

# Strategic, Asymmetric, Multicultural Alliances in Business

Anthony J. Scriffignano, Ph.D.  
Antioch University, Yellow Springs, OH 45387  
[ascriffignano@antioch.edu](mailto:ascriffignano@antioch.edu)

## Abstract

Changes in global economics, laws, socio-political structures, and other factors make it increasingly difficult for organizations to operate independently in an efficient and rational way. Alliances are an important response to these challenges. Unfortunately, as business alliances evolve, they have a high propensity to fail. That propensity is made more striking when alliances are multicultural, which is increasingly the case due to globalization, high degrees of organizational specialization, and other factors. Multicultural alliances also tend to be asymmetric, where one alliance party has a dominant position in terms of critical aspects of the relationship (e.g. funding, market position, size). This study explores the importance of multiculture and asymmetry in successful strategic alliances. Through a survey of such alliances that spanned six continents and multiple industries, supported by a multi-case study of three specific alliances with very different structures and missions, conclusions are presented regarding the nature of such alliances, efficacy of leadership interventions, and common experience of leaders. The system of alliances presented helps in understanding common experiences of leaders in these organizations. The resulting conclusions form a body of research that can inform and hopefully inspire others in such increasingly prevalent business relationships.

## Introduction

Business collaboration can take many forms. For example, partnership is a term that has both general and specific meaning. Various legal forms allow groups to combine forces and yet separate assets and differentiate liability. Other structures provide for organizations to form a jointly owned or controlled relationship, thus further differentiating the areas in which they collaborate and separating their pre-existing business concerns. In a broad sense, such business relationships are typically referred to as alliances.

At its fundamental level, the concept of alliance collaboration speaks to the sharing of resources, often to allow constituencies to do what they do best and leverage competencies of others. This collaboration also drives soft benefits to the involved parties, such as facilitating coordination and control. Leaders in most large enterprises realize that performing all functions necessary to effectuate an increasingly global supply chain within one organization is wasteful of resources, ineffective, or even impossible; thus, they collaborate with other organizations to conduct business in a more productive way. When collaboration takes place, specialization can occur and collective benefits can arise, often making the difference between subsistence and thriving—or even the difference between life and death as, for example, when rescue and relief organizations collaborate to bring resources to disaster-stricken regions of the world.

Increasingly, collaboration in the business world takes the form of organizations from differing cultural backgrounds forming alliances. In many respects, multicultural collaborations (or contentions) are not designed intentionally, but rather the natural progression of events and innovation taking place on a global scale. Leaders of multicultural business alliances (i.e., alliances with demographic origins from different parts of the world which influence the way in which parties conduct business) must understand respective differences and leverage them to produce targeted benefits and mitigate the potential marginalization of the collaborating parties.

The purpose of this mixed methods study was to identify and examine successful alliances that are **strategic (S)**, transcending a simple *quid pro quo* business relationship, **asymmetric (A)**, having critical inequities in the relationship and **multicultural (M)**, having parties with differing cultural identities. Alliances with significant propensity to all of these characteristics were labeled high-SAM alliances. Failure in such alliances is quite high, yet they are increasingly typical of the alliances being formed every day. Studying those alliances that manage to succeed provides important insight into such topics as common leadership interventions and avoidance of marginalization of involved parties and constituents. Drawing from the experiences of alliance leaders, observations were formed about the nature of these important types of alliance and their increasing relevance in contemporary context.

### Discussion and research questions

For the purposes of this research, the term alliances was chosen to be as inclusive as possible. The term refers to relationships among parties, typically for the purpose of achieving a common goal. Spekman, Isabella, and MacAvoy (2000) provided a useful definition of the term: “an alliance is a close, collaborative relationship between two, or more, firms with the intent of accomplishing mutually compatible goals that would be difficult for each to accomplish alone” (p. 37). The term strategic alliance is more specific, expanding on the nature of the relationship. In a literature review, Taylor (2005) delineated a strategic alliance as having:

- two or more firms that unite to pursue a set of agreed goals, yet remain independent subsequent to the formation of the alliance;
- the partner firms share the benefits of the alliance and control over the assigned tasks; and,
- the partner firms contribute on an ongoing basis to one or more strategic areas, e.g., technology, product development or marketing. (p. 471)

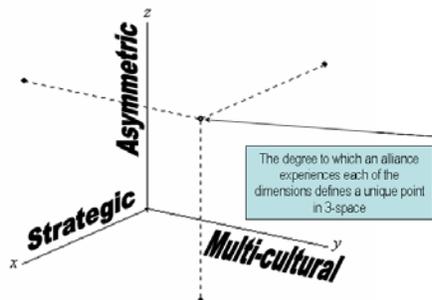
Added to the understanding of the type of relationship, there is a second concept: multicultural. Hall (1989) presented an intriguing depiction of culture, “it is not innate, but learned; the various facets of culture are interrelated—you touch a culture in one place and everything else is affected; it is shared and in effect defines the boundaries of different groups” (p. 16). The focus for this study is particularly on those aspects of culture that have their genesis in national origin. Thus, multicultural for the purposes of this research pertained to the aspects of a relationship in which the constituent parties identify with more than one national cultural context. The term multicultural collaboration is intended to combine the concepts of collaboration and multicultural to include situations where the collaborating counterparties represent ideas, corporate cultural identities, educational foundation, heritage, language, and other demographic aspects from differing parts of the world.

It is also important to distinguish between the terms multinational and multicultural. Multinational organizations have a business presence in more than one country. Often, however, such organizations export one culture to remote locations, taking great pains to sustain leadership language, interpersonal behavior, and corporate identity in a holistic manner. To be multicultural, organizations must identify with more than one culture, regardless of geographic dispersal. Multicultural diversity impacts organizations collaborating in a business relationship. By focusing on the concept of multicultural collaboration, synergies and benefits can be studied that stem from the diversity of such situations. This focus expands on the more simplistic understanding of business benefits derived only from organizations having collaborated in some way and explore what kinds of leadership strategies, skills, and perspectives are essential in these situations. Added to the understanding of strategic alliances, this second dimension informs views of multicultural as described above, bias (both good and bad) and perspective that can have dramatic impact on the ultimate benefit experienced by the involved parties.

Against this evolving understanding of multicultural collaboration, the concept of asymmetry is considered. Asymmetry in the context of business relationships relates to the existence of an imbalance in power, organizational mandate, funding, size, or other resource area. For example, Taylor (2005) cited asymmetry in certain alliances based on learning readiness, for example, “this asymmetry depends on the degree of alliance learning readiness, or the extent to which a partner is receptive to collaboration” (p. 473). This third dimension of asymmetry introduces a crucial nuance to the sharing of organizational power, recognition of innovation, ability to execute, and distribution of benefit to involved parties.

Alliances are neither categorically strategic or nonstrategic, multicultural or nonmulticultural, symmetric or asymmetric; rather, these attributes vary in degree from alliance to alliance. All alliances could theoretically be expressed in a three-space model where each of the characteristics are represented on the x, y, and z-axis of an open graph. The model is highly inclusive. The conceptual model further allows for evolution of thought, for example in terms of what is considered multicultural over time as global dynamics evolve. Implications of multicultural, as described above, could easily be represented by a progression along one axis of the model. The extent to which other insight might be gained is essentially unconstrained by the representation methodology. Figure 1 presents a basic illustration of such a model.

Figure 1. A conceptual framework for considering alliance makeup



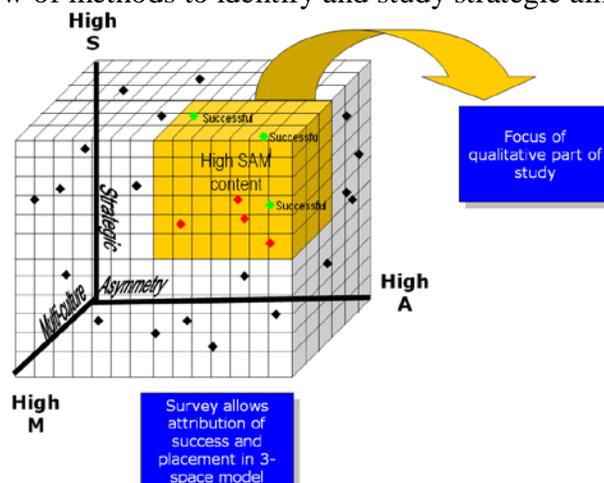
The first purpose of the study was to understand better how successful strategic alliances are characterized, using this three-space model as a conceptual frame. Subsequent to that understanding, the second purpose was to isolate certain alliances of interest and then to delve deeper into the experiences of alliance participants.

The research focused on successful alliances. Dauntingly, studies show dramatic alliance failure rates, even without considering additional characteristics. For example, Gulati, Khanna, and Nohria (1994) noted automobile industry alliance failure rates as high as 80 percent (p. 61). The first question addressed by the study was: Q1: To what extent does the degree of strategic, asymmetric, and multicultural makeup of an alliance relate to the success of the collaboration?

Important to answering this question was an effective definition of success in alliances. For the purposes of this study, a popular working definition was adopted from published, peer-reviewed empirical research. For example, in “The Way to Win in Cross-Border Alliances,” Bleeke and Ernst (1991) defined a successful alliance with two tests: “. . . both partners achieved their ingoing [sic] strategic objectives and both recovered their financial costs of capital. Progress on the strategic objectives was based on market share, sales volume, new product development, or other criteria specific to the alliance” (p. 197). Other definitions were also considered that were more inclusive of culture and asymmetry as this simple definition is silent on those dimensions. The related hypothesis to this first question was that a high-SAM content (as indicated by survey responses) directly relates to less likelihood to succeed. The survey, conducted across multiple geographies, industries, and vastly different types of alliance, looked at the three dimensions of the model, plus a definition of success applied to the alliance. The survey participants’ responses allowed positioning of each alliance in the model.

Subsequent to the identification of a number of successful, high-SAM alliances, three particular alliances were chosen for an in-depth, multi-case study. The second part of the study focused on the experiences of alliance participants in successful, high-SAM alliances. Additional research questions were Q2: What are the emergent themes of leaders in these endeavors? Q3: How do SAM characteristics influence the day-to-day experiences of alliance participants and collaborating organizations? and Q4: How do the behaviors, interventions, and leadership styles of leaders relate to the successful outcomes? A conceptual representation of the entire mixed-method study is depicted in Figure 2.

Figure 2. Conceptual view of methods to identify and study strategic alliances



As business alliances move more into this upper-quadrant space, this research may help alliance leaders and participants to better understand the makeup of their relationships and the

challenges and opportunities inherent therein. This research is not a how-to work for succeeding in these complex alliances, nor is there pretense that this method of looking at alliances will, in and of itself, provide all of the insight necessary to alter the staggering odds against alliance success. Rather, it is hoped that this research might inform others in a way that challenges and expands their thinking about complex alliances and contributes to greater understanding, thus benefiting leaders in complex alliances and those who further study these relationships.

It was observed that many alliance leaders are thrust into their role, often with little or no formal understanding of alliance experience. By understanding at least one way to frame the nature of a complex alliance, alliance participants and future researchers have an example of thinking about these complex relationships in a discrete, deterministic fashion (i.e., two people using the same method could likely come up with similar results). Furthermore, understanding something about the experiences and learnings of leaders in these alliances, especially those that are successful, could lead to a more informed perspective on alliances likely in years to come.

### **Procedures for collecting and analyzing data**

#### **Part 1 – Survey**

The survey, was intended to identify alliances of interest and to confirm the relative difficulty of finding successful alliances with high-SAM content. The design applied a consistent, methodological approach to categorizing the makeup and success of an alliance in a way that was scalable (i.e., easily applied to multiple alliances) and consistent (i.e., re-assessment of any given alliance is likely to yield a similar result). Using a survey instrument also allowed for a way to reach out to alliances across the globe, including as broad an array as possible of alliance experience from which to draw learning. Finally, the online survey instrument also allowed alliance participants to contribute to the research without necessarily self-identifying, an important aspect of the study design.

Research participants were members of past and present alliances, including members from differing parties to the alliance so as to have a broad perspective on the alliance. In order to increase the likelihood of properly assessing dichotomies in responses related to multiculturalism, the survey included participants from as many countries as possible, as well as from organizations of different sizes. A broad cross-section of industries included pharmaceutical, hospital/medical, high-tech manufacturing, commercial information publishing, consulting, white goods manufacturing, financial services, computer/business services, banking, legal, entertainment, and media. Alliances were both for-profit and not-for-profit, in both private and public sectors. Geographies included North America, Europe, Asia, Africa, South America, and Australia. All participants were competent in reading and responding in English.

In addition to basic descriptive information, the survey was broken down into four main parts, each containing 10 questions, relating to alliance success, alliance strategic makeup, alliance symmetry, and alliance cultural makeup. The survey presented statements about the alliance characteristics, allowing the respondent to indicate the degree to which the statement applied to their alliance using a four-point Likert scale. Statements were modeled after other empirical research which concerned each of the dimensions of the survey.

Informed by findings of prior research on the difficulties associated with translating survey questions in a semantically consistent way, the survey was conducted in English. Volunteers with various mother tongues including English (British, American, and Australian), Japanese, Chinese (Mandarin and Shanghainese), Malay, two Indian dialects (Hindi and Tamil), and Spanish did not have any significant difficulty with the survey in the form used.

Respondents were allowed to take the survey anonymously in order to encourage participation and assuage any concerns about privacy. Accordingly, it was not possible to completely audit those invited to participate against the responses received; however, due to the nature of general questions asked at the beginning of the survey, it was possible to confirm that no individuals took the survey multiple times. Fifty-five individuals chose to self-identify, allowing for possible inclusion in the multi-case study. The survey instrument was set up in such a way that it was not possible for participants to submit an incomplete response.

A custom-designed synthesis tool was used to facilitate analysis of the survey data according to the intended SAM stratification. The tool automatically tabulated and isolated successful, high-SAM alliances if the survey had greater than 50% top-two boxes for all dimensions of the study. Thus, the tool automatically and consistently selected any alliances that would be in the gold box of Figure 2. This approach is for stratification only. No attempt was made to measure a specific amount of content in any one dimension, only that certain alliances have more overall association with the characteristics of interest.

## **Part 2 – Multi-Case Study**

Up to five individuals were interviewed from each of three successful, high-SAM alliances. The purpose of interviewing more than one individual from each alliance was to triangulate on emerging themes from differing perspectives and to expose observations that only took place from certain unique perspectives. Participants were interviewed from both sides of the alliances studied in order to allow for triangulation within each case study. Most interview participants were consistent with expectations that they would be at mid- to higher-organizational levels (e.g., alliance manager, CFO, legal team, marketing or sales manager), allowing for a broad perspective on the alliance with respect to SAM characteristics.

In all cases, interview participants indicated their agreement to participate in advance via signed informed-consent, which included a description of the research, potential risks to participants, and stipulation of the intent to respect confidentiality. All interviews were conducted over a 6 month period.

Based on recordings of the interviews, transcripts were established. The transcripts were analyzed using thematic coding. To further enrich the analysis, a team of independent, skilled individuals adept at thematic coding was engaged to perform similar coding. This team served to provide validation of the conclusions and inform a broader perspective where appropriate. The approach was consistent with Boyatzis (1999), who put forth elements of what constitutes a good thematic code, how the code should be labeled and defined, and steps to be taken to eliminate possible confusion on the part of coders. Coding was done with coding partners taking all of the transcripts for one particular case. Coding produced categories, sub-categories, and themes. Categories and sub-categories were created by looking within the coded transcripts for a particular case at terms which were coded that had the same general (category) and specific (sub-

category) meaning. Themes were derived from groups of categories that had a common understanding when taken together. Themes were assessed only within the system of each individual case and only after initial discussions to ensure consistency in understanding. A thorough analysis of the coding contributed to the emergence of the multi-case study.

Ultimately, the approach establishes triangulation in three key dimensions, perspective (in that all alliances are successful, high-SAM), method (via the survey scoring and resulting stratification), and data (looking at available information such as corporate charters, mission statements, and relevant demographic or industry data). Furthermore, the context and findings from the survey were used in conjunction with the interview data and overall context of the alliance participants to inform the final interpretation.

The mixed methods approach provided a robust set of data to study successful, high-SAM alliances. The alliances identified via survey and subsequently studied in the multi-case study present a broad array of collaboration experience, from a traditional collaboration to leverage the synergy of the alliance relationship to significantly more complex relationships.

## **Results**

The survey was administered online to 220 individuals. Ultimately, 131 complete responses were received, resulting in approximately 60% response rate. Relevant to Q1 concerning the difficulty of finding successful, high-SAM alliances, 49 alliances met all the attribution of successful, high-SAM, even aided by the fact that the population surveyed was rich in alliance experience, suggesting the relative difficulty of success.

Other interesting observations related to the alliance experience. Seventy-six percent of respondents reported that their alliance was still in effect. The range of longevity of alliances was broad, from 6 months to over 30 years. The mean alliance duration was slightly over 6 years. Respondents indicated involvement with their alliance an average of 4 years, with the least involvement being approximately 6 months and the most involvement being 30 years. Forty-four percent of respondents had been involved with their alliance since inception.

The alliances selected for the multi-case study were selected to represent a very broad system of very different types of business activity. The first alliance had been in existence about 10 years, focused on jointly providing better services related to insurance claims processing. The partnering organizations began with a simple fee-for-service relationship and grew that relationship by continuously learning from each other. The second alliance was more complex, loosely formed as a joint go-to-market strategy between two very strong and prominent companies and spanning more than 20 years as both organizations continued to grow and change. The third alliance involved social action, with specific goals relating to the sustainability and use of a natural resource, not only from the standpoint of environmental impact, but also in consideration of people who live in very poor conditions, depending on the exploitation of that resource to survive.

Relevant to Q2 concerning emerging themes, observations were grouped in the multi-case study including exacerbating themes (i.e., tending to make the alliance work more difficult), such as differences in organizational structure, advocacy on behalf of third parties, and the influence of

external constituencies. There were also mitigating themes (i.e., facilitating the alliance) including common messaging and constructing measurable goals. There was an overall disabling theme of inter-alliance tension throughout each of the three alliances. Overall, the most enabling theme discussed was the establishment of mutual trust.

Relevant to Q3, it is also important to note the evolution of the alliances studied with respect to time. Alliance SAM makeup often changed over time, especially as alliances matured. Lack of multiculturalism most frequently caused an alliance to initially fail the high-SAM attribution, suggesting multiculturalism as a vitiating factor in alliance success. Language was less important than presumed, although this relevance may also change over time. Relevant to Q4, successful leadership interventions included awareness training, focus on common messaging, and evolution of trust.

Apart from the themes observed, the multi-case study was also intended to uncover the influence of SAM characteristics on the day-to-day experiences of alliance participants and collaborating organizations. Looking at the strategic nature of the relationship, participants in all three alliances noted a kind of evolution. In one alliance, the relationship began as more of a *quid pro quo* relationship and was transformed through unilateral commitment and leadership intervention to uncover learning and promote best practices. In another alliance, the relationship was strategic from the beginning, but matured in that regard as the partnering organizations learned how to work past the lack of exclusivity in their relationship. By keeping dialogue open when other parties were involved and by ensuring that all participants had much to gain by working together, the strategic nature of the relationship was enriched throughout the life of the alliance, which continues today. In the third relationship studied, the partnering organizations had a very strong strategic relationship from the beginning. The degree to which that strong relationship influenced the individuals and organizations manifested itself in the way that the alliance leadership was able to respond to external forces working at cross purposes with the alliance, especially in the political arena.

The asymmetric nature of the relationship had impact that was quite different in the three alliances studied. In two alliances, asymmetry was designed into the formation of the alliance, the partners having sought each other out exactly because they had different skills and resources to bring to the table. Individuals were united in their recognition of the asymmetry and articulate in the ways in which that asymmetry played itself out in the prosecution of the alliance objectives. In one alliance, the asymmetry was more subtle, and thus the impact on the individuals and organizations was less obvious to those interviewed. While participants in this alliance noted the resources, organizational size, and other factors to be different, the nature of the work of this alliance was such that any asymmetry played out much more with regard to the customer than with the partnering organizations.

The three alliances diverged significantly with respect to multiculturalism, ranging from what was initially a problem for the partnering organizations in one alliance to a nuance that was found to be very valuable for mutual edification in another. In one alliance, multiculturalism played differently at different points in the evolution of the relationship. At times, the alliance participants seemed to embrace this aspect of their relationship and at other times multiculturalism was sublimated in favor of presenting a united front, either to the customer or to the marketplace.

## **Conclusions**

Considering the nature and complexity of these alliances, the possibilities for learning and implications for future application are rich. Not surprisingly, finding successful, high-SAM alliances which have been in existence for a long time is very difficult. One must consider the implications of technology, travel, access to information, and other practical matters that have facilitated global collaboration in the past few decades. This evolution continues. Exogenous factors, such as evolving statutory changes intended to force transparency and to address potential concerns over domination of global markets and collaboration with governmental denied parties, are examples of changes in the global landscape which will require a response in the formation and execution of complex strategic alliances. The realization that globalization is naturally forcing strategic relationships, asymmetry, and multiculture to the forefront, that alliances high in SAM characteristics are more the reality of future alliances, and that it is markedly more difficult to succeed in such alliances brings about significant and sobering reflections for practitioners of alliance activities. Most notably, skills and experiences which may have made one successful in the past may be inadequate to drive future success. Alliance leadership, especially in large organizations, tends to be grown from within, with leaders selected based on past performance. If the nature of alliances is changing and the makeup of alliance leadership does not keep pace with that change, alliance success will suffer. It is, therefore, important for alliance leadership to be cognizant of this dynamic and to continually invite external learning, not only in terms of education and training, but also in terms of involving leadership from different cultures and different organizational contexts.

Alliance activity must also be carefully considered from the perspective of leading change in organizations. As organizations rely more heavily on partnering-type activities to achieve growth and mitigate risk, leaders of change must consider aspects such as asymmetry and multiculture not simply as interesting reflections on their external relationships, but as centers of focus for effective change programs. Finally, with regard to people in a broader sense, it is imperative to reflect on the importance of considering the strategic, asymmetric, and multicultural makeup of alliances with regard to humanistic implications. Culture within an organization can grow quite richly to the betterment of all parties involved or result in marginalization and other deleterious outcomes if not carefully considered.

### **International and managerial implications**

One can see collaboration in a myriad of examples apart from business. For example, in world politics, the formation of coalitions and alliances responds to mounting global threats as well as environmental and social challenges. In technology, emerging collaboration capabilities include sentiment analysis and cloud computing. In education, models are emerging for groups to work together on team projects and group learning activities. In business, a natural analog to these dynamics is clearly the mounting incidence of alliance activity. Through careful study of types of alliances such as strategic, asymmetric, multicultural alliances, leaders can inform their thinking and challenge themselves and others to new aspirations as the inevitable increase in the incidence of collaboration continues.

The implications for organizational leadership transcend the success or failure of present-day business activity. The emergent themes uncovered in this study highlight the fact that leaders

are increasingly challenged to think differently about how and why they intervene in their organizations. In many respects, the compelling case exists that leaders must become more participative and more inclusive, especially with regard to multicultural, in order to remain effective in responding to emerging global challenges. In all of the alliances considered as part of the qualitative part of this study, leadership forced a sort of parity that allowed the alliance to have a power dynamic of its own, allowing for pursuit of the alliance goals. This structuring of the alliance apart from the makeup of the partnering organizations was in fact a hallmark of the strategic nature of these successful relationships. Of course, such evolution may be seen by some as a direct challenge to the management power dynamic. Accordingly, leaders must evolve in their thinking about managerial roles, especially in multinational settings where multicultural and asymmetry will be more prevalent and more a constant part of the work of the organization.

In the introduction to this study, it was noted that there is difficulty finding examples of organizations that operate on a significant scale without a form of collaboration. In particular, the characteristics of multicultural and asymmetry are critical considerations in our world of expanding information and dramatically increased expectations of global capability. As leaders in the economy of the 21<sup>st</sup> century, realization of the importance of these aspects of collaboration are fast becoming a critical success factor differentiating organizations that merely subsist from those that grow and thrive.

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