait for the partner to take the first step
Strategic outlook	Viewing alliances as strategic rather than operational

Partner focus	Definition
Importance	Importance attached to partners and alliances
Cutting red tape	Extent to which partners are exempt from bureaucracy in their partner's firm
Integration	Degree to which a partner is seen as a part of the own organization
Speed	Timeliness of response to partners
Respect	Value attached to the partner's capabilities and culture
Openness	Ease with which a partner can access a partner's company
Sharing	Sharing of knowledge and information to the partner beyond need to know information
Problem solving	Voice concerns sooner rather than later

Language	Definition
Vocabulary	Clarity inside the company about what alliance terms mean
Stories	Anecdotes about alliances that circulate in the company
Communication frequency	Frequency of references made to alliances
Communication importance	Importance of references made to alliances
Communication content	Nature of remarks about alliances (favorable or unfavorable)
Mention of partners	Use of partner names in conversation

| Public Displays	Definition
Symbols	Visible presence of symbols referring to specific alliances or partners (logo's etc)
Rituals	Acts and events related to alliances (e.g. awards, partner events)
Alliance branding	Physical presence of alliance related products
Alliance management visibility	Visible presence of alliance management in the office

2. Study methodology and sample

An online survey was sent to the membership of ASAP, containing 56 questions about alliance culture which measured the individual items as described in Table 1. The questions required an answer on a scale from 1 to 5 (ranging from "strongly disagree" to "strongly agree" respectively). In addition we asked 12 questions about the respondent's company, alliances and career in alliances. Two follow up emails were sent.

We received 179 answers which is a 13% response rate. The survey sample was global, with the largest groups of respondents being located in the USA (73%), Europe (18%) and Asia (6%). The main industry sectors represented were BioPharma (35%), IT (28%) and Financial Services (11%). Regarding firm size, 25% of the companies had fewer than 1000 employees, 37% between 1000 and 25000, 38% over 25000.

Over half of the respondents (55%) had more than five years experience in managing alliances. That experience tends to be hands-on: 74% indicated that they were directly managing one or more alliances and the majority of the rest indicated that they were on supporting teams.

Figure 1 shows the alliance success rates the respondents reported. On average the respondents reported that 57% of the alliances were successful, that is they met their original goal. However, there is a considerable difference in the alliance performance of companies. Some companies (6%) have a success rate of 20% or less, whereas 16% of the companies indicate a success rate of higher than 80%. This prompts us to ask: "Do successful companies have a better developed alliance culture?

Figure 1: Alliance Success Rates

It's in the DNA!
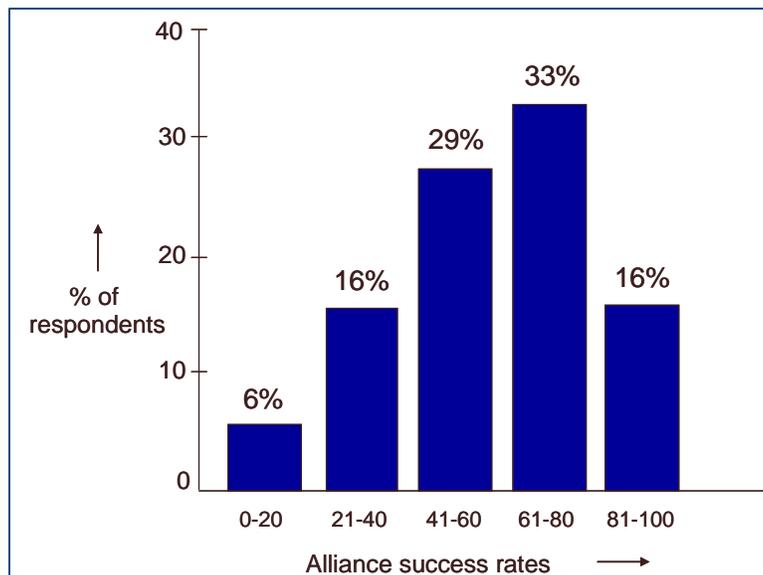
3. The alliance culture radar screen

Figure 2 depicts our measurement of alliance culture using a radar screen graph. Around the perimeter of the chart are the separate alliance culture dimensions. The solid line in the middle shows the overall average of the answers for each dimension given by our respondents. The dashed inner line shows the average answers of the five companies that had the lowest overall scores on our questions. Hence, it represents the five companies with the weakest alliance cultures. The dotted line on the outside shows the average answers of the five companies with the highest overall scores on our questions. These companies could therefore be said to have the strongest alliance cultures. The figure also gives the average scores for each of the four areas we researched. The average score in the Norms area was 3.6 (on a scale from 1 to 5); in the Partner Focus area 3.3; for Language 3.4 and for Public Displays 3.0.

Figure 2: The Alliance Culture Radar Screen
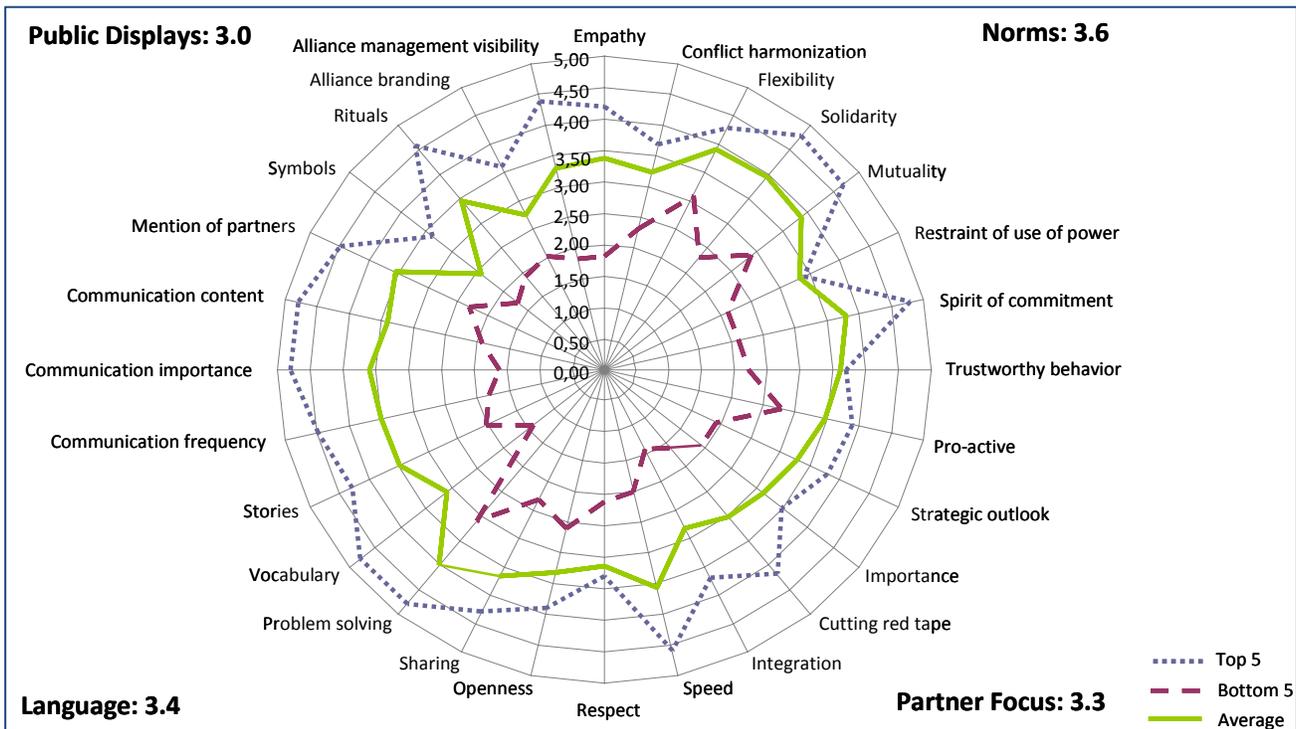
Average Results and What They Tell Us

When we first take a look at the overall average we find that there is not one of the four areas of Norms, Partner Focus, Language and Public Displays that is better developed than the others. Only Public Displays scores somewhat lower. This tells us that alliance cultures appear to be evenly developed across the four areas in the surveyed companies. The level at which they are developed however can be characterized as medium. With average scores ranging from 3.0 for Public Displays to 3.6 for Norms, the average company has neither a strong nor a weak alliance culture.

Looking into the averages in more detail, Table 2 shows the highest and lowest scoring items. The highest scoring element is the orientation towards problem solving, meaning that companies would be more likely to share their problems with their partner and to voice their concerns about possible issues sooner rather than later. Companies also reported high levels of solidarity, flexibility, mutuality and a spirit of commitment towards partners as being characteristic of their alliance cultures. The lowest scoring element is symbols. This means that few companies have a visible presence of their partner in their company, like a partner's logo. Other areas with the lowest scores suggest that it is rare for companies to give their alliances a name (alliance branding), to see the partner as an integral part of the own business (integration), to create short cuts through the company bureaucracy for partners (cutting red tape), and to have a coherent vocabulary throughout the organization around alliances.

Table 2: Overall highest and lowest scoring items

Highest scoring elements	Lowest scoring elements
1. Problem solving	1. Symbols
2. Solidarity	2. Alliance branding
3. Flexibility	3. Integration
4. Mutuality	4. Cutting red tape
5. Spirit of commitment	5. Vocabulary

Differences between Companies

The overall average hides considerable variance between companies. When we look at Figure 1 again, we see there is a remarkable difference between the top and bottom five companies. Table 3 shows the average responses of the top five and bottom five companies. The top five companies have high scores in all areas; the bottom five companies have scores below or even far below the overall average. This result shows that there are substantial differences between companies in the extent to which they have an alliance culture. This

suggests that some firms may actually have alliances in their DNA and that others do not seem to have the "collaboration gene."

The biggest difference between the top and bottom five companies lies in the area of language. Whereas this area is the highest scoring for the top five (with 4.6), it is the lowest scoring area for the bottom five (with a score of only 1.8). The biggest difference here lies in having a consistent vocabulary around alliances. The top five scores 4.8 on this item; the bottom five only 1.4. In addition, communication frequency, importance and content score low for the bottom five, whereas they score high for the top five. These scores suggest that the top five firms essentially have more structured and pervasive communication processes in place around alliances than do companies in the bottom five. The difference between high and low scoring companies is smallest in the area of Norms. Norms where the top and bottom five are closest together include proactive behaviour, restraint of use of power and conflict harmonization.

Table 3: High versus low scoring companies

	Top 5 companies	Bottom 5 companies	Overall average
Norms	4.1	2.4	3.6
Partner Focus	4.0	2.1	3.3
Language	4.6	1.8	3.4
Public Displays	4.0	1.9	3.0

Industry and Country Differences

The previous section showed that the differences between companies are substantial. Does this reflect individual company strategies and choices or does it reflect differences in industry or country? We might argue that some industries are more prone to collaboration than others. The IT industry for example has a long standing history of partnering. As a consequence, companies in the IT industry may have a better developed alliance culture than those in other industries. In that case the differences between companies would not reflect differences in strategy or management, but merely reflect sector differences.

Table 4: Sector differences

	Bio-Pharma	Communi-cation & Networks	Consumer Products	Financial Services	IT	Manufac-turing
Norms	3,6	3,6	3,8	3,6	3,6	3,6
Partner Focus	3,4	3,0	3,0	3,2	3,3	3,3
Language	3,6	2,9	2,9	3,2	3,6	3,2
Public Displays	2,9	2,7	3,4	2,8	3,1	2,9

Table 4 gives the average scores per area for six different sectors. As will be clear from the table the differences between sectors are of minor importance. There are differences, but there is no coherent pattern that indicates that overall some sectors score higher than others. Sector differences in the development of alliance cultures do not exist.

A similar reasoning might apply to country differences. For example, we know that some country cultures are more collectivistic than others, so they may also be more conducive to collaboration than others. In fact, managers often cite how different collaboration is with companies from different countries. This however does not mean that for companies from some countries it is easier to develop an alliance culture than for companies in other countries. Table 5 shows that differences in alliance culture between countries are in fact small. Companies in the USA do not have better or worse alliance DNA than companies in Europe or Asia. Whether this means that alliance culture has the same content across the globe is an interesting thought: maybe there is one global alliance culture? Based on these data we cannot prove nor disprove this. We can say however that across the world, companies represented in the survey demonstrate similar levels of alliance culture.

Table 5: Regional differences

	USA	Europe	Asia
Norms	3,6	3,5	3,6
Partner Focus	3,3	3,3	3,4
Language	3,5	3,3	3,4
Public Displays	3,0	2,8	3,0

Because there are no sector differences and no regional differences, what can we conclude? It seems that the extent to which an alliance culture exists in a company is completely determined by the strategic and operational choices that companies make. It does not appear to be influenced by any sector or regional elements. This finding deprives managers of the excuse that creating an alliance culture in their company is "harder" because of sector or regional constraints. Our takeaway from the study is that this excuse is not valid: it really is company policy – or lack of one – that makes it difficult to create an alliance culture.

4. Does an alliance culture lead to success?

The previous chapters have shown what companies actually do when it comes to their alliance culture. But is what they do also effective? Do companies with a more developed alliance culture have a higher success rate than companies which are less alliance minded? In order to research this, we took two groups of companies from our dataset. The first group consisted of the companies with success rates lower than 40%; the second group consisted of companies with a success rate of higher than 60%. Next we statistically compared the difference between these two groups.

The results showed that Norms and Partner Focus were much better developed in the high success group than in the low success group. In fact, 25% of the difference in success rate between the high and low performers can be explained by the fact that these companies have strong alliance norms and a healthy partner focus. The elements of Public Displays and Language however, did not differ between the two groups. They apparently do not contribute to higher alliance success.

This is an interesting finding. Public Displays and Language are outward signs of alliance culture. It is easy to hang up a partner's logo in the office; it is easy to pay lip service to alliances. Our data show that these outward signs do not directly cause alliances to perform well. While language and symbols likely serve a useful purpose to visibly reinforce the development of a culture, our analysis indicates that they do not in and of themselves improve chances of success if a deeper level of alliance thinking is not internalized throughout the company. Internalization of behavioral norms, really "walking the walk," is what makes a difference.

We believe that it does so on two levels. On the level of norms, it requires a real change in behavior of management and staff to reflect the dimensions that make up an alliance culture. On the level of the organization, an alliance culture can only be internalized when procedures and ways of working in an organization are adapted to ease collaboration with external partners. Companies that have done so increase their alliance success rate considerably.

These results also underline what we stated earlier: the transition from the stand alone organization to the network organization is truly a change management exercise which has a deep effect on companies. It is not something that occurs on the organization's edge. Instead, networks of alliances have a profound effect on operating procedures inside companies and on the norms their employees have to follow. An alliance culture therefore is an indispensable necessity to thrive in the 21st century economy.

It's in the DNA!

5. Conclusions and recommendations

Conclusions

Our study leads to three conclusions:

1. *Alliance culture matters and has a significant impact on alliance success.*

It is possible to measure the extent to which a company has developed an alliance culture. Our study shows that having an alliance culture, especially in the area of norms and partner focus, is an important differentiator between companies with a high alliance success rate and those with a low alliance success rate.

2. *Strong alliance cultures can be created in any sector, in any country; only company differences matter.*

There are no differences between sector or country regarding the extent of implementation of alliance cultures. Companies cannot claim that in their country or industry constraints exist which make it particularly hard to develop an alliance culture. It is completely up to the company to develop and manage its alliance culture.

3. *Alliance culture needs to be internalized*

Norms and Partner Focus are the main differentiators between successful and unsuccessful companies. Companies will only be successful when they have internalized their alliance culture as behaviors and company processes. Outward appearances (Public Displays; Language) are useful but probably of less interest in terms of affecting the behavioral changes organizations need to adopt in order for their alliances to perform well.

Recommendations

For managers our conclusions give rise to a number of recommendations for enhancing an organization's alliance culture:

1. **Ensure alliance norms are internalized in the company.** Exemplary behavior, communication of norms and reviewing how employees apply the norms are necessary to achieve a change towards an alliance culture. The list of norms we compiled in Table 1 may act as a guide for which norms to focus on and how to operationalize them. Getting norms into the DNA of the company requires a cultural change that is not easy to achieve. It may take a number of years and therefore setting up a long term change program is necessary. However, alliance managers can initiate this process through actions in the following areas:

o   *Articulating clear standards of collaborative behavior* – It is unreasonable for individuals who do not have a mental model of

interorganizational collaborative behavior to automatically begin acting in ways that reflect exemplary alliance culture norms and partner focus. Consequently, it is necessary to define specific standards that are worth adopting. By interpreting the cultural dimensions in Table 1 for their organizations, alliance managers can make these more understandable. Additionally, alliance managers can encourage these behaviors by emphasizing how they reflect the way your own organization would wish to be treated by its alliance partners.

o   *Highlighting the connection between collaborative culture elements and alliance performance* – This study's finding that organizations with strong alliance norms and partner focus outperform those which do not tells a powerful story about the value of effective alliance management. However, that is merely a starting point. Alliance managers need to be watchful for opportunities in which they can help others in their organization see the connection between behaviors that reflect positive culture and performance. In this respect even small "wins" can be useful if they can be shown to be part of a larger pattern toward performance improvement.

o   *Establishing visible symbols that reinforce collaborative values* – Even though the categories of Language and Public Displays did not show the same direct effect on alliance performance that Norms and Partner Focus did, we maintain that they still serve an important purpose. One of the ways in which an organizational culture is understood and learned is through its observable elements. Practitioners in the area of organizational behavior often recommend that changing symbols of the organization are an appropriate first step in ultimately changing the underlying culture. Alliance managers who can effectively create symbols that highlight its alliances should be better able to reinforce behavioral norms.

2. **Adapt company operating policies to better fit alliances.** Partners need to experience a seamless integration of their business into yours. Existing borders between departments need to be bridged or eradicated; internal bureaucracy should be cut back to ensure it does not hamper alliance success. One way to achieve this is to review company processes based on real life experience. Together with existing partners companies may identify those internal hurdles that appear to hamper partner focus the most. Next, optimization of internal processes can be proposed and implemented. Even if changing processes may turn out to be impossible, at least you will be able to precisely explain new partners where collaboration is difficult for you. This will help you manage the gap between your organization's alliance culture and your partner's expectations.

3. **Use our alliance culture tool to measure alliance culture across your organization.** This will not only be a first step in creating awareness about alliance culture, but it will also tell you where the weak and strong spots are in your organization. Your internal findings can enable you to target specific policies at the weaker spots in your organization. If specific norms or specific elements of partner focus

score low inside a certain department, this is an indication that an intervention can be meaningful there. This will enable you to focus your efforts on very specific elements of alliance culture in individual departments, instead of applying an unfocused change program. This will save time and money and increase the effectiveness of your interventions. The alliance culture tool presented here will be available (at no charge) for ASAP members by the end of 2010.

About the authors

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