Strategic Alliances, Total Relationship Management (TRM) and 5 Qs – Why most of the Marriages and Strategic Alliances are not sustainable?

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**ABSTRACT**
The paper describes theoretically with some empirical evidences the decision and result of strategic alliance as a relationship between people or as a love affair and a commitment to marriage which is ideally, based on shared interest, love, mutual trustworthiness, and commitment to continue the relationship. The main point is that, just as successful human marriages require clarity of needs, purpose, maturity, preparation, patience, nurturing, flexibility, commitment, trust, and compromise, so too will such prerequisites apply to successful organizational strategic alliance relationships. The main task of this conceptual research is to identify the reasons for failures (non-sustainability) of strategic alliances to answer the question of why do they fail. The problem will be later on (phase 2) analysed taking into consideration different industry sectors located in different countries.

**Keywords:** Strategic Alliances, Total Relationship Management, 5 Qs, marriage, sustainability, failure

1.0 Introduction

The problem of achieving cooperation among human beings is hardly new. Plato and Caesar are perhaps as good analysts of cooperation as today’s management scholars. Inter-organizational cooperation and strategic alliance are hardly new either. So, why today’s recovery is of interest?

Few, if any, phenomena in public or private management and organization have raised so much scholarly attention in such a short period of time as cooperation, strategic alliances and partnerships between complementary or competitor organizations.

Laurence B. Valant, (2008) states that Marriages, strategic alliances and mergers end up on the rocks 50% of the time. Many management relationships, like husband and wife pairs, end up in such irreversible trouble that one person simply has to go—or be let go—often without a severance package.

Inter-organizational cooperation can be fruitfully examined from a wide range of theoretical starting points. They include strategic management, organization theory, economic and industrial analysis, network theory, game theory, the sociology and psychology theories, and evolutionary theories, to name only the most obvious. Models of bilateral (e.g. marriage) and multilateral (e.g. multi-state coalitions) relationships can also be applied to the study of inter-organizational collaboration. More interestingly, the collaboration phenomenon challenges researchers to extend these theories by providing a complex phenomenon to understand. This makes strategic alliance research intellectually challenging. This new situation was brought about by the radical changes in the global economy (Zineldin, 2003, 1998).
The main task of this conceptual research is to identify the reasons for failures of strategic alliances to answer the question of why do they fail. The problem will be later on (phase 2) analyzed taking into consideration different industry sectors located in different countries – Japan, Mauritius, Egypt, Russia, Ukraine, Greece and Turkey and Sweden. The choice of the countries based on my networks with different researchers in the above mentioned countries and the availability and access to the needed data and case studies. The geographical spreading and cultural differences of the above mentioned countries provide a good base for the generalisation of the study results and outcomes.

2.0 Objectives

To aim of this research is to measure and test the strength of a strategic relationship and determine whether it has long-term potential. This measure can be used with people who are dating or married, or organizations which are in an strategic alliance relationship. The results will let the partners to know whether their relationship has the strength to withstand the ultimate tests of time and stress. Trust and cooperation are critical factors that affect level of the success or failure of strategic alliances (Digman and Parast, 2007)

While previous research on quality and quality management has been focused on the implementation of quality management within a firm, by extending the concept of quality management to strategic alliances this paper takes a new approach toward Total Quality Management (TRM) implementation outside the traditional view toward quality. The proposed 5 Qualities (5Qs) model, while integrating elements of quality management and strategic alliances, determines alliance success or failure and alliance satisfaction or dissatisfaction as the outcomes of strategic alliances.

One area of significance to industry practitioners is to avoid the alliance failures and to establish and maintain a long-term commitment and long term relationship between alliance partners.

The contributions of this research will be:

- To develop better understanding of the relationship and strategic alliance collaboration process and its key failure factors to be avoided in searching for successful relationship and alliances
- To develop a new comprehensive quality approach in creating and distributing value for collaborative enterprises of the selected sectors.
- The data and the results can also be used for suggestive purposes for other companies and as a foundation for further studies.

3.0 Strategic Alliance and TRM

It is apparent from the literature review that, despite the increasing importance of international relations and business, insufficient attention is being paid to exploring and theorizing relationship management (RM) application on the strategic alliances in international contexts. There is a limited evidences in validating domestic findings in international settings circumscribes the universal applicability and managerial relevance of relationship management and strategic alliance studies. The application and use of Relationship management (RM) and strategic alliances (SA) is of considerable interest to both industry practitioners and academics. However, recent research has shown that the balance between theoretical and practical knowledge concerning RM and SA is far from equivalent. Specifically, practical knowledge is asking for links between RM and SA alliance theories (what to do) and practice (how to do it). Total Relationship Management suggests new way of understanding the different international business
environments and, as a result, diverse ways of interacting with them. Both the academic as well as the managerial world have much to gain in studying and understanding these types of exchanges.

Until the last decades the idea of cooperation was almost completely neglected by the scholars to. This was partly due to the context in which neoclassical economics developed (antitrust issues in the USA), partly due to a culture of individualism and freedom in the USA. It is only with the rise of game theory and with the systematic exploration of transaction cost economics that the collaboration phenomenon started to receive the scholarly attention it deserved. Scandinavian academicians in particular have been active in promoting strategic alliance and network theories of local and global enterprises. “Rather than thinking of the firm as ”we” and the other actors as “they”, the strategic alliance or network approach is inclusive. “What is good for them is good for us” (Johansson, 1997).

Although, the prior strategic alliance studies have added to our knowledge of why strategic alliances form, the enablers for initiation success and the benefits that accrue (e.g. Zineldin, 2002; Zineldin and Jonsson, 2003; Wheelen and Hungar, 2000; Lemoine and Dagnes, 2003). Ghoshal, 1987; Dyer and Ouchi, 1993; Geringer and Louis, 1991; Ellram, 1990; Nier, et al., 1995; Brucellaria, 1997; Zineldin, 1998, 2000; Zineldin and Jonsson, 2000; Wheelen and Hungar, 2000), most of these studies suffer from some weakness. Some have failed to use formative indicators to differentiate between failed and successful alliances, instead opting for either a descriptive case approach or respondent based reports of alliance existence. Most studies tend to focus more on the determinants of their success rather than on the reasons they fail. These studies point out to the continued need for identifying formative indicators and examining risks and problems associated with entering and maintaining successful strategic alliance.

There are four major reasons or justification for alliance formulation: financial, technological, managerial and strategic(Zineldin, 2005):

1. Financial – we classify in this category motives related to cost reduction and profit generation (e.g. joint investment, reduced inventory, stable supply prices).
2. Technological – motives that facilitate the supply process (e.g. sharing technology, joint new product development).
3. Managerial – this category includes motives such as interdependence, supply base reduction and loyalty.
4. Strategic – motives that are related to competitive positioning of the supply process (e.g. future direction, achieving core competency).

The main result of previous studies on strategic alliances and Relationship Management (Zineldin 2005, 2008) showed that there are noticeable differences in the motives for entering into an alliance. Total relationship management (TRM) is a philosophy developed by Zineldin (2008) which emphasizes the communication of the organization’s overall thinking, as well as specific messages about its products, services or international corporate identity. These differences raise several important issues regarding the various motives for forming alliances with respect to competitive advantage and the likelihood of a manufacturer entering into alliances with different partners. The studies indicated that there is little support for the hypotheses that culture differences act as a hindrance or reason for failure of strategic alliances or business relationships.

The major task of the research is to develop a new quality model and approach to measure, identify and categorize the reasons of failures of strategic alliances. According to Chandler’s definition (1982), strategy is “the determination of the basic long-term goals and objectives of an enterprise and the adaption of courses of action and the allocation of resources necessary for carrying out those goals”. So strategic alliances are entered into by two or more partners to pursue long-term goals beneficial for all the partners, and this characteristic differentiates strategic alliances from other forms of partnerships.
Through the study of failures one can draw some conclusions about the possible reasons of failures and the conditions under which strategic alliance became a competitive weapon.

Based on the earlier research, Elmuti and Kathawala (2001) theoretically identify the following problems:
- Clash of cultures
- Lack of coordination between management teams
- Differences in operating procedures and attitudes among partners;
- Lack of clear goals and objectives and lack of trust and the opportunistic behaviour;

Considering the constant growth of the number of strategic alliances in the world and taking into account the percentage of their failures, it seems that the reasons, which can cause a failure of a strategic alliance, have to become a focus of special attention.

Strategic alliance requires cooperation and coordination between different independent parties to achieve mutual goals (Zineldin et al., 1997, Zineldin 2000). Co-operation and at the same time competition is called by Zineldin (1998) Co-Opetition. The underlying strategic benefits of the alliances can be e.g. those of securing strategic supply, to learn of a future market or way of doing business, or to develop new technologies. The fundamental role for the organisation of the future will be to create and develop processes of strategic co-operation that will enhance long-term relationships, retention and loyalty (Zineldin, 2004). Based on another theoretical study, Zineldin (2000) offers the following pitfalls of alliances:
- Strategic alliance relationship can be resource demanding and an uncertain investment. The adaptations also require resource mobilization, which could also be uncertain investment;
- Lack of experience in working together with new partners will probably put considerable demands on the management’s time, efforts, and energy which may lead to neglect the running of the organization’s core activities. Alliance can also take flexibility away;
- Power and dependence can also be viewed as conflict sources.

The above-mentioned risks and problems may all contribute to a strategic alliance failure. They have to be empirically articulated, examined and tested. And it is what this research intends to explore.

4.0 Romance and Business

None of us, as well as no company, exists in isolation. A relationship between people goes often through various phases (e.g. growth, maturity) in its life cycle. Yet let us not forget, neither companies nor nations cooperate or compete; human beings do. Relationships between companies or nations too, are assumed to go through various phases. Many of the choices we make and reactions we have are in response to the actions of these other people. In business markets too, companies are dependent for their development and success on their relationships with others (Zineldin, 2002).

In many ways, a partnership business relationship similar to a romantic and marriage relationship. Corporate entities is much like two people- engage one another in what they hope to be a long-lasting and mutually satisfying endeavor. Like a romantic relationship, a strategic alliance relationship progresses through a natural evolution pattern or relationship life cycle that requires awareness, understanding, flexibility and agreement form both parties in order to enjoy prosperity (Zineldin, 2002; ; Casteel, 2012).

In fact, Pierre Guillet de Monthoux suggested a model of relationship development as far back as 1975, where he compared this development to that of a love affair between people. Haubrich (1989) describes enduring relationships between banks and borrowers as a long-term marriage relationship.

Bertrand (1995) compares the just-in-time partnership as:

Like getting married vs having a date. In the marriage relationship, the partners are interdependent and attached for the long term.

Zineldin (1995) contributes to the research area by showing that building and enhancing a relationship is similar to that of a romantic and marriage relationship. This relationship is a dynamic process which demands actions, interactions, trust, cooperation, adaptations and commitment.

Talk about your corporate love affairs. When McDonald’s CEO Mike Quinlan talks about his company’s relationships with Coca-Cola, his eyes light up. He gushes, using a tone that says it all: They are our partner. It’s an enormously important strategic alliance … Like any affair of the heart, the two companies love getting away together for a special weekend every now and then (Fortune, 1994).

The main point is that, just as successful human marriages require clarity of needs, purpose, maturity, preparation, patience, nurturing, flexibility, commitment, trust, and compromise, so too will such prerequisites apply to successful organizational strategic business relationships.

Any relationship (romance, marriage or strategic alliance) starts with a partner search. Partner A selects or searching a partner B to together do or achieve great things. Togethering is the core issue. But what are those great things? Will Person/company B agree about those great things and have same expectations as person/company A? Many couples go through pre-marital (counselling) phases to discuss key issues for communication and future life together before they head to the altar. The same should take place in the business world. Some suggested questions to be consider and discuss include (Casteel, 2008):

1. What is our goal for this relationship?
2. How should we communicate with each others, and how often?
3. What do you need form me to be successful?
4. What do I need form you?
5. How often should we plan to discuss how we are doing?
6. Are you open to feedback and suggestions form me?
7. What are some of the scars you carry form past relationships?

Song, et al (2012) Stresses the importance of understanding the nature of relationship value and to model and measure the value of business relationships. There are two basis issues about relationship value: what makes business relationships valuable and how the value of business relationship can be assessed (Corsaro and Snehota, 2010).

The high failure rate in marriage or alliance relationships can be traced to intentional desire of the potential couple to be completely unclear about their previous experiences and future expectations. Some people are unclear about the real expectations in order to exercise power over the other person.

You’ve probably heard this in the workplace or in a marriage: “I don’t know what I want, but I’ll know it when I see it.” That may work when buying art, but it is a recipe for failure in achieving positive results in a business or marriage. Valant, (2008).
The relationship of the partners, as in a marriage, is a key to the success of the arrangement. It may not be a sufficient factor itself, since the successful alliance needs positive quantifiable results, but it is certainly a necessary condition. An appropriate attitude has two major components, commitment and trust (Faulkner, 1992).

This romantic business philosophy assumes that, love affairs or marriage relationships as well as long-term business relationships are as ideally based on shared interest, mutual trustworthiness, ethics, cooperation, and commitment to continue the relationship and to keep the relationship arrangement productive, mutually beneficial and rewarding for all parties. Such a relationship is dynamic, constitutes a mutual interdependence and usually results in mutual loyalty. Understanding the dynamics of a relationship and the factors that influence the interaction and satisfaction of each phase of the relationship provides important managerial implications.

5.0 Relationship Quality

Relationship quality has been suggested as a result of measuring the positive relationship (Crosby et al., 1990; Fynes et al., 2005). Understanding the perceived relationship quality is critical to predict the firm’s future interactions with its partner as well as the healthiness of the existing relationships (Choo, et al. 2009). Quality in the literature is commonly attributed to two dimensions: technical and functional (Gronroos, 2000). Technical quality is about whether the product or the services fulfill their technical specifications and standards. Functional quality describes how the product and or the service were delivered.

However, the 5Qs model is an comprehensive instrument that assures reasonable relevance, validity and reliability, while being explicitly change oriented. The interaction process between relationship partners is influenced by specific environmental atmospheres where both operate (Ford et al., 1998; Zineldin, 2000, 2004; Robicheaux and El-Ansary, 1975). The atmosphere can affect perceived relationship quality by improving or by making it worse, which affects the overall negative or positive outcomes of the strategic alliance.

Relationship quality and partners’ satisfaction are more complicated than just dividing quality into technical and functional. Some key episodes or variables of the structure of relationship quality are adaptation, communication, commitment, conflict, cooperation, expectation of continuity, interdependence, bonds, opportunism, relationship stability, satisfaction, trust, and willingness to invest in the relationship (Huntley, 2006; Moon, 2007; Zineldin, 2000). Zineldin (2000; 2006) developed a new measurement model which includes five generic quality dimensions (5Qs) framework to measure the quality of both marriage/romance or strategic alliance relationship. Most of the following 5Qs items and scales were already statistically verified and tested in a different business relations in different areas such as wood industry supplier-dealer long term relationship, strategic alliance between Swedish and Russian automobile manufacturer. Some of these factor were also tested to measure satisfaction in health care and educational sittings. The result of such surveys were already published in different Journals (Zineldin, et al, 2000; 2005, Zineldin, 2006).

Figure 1 illustrates the 5Qs model and its constructs where the Total Quality (TQ) of the Partners Overall Satisfaction (POS) is a function of Q1-Q5. The TQ = fn(Q1+ Q2 + Q3 + Q4 + Q5). Moreover, there is a sequential relationship between the 5 Qs, as shown in the following figure.
Object ➔ Infrastructure ➔ Atmosphere ➔ Process ➔ Interaction ==> TRM ==> POS

Q1 ➔ TRM → POS

Object – technical quality (which measures the justification and main motivations of entering into a marriage or strategic alliance relationship. The motivations can be one or all of the following financial, technological, managerial and strategic. Some measurable quality factors are:

1. We are often think about how fortunate we are to have found and to be with this partner
2. Most of the time, we feel incredibly satisfied with the support we get form this current partner
3. We often feel very satisfied in the cooperation with the partner
4. Deciding to work with this supplier was a definite mistake on my firm
5. To succeed in this relationship, it is often necessary to have common goals
6. To succeed in this relationship, it is often necessary to have common policies
7. Our future goals are best reached by working with this partner rather than against
8. Our future profits are dependent on maintaining a good working relationship with this partner
9. Unethical behaviour
10. This relationship meets the majority of our/my wants and needs form a relationship
11. The positives aspects and outcomes of this relationship significantly outweigh the negative ones

Q2: Infrastructure – basic resources needed to perform the core activities of the relationship. Trust and commitment are two key Q2 variables. Core competences, skills and knowledge are also critical factors. Some items to measure the infrastructure are:

1. We can always trust our partner,
2. this partner has high integrity,
3. the partner keeps promises.
4. The partner gives us information about delivery problems at once when they occur
5. The partner spends lots of time to get to know our personnel and employees
6. Does not give us appropriate and important data/facts
7. Promises to do things without actually doing them later
8. I know that there are always compromises in relationships, and I feel like the compromises in this relationship are reasonable
9. Too optimistic expectation of the relationship (less realistic)

Q3: Atmosphere – relationship and interaction process between parties are influenced by specific environments where they operate. Frankly atmosphere, cooperative or conflict full atmosphere, etc. Unfriendly atmosphere explains poor care. Consequently, atmosphere indicators should be considered critically. Shared values and visions are positive atmosphere factors. Opportunism is a negative variable. It can be defined as “self-interest seeking with guile” (Williamson 1985). Examples of opportunistic behavior are such acts as withholding or distorting information and shirking or failing to fulfill promises or obligations (Zineldin, 2000). Satisfactory atmosphere can lead to that one partner can make scarification to save the relationship from being ruined (divorce). Some quality factors are:

1. The supplier spends enough energy in our relationship
2. There is no reason for us to be suspicious to this partner

Figure 1: Zineldin’s 5 Qs: A Multidimensional TRM based Model of Relationship attributes and partners

TRM = Total Relationship Management
POS = Partners Overall Satisfaction

Satisfaction
3. We often feel very satisfied in the cooperation with this partner
4. The partner frequently discusses new possibilities with us
5. Only concerns with (itself) its own interest
6. I do not have to sacrifice or vie in too much in this relationship
7. I (we) feel very confident and self assured with this partner
8. We regularly check in with each other to discuss our future plans and aspirations together
9. Despite the busy lives and schedules, we make time to spend “quality time” together doing the thins we really enjoy (some fun together)

Q4: Processes – functional quality (how the partners established and enhanced the relationship). It measures how well relationship activities are implemented. Adaptation is important Q4 factor. Partner A could change its own product design to cope with a production difficulty at its partner b (e.g. a supplier). Adaptation could also include investment of tangible and intangible resources by both parties. This investment ranges from the use of human resources to develop contacts with the counterpart. Some adaption factors are:
1. High/Less flexibility; ability and willingness to adapt
2. This partner is willing to customize its products for us
3. This partner is willing to adjust its production process to us
4. This partner is willing to invest in tools/equipment to better adjust to our processes
5. The partner gives us opportunities to participate in goal setting for performance
6. The partner will support our activities
7. This partner frequently asks how we are doing and expresses interest in our daily life and activities.
8. This partner is not overly dominate or submissive in our relationship
9. I know that we can truly depends on this partner to be there for us no matter how difficult times get

Q5: Interaction – communication and information exchange, financial and social exchanges between the partners are critical factors. Bonds also arise between any two interacting parties as they learn to deal with each other. The interaction process that characterizes relationships can be said to be productive for the parties involved in the sense that they correct and develop their knowledge of the counterpart and learn to exploit each other and the relationship better. Different bonds could be classified as social, technical, timing, knowledge, planning, and legal/economic bonds (Zineldin, 2000). Termination costs can also be a bond. Some measurable elements are:
1. We have intends to maintain and develop this relationship.
2. This relationship requires maximum effort and involvement.
3. The partner’s personnel frequently visits our place
4. We are fully open and honest in the relationship with this partners.
5. Lack of or poor communications
6. Timing bonds - Administrative routines are coordinated (e.g. EDI)
7. Knowledge bonds - Knowledge and confidence in each other are built up.
8. Social bonds - Personal contacts and confidence between employees exist.
9. Economical and juridical bonds - Long-term general agreements exist
6.0 Conclusion

The paper reveals that the quality of a relationship is a function of a number of factors or elements, among others, cooperation, skills and performance of employees including managers, physical resources, quality, delivering and pricing of products/services, sharing information, experience, customer expectations and satisfaction. Several studies have shown that successful collaborative relationships rely on relational forms of exchange characterized by high levels of trust. The high levels of trust characteristic of relational exchange enable parties to focus on the long-term benefits of the relationship in order to ensure sustainability. Like in marriage, past inter-organizational studies have included cooperation in conceptual models and have recognized cooperation as a necessary component in channel relationships commitment. A cooperative business relationship grows over time as trust and commitment between business partner development.

The trust/commitment building process is a social exchange. Social exchange relations evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved and in which both partners can prove their trustworthiness, enabling them to expand their relations and engage in major transactions (zineldin, 2000; Blau, 1964)). Thus, our Qs model argues that trust and commitment are results of successful relationship activities, behavior, action and counteraction mechanisms. These mechanisms include communication, information exchange, adaptation willingness, cooperation and satisfaction.

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Authors’ Backgrounds

Prof. Mosad Zineldin is a Professor of Strategic Management and Marketing. PhD in Economics and Business, Stockholm University. He has two different Masters in Psychology and a Master in Peace and Development. He also studied some courses and programs in law, medicine and Public health. Engaged in a considerable number of research and consulting activities and responsible for a number of EU projects. International experts in Quality (e.g. medical and Education) and accreditation issues. Has held many visiting appointments in several countries. Member of different Journal editorial boards and Guest editor of the International Journal of Health Care Quality Assurance and Physical Distribution and Logistics management, etc. Published several books and numerous articles in many different international journals such as Cross Cultural Management, Journal of Peace, Conflict and Development, International Journal of Human Resource Management, Management Decision Journal, TQM Magazine, Journal of Measuring Business Excellence; European Business Review, Clinical Governance: An International Journal, International Journal of Health Care Quality Assurance. Some of articles have been cited with the highest quality rating and others positioned in the top 10 list by EMERALD’s readers and reviewers.

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