Alliances enable companies to take advantage of opportunities, acquire new or complementary skills and/or technologies, counter competition, enter new markets, and more. Yet to harvest such benefits, Pierre Dussauge says that companies must approach alliances in a structured and comprehensive fashion. Firms are often involved in numerous alliances, and all must be considered to ensure that the cost of an additional alliance not outweigh its expected benefits.

Even companies that seem invulnerable are not immune to the effects of alliances gone sour. The Danone Group appeared to be firmly established on the huge Chinese food and non-alcoholic drink market, but its position has recently deteriorated quite drastically. What happened? Danone’s 1996 alliance with China’s Hangzhou Wahaha Group was denounced by the latter in 2007. Hangzhou Wahaha criticized Danone for entering into joint ventures with competitors (i.e. Robust, Aquarius), and Danone reproached Wahaha for using its brand beyond the scope of their agreement. After a rough period of time dominated by conflict and law suits, the ex-partners finally came to an “arrangement” that cost Danone a fortune… Pierre Dussauge comments, “An alliance must not be viewed as a stand-alone arrangement. Every new alliance has to involve consideration of pre-existing alliances and assessment of potential benefits for the organization as a whole.”

THE SMALL VS. THE BIG PICTURE

In recent years, there has been a proliferation of alliances in industries where both local and international activity is intense. For example, in the air transportation industry, alliances have increased from an average of 4 per airline to an average of 12 per airline (2008), with a few companies reaching highs of 30 or even 40 alliances! However, Dussauge explains, “Alliances are sometimes accumulated blindly, without any rational consideration of what they mean for the group. This happens because such decisions are made by local business unit managers whose eye is on boosting operational results.” Indeed, managers’ career advancement is closely linked to their business unit’s performance. This spurs internal competition, and managers are highly likely to favor the specific interests of their unit over the well-being of the parent company. “Alliances reflect strong relationships with partners, so when business unit managers form an alliance, they are also affirming their independence, freedom, and status within their corporate group. It is critical to put a stop to such isolated ways of thinking. Companies need to establish a rational process for assessing the value of an alliance.”

STEP ONE: ASSESS AN ALLIANCE’S SPECIFIC POTENTIAL

When it comes to forming alliances, Dussauge recommends a multi-step decision-making process. All the parties concerned should be involved, and each should have a clearly defined role to play (see the RACI diagram on the following page). The first step is to assess the costs and benefits of a potential alliance in an isolated manner, considering the following four factors: economies of scale to be achieved by combining means and skills; access...
Companies need to establish a rational process for assessing the value of an alliance.

STEP TWO: ASSESS THE IMPACT OF THE NEW PARTNERSHIP ON OTHER ORGANIZATIONAL ALLIANCES

If isolated analysis of the potential alliance produces promising results, it is then necessary to ensure it will benefit the entire company or group. You have to determine whether the potential partner’s competencies, technologies, and means will mix well with those of the group and enable it to offer new products or services. It is also critical to figure out whether any of these things are redundant, might interfere with group interests, or have the potential to harm or even destroy organizational value. Spain’s CASA (Constructiones Aéronauticas SAI) formed a partnership with the American aeronautical firm McDonnell Douglas in order to fully exploit the production capacity of its Seville factory. But CASA was consequently alienated by Airbus, a pre-existing partner that was a direct competitor of McDonnell Douglas. In contrast, when Dutch airlines KLM merged with Air France, it had been a longtime partner of Northwest Airlines and it became linked to Delta Airlines through Skyteam, the global alliance of international airlines that Air France and Delta were both members of. Soon afterward, Northwest Airlines decided to join Skyteam, and in 2008, it merged with Delta. Hence the proof that KLM and Air France had “felt the way in which the wind was turning” and aptly assessed the potential synergies between their respective partners in the flying business!

Based on an interview with Pierre Dussauge and the article “How to Manage Alliances Better Than One at a Time”, co-authored by Dussauge, Ulrich Wassen, and Marcel Planellas (MIT Sloan Management Review, spring 2010).

RESEARCH METHOD

Dussauge conducted two types of research for his study. His qualitative research drew on interviews with managers involved in strategically-oriented alliance policies in the air transportation, aeronautics, and defense industries. For the quantitative component, Dussauge focused on the air transportation industry and studied how alliances affected the performance of 24 airlines in 19 countries over a 5-year period of time.

APPLICATIONS IN THE WORKPLACE

RACI and RASCI is a responsibility management matrix to facilitate complex decision-making. In addition to shedding light on the issue of coherence among company or group partners, the two versions of the framework help managers define roles and responsibilities in situations involving multiple actors and variables. RACI stands for:

• Responsible: the person or people in charge of carrying out project tasks.
• Accountable: the person who is the hierarchical superior of “R” and will ultimately be considered responsible for project success or failure. There is usually just one “A”, who supervises one or several “Rs”.
• Consulted: the person or people that “R”s need to get input from and keep updated during the project.
• Informed: the person or people who should be kept informed of “R” undertakings and progress.

The “S” of RASCI is an optional component that stands for Supportive: the person or people that help “Rs” complete tasks by providing additional resources.