Strategic alliance as an entrepreneurial stimulus for learning in mature stage organizations:
A case study of financial services organizations entering into cross industry agreement strategic alliances

by

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Adjunct Professor Dr Neil E. Béchervaise (Supervisor)
DECLARATIONS

Originality

This thesis is an original piece of work by the author. Except where indicated, this thesis contains no significant amount of material that has been accepted as part of any course of study in any other university.

To the best of the author’s knowledge, this thesis contains no material written or published by another person or organization except where due reference has been made in the text and the reference section of the thesis. Any help that has been obtained from people other than the author in the preparation of this thesis has been accurately described and fully acknowledged in the body of the work.

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Alan N. Rees
August 2005
ABSTRACT

Sustained success for an organization is based upon its ability to constantly realign with opportunities that emerge within their markets. Thus, organizations must continually evolve as markets evolve.

This thesis examined how mature stage organizations within the financial services industry can adopt entrepreneurial approaches to learn, evolve and improve their competitiveness. Despite the rate of technological change, globalization, and convergence of industries that has occurred in the last decade, there is no clear model to support the adoption of entrepreneurial activities within mature stage organizations. Adopting an exploratory qualitative case study approach, the researcher interviewed informants with experience in the financial services industry in Australia, Europe, North and South Asia, and the United States of America to explore the research question:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

Interviewing key informants within the financial services industry, the study confirmed a range of means of conceptualizing, introducing, and managing new business initiatives through strategic alliances. These findings were synthesized into a hypothetical organization in which, it became evident, the more entrepreneurial and innovative the organization became, the more capable it was of sourcing and responding to new opportunities within existing and related markets.

The study confirmed the need in strategic alliances for shared vision, strong leadership, effective communication of the organization’s direction and strategy, a culture that embraces flexibility, business competence, a commitment to respect and manage differences between organizations, an
ability to work collaboratively, and a willingness to upgrade or replace business processes and technologies to support innovation.

The study sought to provide an understanding of how entrepreneurial approaches can remain fluid rather than become static, and how they can be preserved within mature organizations. The importance of leadership, commonality of vision, collaboration, communication, integration of business structures and processes, and willingness to learn from each other began to emerge as central issues from the initial interviews. Consequently, a second research question was added:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

The study confirmed that organizations should develop and support a culture that embraces learning, flexibility and change. Entrepreneurial organizations require vision, leadership, business structures, processes, and competencies to support innovation.

This research adds to the field by establishing that innovation is embedded in the ability of partnering organizations to learn continuously and collaboratively. In doing so, they become more capable of realigning with changing markets and creating and capitalizing on new markets. The research concludes that less hierarchical organizational structures within partnering organizations support strategic alliances and promote the ability of organizations to learn how to cooperate, collaborate, and grow individually and mutually together.
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Finally to my mother, as a parent, who has inculcated the value and importance of learning amongst all of her children during her life, the journey continues.
Anonymity

The research reported within this study has relied upon fictionalised case to overcome direct reference to existing organizations in the market. The identities of the individuals who were interviewed for the study were also fictionalised to protect their privacy and to maintain their anonymity.

Gender Specific Language

All gender specific language within this study has been standardised to non-gender specific language where possible. In the case where this has not been possible for the purpose of style or preservation of meaning, ‘he’ and ‘him’ have been used to indicate both females and males. In the case where an oversight has occurred and the term ‘she’ or ‘her’ is used, this will also be referring to both males and females unless the context of the language use specifically indicates otherwise.

Language

The spelling and grammar used within this study is Australian English. For consistency, all spelling has been standardised to this format, including citations, titles of works and reference list entries. The respondents quoted directly in this thesis used spoken English as opposed to written English to explain their thoughts and ideas regarding the questions asked.

During transcription, the spoken language has been modified in the thesis, where necessary, to remove any content that does not directly add to the meaning of the message (for example, ‘ums’, pauses, conversational grammar). In all cases where this has occurred, the respondent has been given the opportunity to review and confirm the meaning of the transcript quotation represented in the written form.
1. INTRODUCTION TO THE RESEARCH

The aim of this thesis is to identify the factors that are common to organizations using cross industry agreement strategic alliances as an entrepreneurial approach, and to apply these to discuss the business, cultural, and learning structures that facilitate the adoption of entrepreneurial approaches for organizations and their partnering organizations within the financial services industry. This chapter introduces the background to the research project, confirms its significance, and outlines the structure and approach used by the researcher to conduct and report the findings from the study.

1.1. Influences on this research

1.1.1. Professional experience

After more than 20 years of professional experience in the financial services industry, the researcher became increasingly interested in the fact that some organizations are better able than others to develop, introduce, and integrate new technologies and processes, realign their businesses to support changes in the market, change their market paradigm for doing business, initiate and manage strategic alliances with other partnering organizations, and enter into new markets to improve their overall position and context.

As a case in point, the researcher had the opportunity earlier in his career to work for one of the largest finance companies in Australia that was a major supplier in the motor vehicle dealer and finance broker markets. Towards the end of the 1980’s, one of the business units that the researcher supported conducted an overseas study tour of the United States of America (USA) and Europe to examine business practices and to explore what experiences and learnings could be applied in Australia to improve its position within its existing markets.

From this review and assessment, a strategy was developed to introduce a number of new technologies and initiatives were identified and designed to
further strengthen relationships with motor vehicle manufacturers and distributors, motor vehicle dealerships, and finance brokers within this business unit. At the same time, it was envisaged that this strategy would substantially reduce business costs and improve operational productivity.

Some years later this same organization faced a dramatic threat to its existence following the acquisition of a competitor that was heavily committed to the commercial property market. Diversification activities away from its core business activities and unfavourable economic conditions pushed this organization to the edge of its survival. The appointment of a new CEO with a clear vision of what needed to be done, commitment internally, enabled this organization to improve its focus and positioning in the market within three short years!

Working with an organization and with senior executive teams, in both favourable and unfavourable environments, that clearly understood how to work their markets and that knew how to create and seize opportunities, was challenging, exhilarating, and rewarding. Its impact on the researchers’ approach to business development was profound.

Initially, perhaps naively in retrospect, it appeared that success or the ability to respond to either favourable or unfavourable conditions was simply based upon developing a clear strategy that reflected the opportunities within the market place. This was enhanced by an organization’s ability to mobilize their internal capabilities based upon regulatory, financial, and operational constraints to achieve a business outcome.

Therefore based upon the researchers’ early professional experiences, strategy implementation was managed in consultation with the strategists and in recognition of the evolving market conditions. Once the strategy was implemented, the emphasis shifted to ensuring that the overall business objectives were being achieved. As part of this process, line management was constantly consulted to provide the necessary feedback, as part of an
iterative loop, to ensure business alignment was consistent with the market's direction and that business opportunities were being maximized.

This approach appeared to ensure success. The connectivity and the iterations that occurred between strategy formulation, implementation, ongoing management, and the ability to learn seemed, to the researcher at the time, to exemplify the way business was done. Only later did the complexities of leadership, culture, business structure and processes, market relevance, adoption of entrepreneurial focus, and learning begin to pervade the researchers’ thinking and reading.

1.1.2. Personal interest

Emerging from the researchers’ thinking in this area was a personal interest in how organizations within the financial services industry actually innovate to better position themselves within the market: to develop and offer new products and services; enter new markets; introduce new business structures, technologies, and processes; and re-align their business both internally and externally to support new market opportunities.

When Colonial Mutual (CM) acquired the State Bank of New South Wales (SBN), a life insurance company with over 300,000 customers and a regional bank with over 600,000 customers, respectively their stated aim was to build an “allfinanz” business in Australia. However, even with the acquisition of SBN the newly branded Colonial State Bank (CSB) was still only ranked sixth by asset size in the Australian financial services industry. To address this position, CSB radically challenged the current market paradigms for doing business in this industry by franchising their branch network, promoting a complete customer value proposition that included banking, insurance, and investment, and at the same addressing the inadequacies of their existing service proposition to the market.

To the researcher, this challenge of business paradigms was the essence of an organization engaging in innovative and entrepreneurial activities.
Success was not achieved incrementally, but rather by a willingness to challenge the status quo and to transform current business practices. To the researcher, this highlighted the spirit and passion needed for business, reviving emotions experienced earlier. While there maybe other motives operating at board level within organizations to create this positioning. The researchers’ thinking was becoming more aligned.

Around the same time, while working for a competitor, the researcher read an industry based publication by Deloitte Touche Tohmatsu International (1995) titled “The Future of Retail Banking - A Global Perspective” which foreshadowed financial services organizations coming under increasing pressure to restructure to maintain economies of scale and to address potential changes in competitive paradigms. The authors predicted that specialization and focus would occur in three areas: product formulators; customer-focused gateways; and industry servicers.

This thesis explores the evolution of customer-focused gateways and industry servicers in relation to the preference of cross industry agreement strategic alliances over acquisitions and mergers as an entrepreneurial approach to product and service reformulation in the financial services industry.

1.1.3. Strategic alliances

In the five largest acquisitions in 1997, in the US, banks paid an average of $2,500 per retail customer relationship, more than double the price paid by acquirers in 1993. To earn an acceptable return at these prices, banks must generate an additional $275 in profit per household, tripling current levels of profitability. (BAI/BCG 1999:vii)

Whether the acquiring banks had the ability to achieve these returns was debatable. The approach, however, highlighted the challenges faced by organizations in a maturing financial services industry where the number of mergers and acquisitions had increased over a given period.
To build their businesses and to extend their product and service offering financial services organization’s have pursued the strategy options of either buying, building, or aligning (BAI/BCG 1999) with complementary financial services organizations in the market. This thesis argues that the introduction of new products and services to an organization’s customers requires new competencies, new business processes, an internal empathy for incoming partners, learning capabilities between partnering organizations, and a flexibility and entrepreneurial capability to work with new markets not previously the domain of an organization. This level of innovation, it is argued, demands entrepreneurial acumen.

1.1.4. The foundation research question

Therefore recognizing that entrepreneurial activity represents an increased element of risk to an organization, this thesis initially aims to answer the question:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

In addressing the question, this research reviews a mature industry, financial services, to explore whether, financial services organizations, ever actually adopt an entrepreneurial approach to support their business direction. Leifer et al (2000) asserts that there is a general assumption that smaller entrepreneurial firms are the source of radical innovation and that larger or more established organizations struggle with introducing innovative ideas to enhance their business offering to the market.

The struggle of mature stage organizations to explore opportunities for new products, services, new processes, and markets appears to place these organizations at risk, and in competition with organizations that are prepared to explore forms of market innovation. Business leaders of established organizations are generally of the view for long term growth and renewal,
radical innovation is required to reshape existing markets and to enter new markets (Leifer et al 2000). Therefore, it is argued that leadership has an important role to play in driving innovation and entrepreneurial activity inside an organization.

Kluge et al (2000) is of the view that financial markets support organizations, through their market capitalization, that attempt to reshape their existing market and are focused on long term growth, rather than short term profit forecasts. Many mature businesses apply advanced business intelligence to understand the current situation and future direction of their markets (Ahrens 1999). In doing so, they are caught in a paradigm which requires applying past and present business practices to what is expected to be successful for their market in the future.

From the researchers’ experience in the financial services industry, these organizations struggle from time-to-time to introduce new products and services, new approaches to business, new technologies and distribution channels, and to work in co-operative arrangements with external parties. This thesis endeavours to uncover why some organizations are more capable than other of adopting and implementing new means of doing business.

1.1.5. The research sample

To address the research question, twelve senior executives and managers with extensive experience within the financial services industry across several countries were interviewed. The interviews focused on exploring factors that, from their experience, support the adoption of entrepreneurial activity in the financial services industry.

Priority was given to identifying and exploring factors relating to the adoption and integration of innovation that is supported by a learning based environment, with particular focus given to issues surrounding cross industry agreement strategic alliances as an example of an entrepreneurial initiative for mature stage organizations in this industry. The informants to this study
have all been actively involved in developing, integrating and managing these co-operative business arrangements with a number of organizations throughout their careers. The findings focus on issues that support and subvert the adoption and integration of these co-operative business arrangements.

1.2. Corporate lifecycles and mature organizations

Mature stage organizations must constantly realign their business strategies, structures, processes, and product and service offerings to address the expectations and opportunities within their markets.

Longer term success is based upon their ability to align strategy, structure, competencies, culture and resources to their external environment. In understanding the different types of changes, Tushman and O’Reilly (1996) highlight the subtle differences between incremental and discontinuous change. The former being the need to improve business performance to meet market “customers and shareholders” expectations and the latter arising through competitor activity, regulatory, technological, economic and political conditions.

The ability of an organization to adapt to both its present and anticipated environments while sourcing other opportunities is critical for its long term survival and renewal. In this environment, sustainable growth is important to value creation and the entrepreneurial process (Hanks et al 1993), (see 2.2).

This research project, therefore, is interested in how mature stage organizations adopt an entrepreneurial approach to re-align their business direction with their evolving markets.

1.3. Adoption of an entrepreneurial approach

The introduction of new products and services that support either existing or new markets are critical for the longer term survival of an organization. New products and services for mature organizations potentially suggest new
technologies, structures, processes, and competencies to support their introduction and management within either new or existing markets.

However, Dougherty and Hardy (1996) suggest that the ability for stable and mature organizations to introduce product and service innovations becomes increasingly difficult, because past practices, business structures and processes, and the culture that has evolved over time, all support the preservation of the way business is now being done.

1.3.1. Structural inhibitions

The ability of mature organizations to introduce significant change to improve business performance has been an issue for many a researcher. While the separation of innovative based initiatives from the principal organization has been addressed by Burns and Stalker (1961) and Kanter (1985), this separation has provided problems. Day et al (2001) argue the inability to access key resources potentially may inhibit entrepreneurial development. Further to this, cultural and structural issues may hinder the integration of new initiatives into the overall business in the future.

1.3.2. Cultural inhibitions

As part of its evolution, the aging and the past successes of an organization can create a cultural inertia that is embedded into an organization’s past learnings and shared expectations of how things get done within an organization. Tushman and O’Reilly (1996) argue that values, myths, stories, business and social networks preserve “the way we do things around here”. The greater the level of organizational success the more entrenched the past becomes in supporting the future.

The researchers' professional experience has shown that culture can support an organizations momentum, direction, and response to changes in the market to ensure their relevance. However, at the same time, an organization’s past successes may see organizations remain static in the
belief that past and current practices will support future performances and further successes.

1.3.3. The challenge of change

The challenge for mature stage organizations is to support the immediate needs of their existing markets by constantly realigning and modifying their strategy, competencies, structure, culture, and product and service offering. However, at some point in time an organization may even be confronted with a need to dismantle the very alignment it sought in the short term to achieve success in the long term.

Research suggests that for innovation and entrepreneurial initiatives to be adopted within mature stage organizations it is important that these initiatives be included in an overall business strategy, business structures and processes, and the organizational culture (Bower and Christensen 1995).

While this identifies the issues in introducing innovative new products and services, the internal struggle that organizations experience increasingly seems to be a financial consideration: investment and shareholder return. For an existing business this is relatively easy to identify, quantify, and control. For investments in discontinuous innovation that transform industries, quantifying the business benefits and risk is more difficult (Bower and Christensen 1995), and in the increasingly risk averse climate, such investments are less popular with shareholders as a whole.

In mature stage organizations, managers are more comfortable with their core business; it is established and proven. New ideas struggle against inertia from current practices and processes which subvert the need to introduce changes to support a new initiative or initiatives (Hannan and Freeman 1984, Johnson 1988). To overcome this, some entrepreneurial organizations have taken the path of segregating initiatives from the primary part of the business, to allow these initiatives to further develop and mature before launching them to the market. However, as Dougherty and Hardy
(1996) observe, these initiatives inevitably require support from the business in terms of resourcing, investment, expected returns, and alignment within the overall organization’s business strategy in going forward.

The challenge is to ensure inclusion in strategy and integration within an organization’s structure, processes, and technology to accommodate the introduction of new products or services. It is critical that new initiatives are assessed and monitored in the context of the existing business to ensure its feasibility in the medium to longer term.

Day et al (2001) refer to Nokia’s inclusion of a separate unit within their business to develop and implement new concepts. In essence, within Nokia all parts of the organization are involved in innovation identification, implementation, and management.

Research undertaken by Dougherty and Hardy (1996), explored the inability of large and mature organizations to introduce and manage the innovation process due to size, complexity, and overall structure. However the Nokia and 3M examples demonstrate that continual innovation can be achieved in large and mature organizations if the appropriate structures, cultures, and operating environment are created and supported (Von Hippel et al 1999, Day et al 2001).

1.4. Recasting their business direction

In recasting their business direction it is inferred that organizations need to change to either maintain their position in the market place or to enter new markets not previously their domain. In the case of the latter, this may involve developing and implementing new products and/or services to support their business direction, acquiring another organization that may have products and/or services that compliment their organizations overall offering to the market, or forming strategic alliances with other organizations to broaden their overall offering.
Strategic alliances are expected to generate additional revenues and benefits for partnering organizations either through their ability to promote products and/or services to the other organization’s client base or to secure new markets and clients or to develop new competencies.

The ability to realign a business is based upon an organization’s willingness to constantly seek feedback from its customers and local markets. This requires an external focus to assess whether scope exists for re-alignment to either better serve existing markets or to enter new markets. Organizations not only require an external focus, but also the capacity to align internally its technologies, business structure, processes, competencies, and culture to deliver towards either an improved market position or new market position.

As markets evolve, organizations need to continuously explore other opportunities that will improve their positioning and presence. There is a need to provide a business approach that enables organizations to learn, develop, and implement innovative based initiatives.

This research study identifies factors that are common to successful organizations, and from this derives an approach that supports the integration, adoption, and implementation of innovative based initiatives, such as cross industry segment strategic alliances, within an organization.

In presenting these factors, however, the original research question needs to be extended to understand the issues associated with learning within strategic alliances that are created across industries, (Dussauge and Garrette 1999). Research focus has also been given to the prioritization of learning and the mechanisms that support learning (Iyer 2002), and learning phases within these types of strategic alliances. To address these issues directly, it was decided to include the following research question within the scope of this project.

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement
strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

### 1.5. Research objectives

In commencing this research the primary question to be answered was:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

The researcher’s approach was to identify and contrast the relevant literature with the research material sourced during the data collection phase of this project in relation to strategy formulation, integration and implementation, and on-going management of an entrepreneurial approach within mature stage organizations. The research was undertaken, as previously indicated, (see 1.1.4), to extend the learning beyond the literature review to date to provide further insights. The objective is to integrate theory into practice and to extend the literature in this area.

The consequence of this was the development of an approach that experienced financial institutional managers concurred was valuable in describing the activity, learning, and cultural adjustment required to support organizations in integrating entrepreneurial initiatives into their business operation.

While the initial aim of the research was to develop an approach that identified the activities, learning and the necessary adjustments mature organizations make in the adoption of an entrepreneurial approach in the context of a strategic alliance setting, a critical question emerged through the literature review and preliminary analysis undertaken during the data collection process.

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement
strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

1.6. Thesis structure

This thesis has been divided into four stages.

Stage 1 - Introduction to the Research

This stage includes three chapters:

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<tr>
<td>1.</td>
<td>Introduces the reader to the subject of the thesis.</td>
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<tr>
<td>2.</td>
<td>Provides a critique of the past and present literature in relation to:</td>
</tr>
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<td></td>
<td>a) Organizational maturity and adoption of an entrepreneurial approach; and</td>
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<td>b) Partnering organizational learning that occurs within a strategic alliance construct.</td>
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<tr>
<td>3.</td>
<td>Describes the method used to answer the research question, identifies the respondent sample and discusses the approach taken in creating a hypothetical financial services organization seeking to support change through a cross industry agreement strategic alliance.</td>
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Stage 2 - Summary of Research Findings

This stage includes two chapters:

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<td>4.</td>
<td>Present research findings on how mature stage organizations can integrate an entrepreneurial approach that is based upon learning to recast their business direction.</td>
</tr>
<tr>
<td>5.</td>
<td>Present research findings in relation to how mature partnering organizations in a strategic alliance adopt an entrepreneurial approach and mutually learn to recast their business direction.</td>
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Stage 3 - Synthesizing Literature and Research Findings

This stage includes one chapter:

| 6. | Synthesizes the research findings with the past and present literature to: Identify common elements between the present and previously reported studies; and Establishes new understandings of cross industry segment strategic alliances: a) Presents an approach to support the learning and adoption of entrepreneurial activities for organizations who operate in a strategic alliance context; and b) Develops a model to support future management practice in this field. |

Stage 4 - Supporting Information

This stage includes two sections:

| Appendices | Relevant supporting documents to support the development and conclusions to this thesis. |
| References  | A listing of all literature cited in this thesis. |

1.6.1. Stage 1 – Introduction to the research

The first stage of this thesis contains three chapters that introduce the reader to the research topic, its aims and objectives, current research in the field, and research methodology developed to undertake this project.

Chapter One introduces the reader to the research topic covering the background and purpose of the research. This chapter discusses the motivation behind the research, the context in which it is occurring, the aims, objectives and significance of the thesis, and the structure of the thesis.
Chapter Two explores and critiques current literature in relation to organizational learning and integration within the financial services industry, being a mature stage industry. The literature review contextualizes and analyses in seven sections the development of research in this field.

The first section of the literature review introduces the reader to the topic, literature, and focus of the chapter. The second section focuses on organizational evolution highlighting the characteristics of mature stage organizations.

The third section of the literature review discusses the factors that support innovation and then maps this against the evolution of the financial services industry, discussing the influences, changes, and characteristics of this industry over the last ten to twenty years.

Leading on from this, the following section discusses the application of strategic alliances in the financial services sector, and why and how they are used to support organizations in this industry. The aim of this section of the literature review is to identify why strategic alliances are preferred over the option of building or buying businesses to evolve by some participants in this and other markets.

In the fifth section of the literature review the three stages of the strategic alliance process are discussed: strategy formulation; implementation; maintenance; and the change and learning that occur at each of these stages. The opportunity is taken in this section to examine relevant issues surrounding culture, leadership, business structure, competencies, processes, and learning as they impact upon the ability of the new entity, the strategically aligned organizations to respond entrepreneurially to external competitive demands.

The sixth section builds upon the work in the previous sections to explore the issues surrounding organizational learning within strategic alliance
relationships, and how this supports their on-going alignment and performance in their chosen markets.

Finally, in the seventh section, the work of the previous sections is drawn together to discuss how these organizations appear to achieve and maintain alignment with their markets, and how a willingness to learn and to develop knowledge within this construct supports a more entrepreneurial approach for mature organizations. It highlights the gaps that appear in the existing literature, thereby supporting the justification for this research project.

Chapter 3 discusses the selection and application of the research methodology used to address the research questions identified in Chapter 2. A qualitative case study approach utilizing in-depth interviewing and content analytical techniques was used due to the way knowledge on this topic is stored within these types of organizations. Consideration is given to the application of the research design, to ethical issues affecting the writing of this thesis, and the role of the researcher.

1.6.2. Stage 2 – Summary of research findings

This stage of the thesis summarizes the results of the interviews, collating the information and reporting the findings in relation to innovation, change, and learning that occur within the stages of a strategic alliance's formation and evolution within the financial services industry.

Chapter 4 presents a schematic content analysis of how mature stage organizations in this industry can integrate an entrepreneurial approach that is predicated upon learning to achieve a re-alignment with existing and new markets. It develops a change and learning model for organizations to manage innovation in a strategic alliance to achieve re-alignment with their preferred markets.

Exploration of the initial research question leads to a secondary set of issues related to integrating and overcoming the cultural and structural inertia in support of innovation and change (Tushman and O'Reilly 1996). Chapter 5
explores how partnering organizations within the construct of cross industry agreement strategic alliances can adopt an entrepreneurial approach and mutually learn together to recast the direction of their relationship.

1.6.3. Stage 3 – Synthesizing literature and research findings

Chapter 6 establishes and discusses the conclusions drawn from the research findings and analyses presented in Chapters 4 and 5. It integrates the current research findings with the existing literature to discuss the implications of the research for business application. In particular, it offers both an approach for improving the learning process within partnering organizations in context of a cross industry agreement strategic alliances and a model to implement strategic alliance relationship successfully. Finally this chapter provides a series of recommendations for further research arising from the methodology undertaken and the findings of this study.
2. LITERATURE REVIEW

2.1. Introduction

Chapter one contextualized this study, provided the reader with an overview of its origins and presented an outline of this thesis. This chapter provides a more detailed context for the research, critiquing existing opinion and research to frame the research questions that are the focus for the study. The literature sourced during this phase supports and directs the approach taken in the data gathering phase and contextualizes the analysis of overall findings from the study reported in chapters four and five. Concurrently, it provides the framework within which the findings, conclusions and implications that are drawn from them in the concluding chapter may be interpreted.

This research is aimed at increasing understanding of the issues confronting organizations, in particular in the financial services industry, as they adapt to an evolving market. It explores the ways in which organizations in this industry innovate to ensure that they maximize market opportunities, and how they seek to ensure the acceptance of new strategies and practices.

This thesis examines issues that financial services organizations encounter when they seek to enter into a strategic alliance with another financial services organization as a specific strategy to improve overall product and service offerings for their customers and the market as a whole.

Commentary and critique in this chapter is based upon previous research undertaken in the field to increase understanding of:

- phases that support the strategic alliance process;
- strategic re-alignment, with specific focus on the impact of culture,
- the effect of leadership,
- organizational capabilities,
- the ability of organizations to mobilize change to achieve strategic objectives; and

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
how organizations learn and develop their capabilities within the business construct of a strategic alliance to support their individual and combined performances.

In approaching this research project the researcher’s initial aim was to identify the issues associated with entrepreneurship for established organizations in the mature stage of their corporate lifecycles as these potentially impact upon innovation (see 2.2). Concurrently, it seeks to explore how organizations evolve in order to become self-sustaining.

The issues associated with mature stage organizations are then identified and integrated to provide an overview of the financial services industry in the Asia Pacific Region (see 2.3), which discusses the evolution of the financial services industry reflecting upon the reported experiences globally as a backdrop for discussion.

Accepting that organizations, in the financial services industry at least, appear to develop according to a generally identifiable lifecycle (Adizes 1988, Framholz 1990), it is argued that mergers and acquisitions generally begin to proliferate as industries mature. The underlying premise of this strategic objective is to achieve scale and size. Consolidation and convergence for organizations supports one or a combination of the following product and service extensions; geographic expansion; entry into new markets; and an opportunity to source new competencies.

As a part of this discussion, the researcher also takes the opportunity to identify the “external events” that influence financial services organizations in this stage of the corporate lifecycle to change such as globalization; deregulation; and rapid changes in technologies. In addressing these “external events”, the researcher explores how financial services organizations innovate and realign internally to improve market share, customer profitability, and shareholder value. As a part of this process, consideration is given to how organizations use mergers, acquisitions and
other forms of innovation to improve positioning as a result of these “external events”.

The innovation process that forms the specific focus of this thesis examines the use of strategic alliances between organizations. The apparent benefit of this business paradigm is that it enables two or more organizations to form a cooperative arrangement to achieve their agreed goals and objectives, without potentially derailing the overall performance of either business, as can potentially occur through a merger or acquisition. As is developed more fully in the following chapter (see Chapter 3), the aim of this thesis is to specifically explore the issues in relation to strategic alliance as an innovation form within the retail banking segment of the financial services industry.

This study is based within the Asia Pacific Region while applying overseas developments and regulatory frameworks to explain how other organizations have approached similar issues in integrating strategic alliances into their overall businesses to support and improve their market position. Again, Chapter 3 provides a more detailed discussion of the case study approach and the methodology applied to both data collection and analysis.

In describing why organizations in the financial services industry choose strategic alliances over mergers and acquisitions (see 2.4), consideration is given to the different strategic alliance options available. For many mature stage organizations in the financial services industry, taking an entrepreneurial path requires recasting the future direction of the business, creating, as Taylor (1999) argues, “new stories”. This results in changes to existing structures and practices, and forces a change to existing cultures.

This review then focuses on each of the phases: strategy formulation; implementation; maintenance; and the change and learning that can occur through each of these phases (see 2.5). The review identifies the factors that support the formation and evolution of a strategic alliance as partnering organizations seek to create and craft a new position in the market.
In anticipation of the findings of the study, this review synthesizes the industry and organizational experiences to discuss phases of learning and the potential issue for further research into understanding the learning that arises within strategic alliances within individual and collective organizations as they mature (see 2.6).

In summary, this provides an outline of the research to be undertaken in answering the research questions identified from the review itself and justification for further research in this field to support the aims of the thesis (see 2.8).

2.2. Evolution of Organizations

The understanding and interpretation of corporate lifecycles as they impact on innovation is discussed to demonstrate how organizations evolve in order to become self-sustaining.

The theory of the corporate life cycle as it describes organizational evolution, remains a contested field (Quinn and Cameron 1983, Miller and Friesen 1984a, Smith et al 1985). Nevertheless, its broad conceptualization is useful in describing how a mature stage organization responds to difficulties arising from its efforts to reposition within a rapidly evolving and increasingly competitive field.

2.2.1. Organizational life cycles

Researchers have endeavored to describe the responsiveness of organizations to change in terms of a ‘life cycle’ (eg Adizes 1988). They have suggested that organizations evolve in a relatively consistent manner. They have debated the proposition that organizations grow and mature as they pass through a number of stages life cycle stages where different issues need to be addressed (Quinn and Cameron 1983, Miller and Friesen 1984a, Smith et al 1985, Adizes 1988). They argue that these stages require different managerial competencies, business structures, processes, and priorities to support their function at each stage (Hanks et al 1993).
Galbraith (1982) and Miller and Friesen (1984a) have observed that there is a common set of factors that influence and eventually change organizational performance at various stages. Miller and Friesen (1984b) defined this collection of factors as a ‘configuration’ which, encompassed the organization’s strategies, structures, procedures, and processes – each of which supports and influences its internal environment to cater for their external environment.

Hanks et al (1993) adopted this interpretation and described a life cycle stage as a “unique configuration of variables related to the organization’s context and structure.” This view is supported by Galbraith (1982), who added that each reconfiguration involves the organization in a transition from one stage to the next. The constant challenge now confronting organizations appears to be that they find themselves in a continuum, where business structures and modus operandi need to be constantly reviewed and re-aligned to support the expectations of an evolving market.

Tushman and O’Reilly (1996), through case study analysis of the Apple corporation, provides support to the argument that as an organization matured and evolved, it requires a recalibration of leadership, strategy and structure to align to its external environment. Moreover, Tushman and O’Reilly (1996) stated that the challenge for organizations is to ensure an alignment of strategy, structure, and culture to achieve short term success.

In the longer term, however, sustained success for an organization is based upon its ability to constantly re-align with opportunities that emerge within their markets. To build upon this, Dougherty and Hardy (1996) suggest, organizations must reconfigure their systems of power to become capable of sustained innovation.

In summary, there is now broad agreement that the rapid changes in technologies, the convergence of industries, and the emergence of new markets, have aggregated to create a new environment where organizations must continuously learn to adapt. To survive and be successful,
organizations must now be able to adopt new strategies and structures to support their dynamic environment (Tushman and O’Reilly 1996).

The introduction of new products and services is important, even crucial, for an organization’s success, while product and service innovation are important ways in which they can adapt to changes in technology, market regulation, competition, and market demand (Dougherty and Hardy 1996).

However, in addressing the research question it becomes necessary to understand how organizations change in response to the evolution of their market environment, changes in technology, regulatory requirements, economic conditions, or competitive forces. The life-cycle model appears to presume that a group of internal factors may influence an organization’s ability to change and grow (Adizes 1988). The proposition that organizations evolve at some discernable rate implies that an organization has a life, and if so, while the rate at which it matures may depend upon all or some of the factors mentioned above, it may depend upon none of them. Instead, it may depend on transitory, idiosyncratic and apparently unpredictable factors such as shareholder perception, media sentiment or even factors which remain, as yet, imponderable and unidentifiable to the traditional researcher.

2.2.2. Number of stages in an organizational life cycle

Researchers have developed a number of different models to explain how organizations evolve over time through birth, growth, maturity, and decline. However, comparison supports a fairly general and consistent pattern of organizational evolution. The primary issue between the different theories disputes the rate of evolution, the detail in the pattern, and the specificity of the life cycle stages.

The major weakness with this earlier research is that it is more conceptual than empirical based. The intention of Hanks et al (1993), for example, was to build upon the initial steps taken by Smith et al (1985) to define and quantify the stages of the organizational life cycle. Earlier research
undertaken by Smith et al (1985) laid the ground for this approach, but was limited by sample size and the extent of the consideration.

Hanks et al’s (1993) research aimed to confirm a unique set of variables for each stage of the corporate life cycle, as previously theorized by other researchers by empirically testing the configuration of variables that make up each stage. Variables were clustered according to age, size, and rate of growth.

What the authors were aiming to achieve through their research was to confirm the clustering of these variables, and to confirm the validity of the stages in identifying common groups of configurations within the context of the organizational life cycle. As a result, it was expected that researchers and organizations could identify what the issues were for each stage and how an organization could potentially support its own direction, evolution, and growth.

Hanks et al (1993) provided a model for how the variables of an organization change at different stages to support them as they grow and mature, identifying critical transitions as an organization grows in size and complexity. A life cycle model, they argued, should be able to assist management in identifying when business structures should be changed, when business procedures and processes should be formalized, and when an organization should revise their business strategies and objectives. Whilst Hanks et al were able to identify six clusters through their taxonomic study they believed that more longitudinal research was required to measure the transition from one stage to another, and to confirm the consistency of these settings to different industries and environments.

This study accepts the general principle of the organizational life-cycle, defining organizational maturity in the context of the life cycle, identifying factors common to organizations within the mature stage, and establishing the impact these may have upon the introduction of innovation and change. This direction is discussed in more detail later (see 2.2.4).
2.2.3. Evolution of the life cycle

In an emerging industry, there is uncertainty. The market is developing. Products, technologies and business processes are evolving to support customer’s expectations. As a consequence, organizations need to continuously learn and adapt to their internal environment to their external environment (Tushman and O’Reilly 1996).

In the early stages of a market, organizations are competing with one another on a functional basis. Participants learn through experimentation, innovating to achieve a competitive advantage over other participants. Initially, margins are not an issue as the external environment is driving demand and supporting the market price (Tushman and O’Reilly 1996).

As an industry expands, demand from customers increases and opportunities for profit attract new participants to the market. During this period of expansion, increased competition is supporting standardization of functions between suppliers, participants, and customers, moving towards dominant design (Utterback 1994, Tushman and O'Reilly 1996). With this expansion the level of complexity of business function increases. With this on-going growth, increased size, volume, and subsequent competition force the formalization of functions within an organization. The focus within an organization shifts from external to internal seeking to improve business productivity and efficiency through process innovation, inclusion of additional product features (Tushman and O’Reilly 1996) to support differentiation and to ensure profits are maximized.

The more established and relatively successful these organizations are, the more difficult it becomes to explore new markets, introduce new products and services, and make changes to cater for changes in the market place. The organizational culture, business structure and processes inhibit the ability to make changes to their business and cultural and structural inertia sets in
(Tushman and O'Reilly 1996). These organizations are caught in a paradigm of their past success, without necessarily understanding how they reached this juncture in their continuum.

One way of achieving change is through a crisis. Hurst (1995) identified Hugh Russell Inc, a Canadian Steel Manufacturer that went through a near death experience before it was forced to change its culture, networks, processes, and *modus operandi* to survive. Similarly, Jack Welch was successful in promoting a crisis within GE which forced the organization to be externally focused and entrepreneurial within their markets. Internally it focused on benchmarks to achieve best practices within each of the GE businesses. For, Jack Welch the business objective, “*was to be number one or two in every business the company was in.*” (Aguilar et al 1991:12). More commonly, however, the presumption is that once an organization achieves maturity, it will necessarily decline into aristocracy, bureaucracy, and eventually death (Adizes 1988).

In addressing the future performance of an organization, it is important to acknowledge that organizations can change as they grow and mature, and that successful organizations introduce changes as it matures to ensure that performance is optimized. However, in doing so, it is important to understand how organizations evolve, and to acknowledge that what may be beneficial today to support its position in the market may be detrimental in the future (Wreme 2004).

This is most particularly relevant to the mature stage organization facing potential decline if it does not respond proactively to its own evolution.

**2.2.4. Mature organizations**

A mature stage organization is defined as one which has established its particular market or markets. To stabilize their internal and external environments, mature organizations have formal business structures, procedures, and processes. They have also pursued industry standardization
“to improve and streamline relationships with” suppliers and customers. In the mature stage the basis of competition shifts to process innovation, product enhancements, and margins (Tushman and O’Reilly 1996).

The organizational culture, business structure, processes and procedures are cast in a way which preserves the way business is being done. The ability to introduce new initiatives becomes more difficult and standardization, rather than growth, becomes a preoccupation. In the financial services industry Automatic Telling Machines (ATM’s) provide an example of the industry standardization that Tushman and O’Reilly relate to maturing organizations and markets.

The functionality of ATM’s has become standardized for consumers, a homogenous experience. A second example from the researcher’s professional experience comes from within the motor vehicle and finance industries in the early 1990’s. The Australian Finance Conference (AFC) and Electronic Data Interchange Council of Australia (EDICA) sought the standardization of the electronic transfer of information between motor vehicle manufacturers and distributors and financial services organizations to automate business processes and to streamline business efficiencies within the automotive wholesale finance sector of this industry.

In a context of change, Hage and Carroll (1988) suggests that organizations with long and stable histories are threatened by changes in competition and technology. Inertia of current business practices can overpower internal efforts to innovate and change (Hannan and Freeman 1984, Johnson 1988, Dougherty and Hardy 1996).

Adizes (1988) proposes a similar description of a mature stage organization. He sets out a ten stage corporate lifecycle model, mature organizations occupy the space following the “prime” stage. Adizes (1988) characterizes “prime” organizations as having functional systems, formalized business structure, customer focus, sales and profit growth, results orientation, creativity, and a vision for the business. However, once an organization
passes this point, it reflects on past performances, becomes unreceptive to change, and focuses increasingly on developing relationships for the organization rather than venturing towards risk. In “maturity”, it begins to accept lower its expectations for growth and new markets.

Based upon experiences with IBM, Lou Gerstner suggested transforming an organization required more than a change to structure and strategy. Instead, he observed, it was necessary to align an organization’s culture and people to support a new direction (Tushman and O’Reilly 1996). Hamel (2000) argued later that creating and supporting an environment for revolutionaries, entrepreneurs, within IBM led to their re-emergence in the technology sector. Realigning with markets and bringing innovation inside was about creating “corporate insurrection” within the organization to challenge its internal context in relation to its external environment.

Tushman and O'Reilly (1996) suggest that mature stage organizations need to retain or regain their flexibility to change their structures, processes, policies, and culture to support potential realignments with their markets, and to re-capture the flexibility, energy, and external focus that it had during their start-up and expansion phases within their organizational life cycle. However, in better understanding this, Christensen and Raynor (2003) argue that an organization may not have the capabilities, resources, processes and values, to accommodate an external environment that is experiencing periods of disruptive growth.

2.3. Financial services industry and organizations

The financial services industry and organizations are used as examples of mature stage industries and organizations to discuss and identify the issues that they encounter in trying to change.

Based upon the prior section (see 2.2) the researcher accepts the presumption that the financial services industry and the organizations that operate within it are at a mature stage. Therefore based upon the work of
corporate lifecycle researchers such as Adizes (1988), Hanks et al (1993), it is assumed that organizations that operate within this industry have formalized business structures, procedures, and processes to support both supplier and customer relationships and their overall performance. In doing so, it is assumed that these organizations, as identified earlier by Dougherty and Hardy (1996) and Tushman and O'Reilly (1996), may experience difficulties in responding to changes in their external environment.

Prior to examining the options financial services organizations have to innovate, this study seeks to identify the “external events” that act as a catalyst and that influence financial services organizations to innovate and change to better support their new environment.

2.3.1. Factors that influence financial services organizations to change

In 1995, Deloitte Touche Tohmatsu International, in their industry publication “The Future of Retail Banking – A Global Perspective”, argued that retail banking in the future would come under increasing pressure to restructure in order to improve economies of scale. Their example of the telecommunications industry highlighted the potential negative impact of globalization, changes in technology, and increased competition on costs and margins for participants in the financial services industry. As a consequence,

[t]he fully integrated monolithic bank of today (1995) will, like the airlines and telecommunications companies, fragment into, in this case, not two but three different categories of organizations ... product formulators, customer-focused gateways, and industry servicers. (Deloitte Touche Tohmatsu International 1995:30)

In relating this to the Asia Region in particular, Casserley and Gibb (1999) argued that financial services organizations will be forced to reassess their strategic approach once countries the regulatory environment changes within individual economies. Casserley and Gibb go on to suggest in this region that
one potential outcome is that organizations will be forced to diversify geographically and to revisit their existing business model in supporting their overall positioning, risk, and returns. As a result the authors, Casserley and Gibb, suggest,

> [t]he challenges will be easier to overcome for larger banks with capital and staff needed to run businesses across multiple countries. (1999:11)

As part of this evolution Bowers et al (2003) suggest that organizations operating within this industry and region will experience increased levels of competition through a reduction in business boundaries, increased access to foreign capital, and threats of mergers and acquisitions as global players seek to enter these new and emerging markets (Casserley and Gibb 1999).

In reflecting upon the impact of deregulation upon the Australian financial markets during the 1980’s, the Assistant Governor of the Reserve Bank of Australia (RBA) in the Reserve Bank of Australia Bulletin in March 2000 “Australian Financial Markets: Looking Back and Looking Ahead”, suggested that, in hindsight, deregulation resulted in four outcomes overall:

- strong growth in the size of financial markets and in their sophistication;
- an increase in the overall size of the financial sector relative to the economy;
- a tendency towards disintermediation – i.e. for borrower and lenders to bypass financial intermediaries and deal directly with each other; and
- increased efficiency in the financial system, with competitive pressure (eventually) reducing interest margins and putting downward pressure on costs. (Reserve Bank of Australia Bulletin 2000:16)

Therefore in relating this back to the insights provided by Deloitte Touche Tohmatsu International the Australian market had witnessed the emergence of product formulators such as mortgage securitizers and asset managers;
customer gateways such as mortgage originators and independent financial advisory organizations; and a strategic focus given by some organizations who sought to pursue an industry services strategy such as Westpac Banking Corporation (WBC), National Australia Bank (NAB), and Adelaide Bank as a means of utilizing their core competencies in segments of the market to improve their overall context.

In their assessment, RBA believed that deregulation had resulted in a significant increase in financial assets, more efficient use of financial assets, and an increased level of competition that had led to downward pressure on costs and margins. In the end the Assistant Governor of the RBA argued that “increased competition has led to cost reductions rather than falling profits” (Reserve Bank of Australia Bulletin 2000:20). In relating this back to the Asia Region, Casserley and Gibb (1999) suggest that, once regulatory barriers recede within individual economies in the region, local participants will be confronted with increased levels of competition and a need to revisit their current business approach in supporting their future environment and their survival.

As a function of this, Casserley and Gibb suggest that this will potentially lead to increased levels of consolidation, mergers and acquisitions, as organizations seek to strengthen their position and context against global competitors entering their markets. Regulatory and technological changes, they argue, are a significant catalyst in affecting market context and how organizations compete in their environment. Therefore changes of this nature generally support the introduction of new competitors and, in the end, exert downward pressure on operating costs and margins.

These “external events” force organizations to revisit and modify existing business models to support this new environment.
2.3.2. How financial services organizations innovate

Bowers et al (2003) suggest that financial services organizations operating in the retail segment of this industry have been able to achieve improvements in revenues and profits through the introduction of a range of innovative behaviours and products. According to MCG (2000), real innovation in the retail segment of this market over the past 20 years has occurred predominantly through:

- Product extensions such as the credit cards, and other lending and investment based products;
- The segmentation and servicing of the business; and
- The number of distribution channels supporting the retailing and servicing of products and services.

Segmentation and servicing can be viewed as essentially a mature organization’s response to demand. Distribution channel expansion and product extensions such as credit cards and other enhanced value propositions are only feasible as a result of both advances in technology and changes to the existing business model that support this industry.

2.3.2.1 Technology

Over the past 20 years, technology has transformed the financial institutions market improving customer service, broadening distribution channels to support customers, and expediting both external and internal decision making. The way in which the customer is supported has been broadened the value proposition, which leads the customer to expect, and even demand, improved access to products and services (Ross 2002) (see 2.3.2.2, 2.3.2.3, and 2.3.2.4).
2.3.2.2 Distribution Channels

Distribution channels such as ATM’s, Call Centres, and the Internet due part of the technological innovation. Financial services organizations have also introduced services based upon artificial intelligence developments to support credit decisions remotely and centrally for financial institutions. The introduction of EFTPOS, Smartcards, and a host of other technology based products and services has enabled financial services organizations to enter new markets and streamline business processes once a dominant design had emerged in each of these areas (Utterback 1994, Tushman and O’Reilly 1996), (see 2.3.2.3).

Consolidated distribution channels are integral to increased customer convenience as they provide customers with the ability to purchase multiple financial service products from a single source. (MCG 2000:6)

Today the ATM supports basic customer banking transactions, call centres support both customers’ banking transactional needs and their ability to purchase products and services over the phone. The Internet now provides similar functionality to customers who choose to do their business on-line. The creation of these additional distribution channels has increasingly enabled customers to migrate between channels according to their preference.

BAI study of US retail banking shows that a telephone banking service can, for the same customer, be approximately 40% of the cost of a similar customer operating through a retail branch. (Deloitte Touche Tohmatsu International 1995:16)

As to internet banking,

… the estimated cost of an internet banking transaction is 1 percent of the cost of a branch-bank, teller-assisted transaction. Whenever you take 99 percent of the cost structure of a product or service, it’s a safe bet that you’re going to blow apart the industry. (Hamel 2000:14)
On-line access has been extended to provide improved customer support from third party intermediaries at the same time enabling financial services organizations to reduce their overall business costs. The Assistant Governor of the RBA argued in March 2000 Australian Financial Markets: Looking Back and Looking Ahead, that deregulation had in actual fact supported disintermediation. It “enabled borrowers and lenders to bypass financial intermediaries and deal directly with each other.” (Reserve Bank of Australia Bulletin 2000:16)

In effect external catalysts, regulatory and technological, had forced internal change. As a consequence, some of the life-cycle factors militating against an entrepreneurial approach within mature stage organizations were overcome to address developments in customer industries.

2.3.2.3 Internal Business Processes

As a function of market maturation, demand for products and services become finite and the basis for competition shifts from new product and service development towards cost reduction, efficiencies, and incremental product, service and process innovation as a means of preserving and improving margins to achieve profit forecasts (Tushman and O'Reilly 1996).

In this context, the focus of the organization shifts from external to internal as it aims to maximize the benefits of new technologies (see 2.3.2.1) and to improve processes supporting the business either directly or through third party arrangements that support product and/or service distribution (see 2.3.2.2) in order to eliminate or reduce costs associated with these business functions.

In support of this, Utterback (1994) argued that once dominant design emerges in a product class the basis of competition shifts to process innovation, cost reduction, and adding features and services to a product or service (Tushman and O'Reilly 1996), (see 2.2.3). Cost savings occur
through a review of business structures and processes, as organizations aim to align its internal context with its external environment.

### 2.3.2.4 Supplier Relationships

With the initial explosion in technology to support this industry there are a myriad of different operating platforms and standards to support relationships between financial institutions, suppliers, and clients alike. As parts of this technology have matured, organizations supporting this industry have aimed to develop industry standards to improve operating efficiencies between suppliers and customers within the industry.

The move towards standardization, as previously discussed (see 2.2.3), is a function of industry maturation. In the market-place, it is demonstrated through increased demand for business protocols between suppliers, participants, and customers; through on-going growth, increased size, volume, competition, opportunities for profit, and the need to improve industry productivity and efficiencies. This translates into process innovation within organizations as they aim to support this new environment (Tushman and O'Reilly 1996).

As a consequence, in seeking an alternative strategy, financial services organizations may utilize their developed core competencies in a particular area to enter new markets either directly or through strategic partnerships as a means of supporting further growth (Hamel 2000, Bowers et al 2003).

While this may be achieved through either “building” or “buying”, merging with or acquiring other businesses, this research aims to explore how organizations seek a more rapid response to changed circumstances. Therefore this thesis is deliberately focused on the issues associated with alignment, through strategic alliances, as opposed to mergers and acquisition for financial services organizations. However, in understanding the issues associated with strategic alliances the researcher has first explored why
financial services organizations may prefer mergers and acquisitions as a business option to support their growth and expansion (see 2.3.3).

2.3.3. Mergers and acquisitions and the financial services industry

A merger results in two or more organizations agreeing to come together to operate as a single entity. An acquisition is where one organization secures a majority interest in another organization, and the acquired organization adopts the business charter of the acquiring organization. In both instances, the primary or combined organization aims to move beyond its current industry position by expanding its overall size and representation, product and service offering, economies of scale, and to acquire knowledge based assets (Ferris and Pecherot Petit 2002).

Similarly, MCG (2000) argues that organizations are motivated to consider consolidation, in either form, as a means of improving customer satisfaction, to diversify their offering and interests, improve business and cost efficiencies, broaden their customer base, and to improve their competitive advantage. In taking this further Bower (2001) in his research suggested that mergers and acquisitions arise for the following reasons:

- to deal with overcapacity through consolidation in mature industries;
- to roll-up competitors in geographically fragmented industries;
- to extend into new products or markets;
- as a substitute for R&D; and
- to exploit eroding industry boundaries by inventing an industry.

(2001:94)

In relating this to the financial services industry Casserley and Gibb (1999) suggest that mergers and acquisitions are a function of a participants' inability to address change required to support regulatory change and increased competition, and to make the necessary investment to support improved technologies and capabilities in their current market or market(s). In the context of cross border activities, Casserley and Gibb (1999) argue that
deregulation of local markets enables larger multinational organizations to enter where they have greater economies of scale, resources, and a more extensive product and service offering.

In contrast, Bowers et al (2003) argue that cross border mergers and acquisitions in the financial services industry, differ from domestic consolidation because participants are generally motivated by increased market presence, cost-reduction, synergies, and infrastructure.

This interest, direction, and activity is being fuelled by deregulation of markets, trade agreements that reduce business costs (see 2.3.1), and an underlying need for organizations to achieve a global presence (Ferris and Pecherot Petit 2002) to support their overall strategic rationale. Furthermore, Bowers et al (2003) suggest that cross border acquisitions or mergers are justified where:

- **Global foreign banks** entering a large, attractive, and deregulated market where skills can be transferred to add substantial value to the target banks;
- **Leading financial institutions** facing saturated domestic markets that are expanding into markets with a natural geographic affinity … ;
- **International mono-lines**, or single product competitors such as consumer finance players purchasing portfolios from which they can capture value by employing substantial expertise and skills, and leveraging centralized IT networks and processing centres;
- **Private equity players** who can buy distressed assets “cheaply” as nations, governments, and banks in Asia continue to restructure. (2003:319)

Bowers et al (2003) infer that these organizations are aiming to exploit one or a number of opportunities: attractive economies of a new market; growth options; increase market influence; diversify risk; pre-empt competitors; and leverage their existing capabilities or core competencies in a new market.
Contrary to this, Doz and Hamel (1998) argue that, as organizations increase their focus around core competencies, mergers and acquisitions become a less appropriate strategy, and that aligning with another organization emerges as a preferred choice. In this context, an expansion of current understanding of how organizations can maximize the value of collaboration in this industry becomes particularly pertinent.

As a consequence, this study focuses on the strategic implications and relative benefits of an alliance rather than an acquisition or merger. Particularly, it focuses on the formation, evolution, change and learning derived from a strategic alliance. These are discussed in more detail in the following sections (see 2.4, 2.5, and 2.6).

2.4. Strategic alliances

This section describes why mature organization may choose a strategic alliance as an option, and canvasses potential options that organizations may consider in supporting their repositioning in a given market.

Strategic alliances enable two organizations to jointly pursue a common objective through a cooperative business structure without losing their independence or compromising their own specific interests for as long as it is economically viable (Child and Faulkner 1998, Parise and Sasson 2002, Iyer 2002). Mockler (2000) extends this thinking to suggest that strategic alliances offer a means for partners to achieve their common interests, and are identifiable when:

- Two or more entities unite to pursue a set of important, agreed upon goals while in some way remaining independent subsequent to the formation of an alliance;
- The partners share both the benefits of the alliance and control over the performance of the assigned tasks during the life of the alliance … ;
The partners contribute on a continuing basis in one or more key strategic areas, for example, technology or products. (2000:2)

One of the original purposes of a strategic alliance was to accommodate the entry of multinational firms into overseas markets where the regulatory environment of a target country required this business structure to support trade and commerce (Dussauge and Garrette 1999).

In addition to this, Varadarajan and Cunningham (1995) argued that a strategic alliance provided an opportunity for organizations to improve business efficiencies, reduce business risk, acquire new resources and skills, and leverage their core competencies to access new opportunities in new markets (Doz and Hamel 1998). As a consequence of this increased flexibility, Dussauge and Garrette (1999) suggest that the alliance structure has inherently provided more flexibility for organizations than mergers and acquisitions in addressing changes within their external environment. Drucker (1993) and Buchel \textit{et al} (1998), similarly, suggest that strategic alliances facilitate knowledge transfer between organizations Mockler (2000).

For retail financial institutions, strategic alliances are viewed as a more fiscally responsible way of expanding a business while, at the same time, achieving shared business objectives for partnering organizations. Strategic alliances with related providers like insurers, asset management firms, and on-line brokers enable these organizations to expand their product and service offering to their respective customers:

Alliance strategies such as these have clear short-term benefits – immediately expanded product capability and company branding benefits. In the long run, however, they may complicate or limit a bank’s ability to create proprietary bundled products or to effectively control the customer relationship. (BCG/BAI 1999:50)

As an emerging \textit{partnership-of-choice}, strategic alliance promises growth with very little apparent downside for the risk-averse, mature stage organization (see 2.2.4). The issues associated with strategic alliances as a
form of innovation as identified by Adizes (1988) and Hanks et al (1993) such as leadership, culture, business structures and processes, competencies, and the ability to introduce and manage innovation within these mature stage organizations are addressed later in this chapter (see 2.5).

2.4.1. Strategic alliances as a business option

In today’s emerging business environment, strategic alliances are seen as one of the major factors supporting knowledge transfer for new products and services, which support expansion for partnering organizations (Badaracco 1991, Roos et al 1997, Davenport and Prusak 1998).

In extension of this, Dussauge and Garrette (1999) suggest that the globalization of markets is increasingly driving a convergence of customer needs and preferences, thereby supporting this business structure as a means of improving an organization’s market positioning.

Collins and Doorley (1991) add that the cost and complexity of new technologies and the escalation of spending on research and development also support the need to source competencies in a more cost effective manner. More recently, Welborn and Kasten (2003) suggest that these collaborative business forms are “innovation engines” that not only minimize costs and risks, but also minimize the time elapsed to get new products and services to market.

As technology has become a major source of competitive advantage the scale of this investment in technology has encouraged organizations to work in partnership as industries have begun to converge in order to achieve their overall business objectives (Doz and Hamel 1998). In high-tech industries, organizations are forced to partner so they can pool capabilities and competencies and support research and development activities in order to explore new opportunities and markets mutually (Dussauge et al 1992). As a consequence, it is argued that a strategic alliance is a more appropriate solution for evolving and turbulent industries (Ernst and Halevy 2000).
In the financial services industry, a number of high profile joint ventures and other strategic alliance forms provide examples in the following areas:

- Organizations operating in mature markets leveraging their core competencies to support organizations entry into emerging markets to expand and improve their overall value proposition and revenue performances;
- Credit cards with telecommunication providers, airlines, and major retail stores combined with loyalty programs to support repeat usage and customer retention;
- Insurers, asset managers, and on-line broking houses to support their customers risk and wealth management needs;
- Software providers to support their systems development and support functions;
- Third party intermediaries to support the distribution of their products and services to their existing and new markets; and
- Grocery chains to support their customers’ day-to-day banking needs.

In understanding the popularity of strategic alliances, it is necessary to accept that this business structure provides an organization with the capacity to build new businesses and to access new markets relatively quickly (Mockler 2000). As a consequence, Ernst and Halevy (2000) argue that, through a strategic alliance, organizations can source competencies, products, customers, and technology without having to either build or buy them from the market. An organization can “leverage” its own competencies and secure the competencies of others with less capital commitment and risk.

In highly uncertain times, then, where innovation must take place rapidly and continually, the capability to create collaborative relationships quickly and efficiently is not merely desirable but critical. (Welborn and Kasten 2003:40)

Not only are strategic alliances appropriate for turbulent and evolving industries such as media, software, and electronics, they appear to be similarly appropriate for organizations whose aim is to introduce new
products and services to their customers, access new distribution channels, and enter new regions (Ernst and Halevy 2000). However, in further understanding the role of strategic alliances, it is important to recognize that inter-organizational cooperation is not a homogenous experience (Lorange and Roos 1992). Therefore, there is a need to understand the different configurations that may support organizations’ positions in their chosen markets. This need for improved understanding forms one essential motivation for this present study.

2.4.2. Types of strategic alliances

Strategic alliance as a business structure facilitates the expansion of an organization’s business. The type of alliance chosen is a function of the market and the need of the organization. Dussauge and Garrette (1999) hypothesized that strategic alliances can be grouped according to their intention.

- Partnerships between competing firms can be divided into three categories of alliance: shared-supply, quasi concentration, and complementary.
- Likewise partnerships between non-competing firms: international expansion joint ventures, vertical partnerships, and cross-industry agreements. (1999:47-48)

2.4.2.1 Partnership between competing firms

Strategic alliances of this nature are formed between firms that are competing in the same markets. Doz and Hamel (1998) refer to this type of alliance as being “co-option”, where organizations enter into arrangements with either competitors or complementors. Dussauge and Garrette (1999) takes this further to suggest, in terms of competitors that they are either a “shared supply” arrangement, where organizations join forces to achieve economies of scale or “quasi concentration” where organizations collaborate to develop, produce, and market joint products or services.
In contrast, “complementary” arrangements allow partners to contribute different skills and assets to the development of new products and services. In both instances partners are focused on improving economies of scale. Doz and Hamel (1998) suggest that this approach is more about combining skills and assets, sourcing other partners to support their overall strategy and potentially preventing them from entering into other coalitions. In the end, the strategic purpose of the alliance is to build a market leadership position for both partners.

2.4.2.2 Partnership between non-competing firms

Partnerships between non-competing firms are generally formed with organizations from other industries. These types of growth strategies are based upon one of: international expansion where organizations are entering new geographies; vertical integration where an organization’s activities are going upstream or downstream; or diversification into new industries outside their industry of origin (Dussauge and Garrette 1999).

In support of this, Doz and Hamel (1998) argue that these alliances, “co-specialization”, create value by enabling partners to enter new markets and to create new products and services.

2.4.2.3 Cross Industry Agreement Strategic Alliances

Based upon Dussauge and Garrette (1999) categorization of strategic alliances the financial services industry can be seen to be segmented into sectors where functions, products, and services provided by banks, insurers, and asset management firms and online brokers are interpreted as separate industries and offerings for the purposes of this study (see 3.4.6). The basis of Dussauge and Garrette’s (1999) interpretation and categorization of this alliance offers a foundation for increasing understanding of the factors that support and subvert the adoption, change, and learning that occurs between partnering organizations operating in this market. As a consequence, cross industry agreement strategic alliances are defined as being:
... links between companies operating in different businesses; the partner firms are therefore neither competitors nor linked in a customer/supplier relationship. (Dussauge and Garrette 1999:109-110)

The aim of organizations operating within an aligned context in this industry is to bundle multiple types of products and services from different providers such as banking, investments, insurance, and brokerage (MCG 2000). Casserley and Gibb (1999) suggest that cross-border and cross-sector alliances in Asia will increase over the next 5 to 10 years due to the expected deregulation within countries and financial markets. The primary motivation supporting this business structure is a need for local financial services organizations to acquire the necessary capabilities to support a new business environment (Bowers et al 2003). This suggests creating potential partnerships between non-competing organizations (see 2.4.2.2). Doz and Hamel (1998) argue that the direction is based upon creating value to support an improved competitive position.

Historical experience in deregulated and mature markets has shown that financial services organizations struggle with customer retention once income levels rise, as customers seek specialist non-bank professionals (BAI/BCG 1999). As a result, the one-stop shopping model has become the dominant strategy, forcing organizations in this industry to consider a paradigm that better supports customer retention, market share, and overall financial performance (MCG 2000).

Dussauge and Garrette (1999) suggest that the one-stop shopping model of alliance combines competencies and capabilities from different industries to create new business opportunities. The success of the bancassurance model in Europe offers support for this view, with BAI/BCG (1999) suggesting that it has delivered results, although Dussauge and Garrette (1999) argue that banks use this relationship to develop competencies in highly profitable and low risk areas, such as life insurance. Insurers, they argue, are left to support the less profitable products. This suggests that banks, at least, are actually
learning and internalizing the competencies (Doz and Hamel, 1998) required to support the life insurance market in the future.

2.4.3. **Issues for strategic alliances as a business context**

Ernst and Halevy (2000) argue that markets increasingly prefer alliances over mergers and acquisitions. The more significant the alliance, the more likely an organization is to invest significant resources into working through the strategy, formulating the appropriate framework and business structures, and communicating the alliance to the market. As a consequence, it appears, large strategic alliances are far better received by the market than mergers and acquisitions (Ernst and Halevy 2000).

Just over half (52%) of large alliances caused the share price of the parent to rise or fall by more than one standard deviation of its normal movement, and of these, 70% of the price reactions were increases – a “win rate” that is substantially higher than the percentage for acquirers in M&A transactions. (Ernst and Halevy 2000:48)

The market response to acquisitions and mergers is increasingly acknowledging inherent problems since it can almost invariably be shown with hindsight that acquirers have paid too much for the acquired organization (Dussauge and Garette 1999). In the current climate, the market is increasingly cautious of both acquisitions and mergers where the new organization takes too long to realize on the expected synergies (Ashkensas et al 1998). Leadership, cultural, structural, and process issues from mergers and acquisitions affect the ability to create long-term shareholder value. In 1999 Andersen Consulting considered that:

… alliances will represent $US25-40 trillion within five years. As Andersen (Consulting) see it, the question is no longer whether to form an alliance, but who will be the most appropriate partner. (Ferguson 1999:53)
The complexity of the strategic alliance and an organization's previous experience in managing this business structure are primary factors in influencing market value (Ferguson 1999). In support of this, Welborn and Kasten (2003) suggest that the benefit of this business context is enhanced where organizations shared experiences, set similar performance measurements, identified cultures or an understanding of what was different, and championed the ability to support and share technologies, business processes, and communication channels.

As identified earlier (see 2.4.1) organizations use alliances to support their overseas expansion, increase their customer base, and to maximize value from each customer. Therefore it can be argued that the alliance as a business form already achieves many of the major objectives of the merger or acquisition previously identified by Bower (2001), for an organization (see 2.3.3). The challenge faced in mergers and acquisitions is the ability to manage more than one event at a time. As with the GE Capital example, Ashkensas et al (1998), where organizations have developed acquisition and integration competencies, there is now a case for organizations to develop collaborative skills as core competencies (Welborn and Kasten 2003). Doz and Hamel (1998) argue that this is a strategic imperative today as organizations leverage off their core competencies to support their growth.

The more sensitive aspects of mergers, acquisitions, and alliances each focus on the most vulnerable element in the make-up of the mature stage organization, its inability to readily accept and adjust to change. This thesis seeks to extend understanding of why some strategic alliances, whether equity-based joint ventures, minority or zero equity investment alliances, are successful and others are not. In this pursuit, it seeks to identify what makes for a successful strategic alliance, not only in the immediate term but in the medium to longer term.
2.5. Strategic alliance process

This section provides a description of the activities that support partnering organizations in the assessment, formation, and management of a strategic alliance. Critical to this process is understanding that learning takes place between the partnering organizations as they engage in this type of arrangement.

To this point, organizational maturity has been described in the context of the different stages generally accepted and defined in life cycle research (see 2.2).

An exploration of how innovation supports organizations in the financial services industry has been completed (see 2.3.2) and an exploration of why these mature stage organizations explore strategic alliances as a business option as opposed to either building or buying, mergers and acquisitions, has been presented (see 2.4). Attention was given to the different types of strategic alliances, in particular those that support the financial services industry (see 2.4.2.3). This section examines the formation and evolution of a strategic alliance, and the differing issues that arise in each of the phases. Furthermore, it identifies potential issues that may affect change and learning in the context of the emerging alliance.

Adopting the approach of the life cycle proponents, previous researchers have suggested that strategic alliance formation and development passes through several phases. In referring to joint ventures within a strategically aligned context, Dwyer et al (1987) suggested that an alliance actually evolves over a number of identified phases: awareness; exploration; expansion; commitment; and dissolution. Kanter (1994) used the metaphor of a relationship to describe how strategic alliances form and evolve through: friendship; engagement; housekeeping; learning to cooperate; and internal change. More recently Segil (2004) has argued that alliances have their own life cycle so they may have similar evolutionary issues.
The metaphorical inferences and evolutionary phases coined by Dwyer et al. (1987), Kanter (1994), and Segil (2004) suggest an overall need for partnering organizations to adapt, learn, and change within a dynamic context to support an identified market opportunity to achieve mutually shared objectives. This infers that the relationships of partnering organizations migrate from formal to informal to support their new context (Ring and Van de Ven 1994). In support of this, Zajac and Olsen (1993) argue that partnering organizations constantly analyse and assess their context to ensure continued alignment and achievement of their strategic intent. Segil (2004) suggests, in a life cycle context, that improvement of the relationship between the partners is achieved through constant assessment, analysis, and re-alignment with their targeted markets.

In extension, Buchel et al. (1998) have argued that the analysing and assessing occurs at two levels. Initially, adaptations are required to fine tune the joint venture, strategic alliance, between the evaluation and adjustment phases. Later, significant change that affects partnership context is identified at the evaluation phase leading to a potential reconfiguration of the relationship, formation, (see Figure 2-1). Referring to the feedback loops of Argyris and Schon (1978), Buchel et al. (1998) have suggested that adaptation is a first-order learning process where changes are introduced that do not affect the original intention and objectives of the partnership.

However, a re-evaluation of the original strategic intent and objectives of the partnership that requires a reconfiguration is a second-order learning process. Partnering organizations required to reassess the direction, intention, and structure of the partnership go through another cycle of formation, adjustment, and evaluation – i.e. engage in “double loop” learning (Argyris and Schon 1978).
It is generally accepted, collectively, that this business context requires leadership and commitment from senior and middle management, an alignment of vision and strategic intent, competence in their core areas of cooperation, cultural sensitivities, and partnering organizations that can collaborate and co-operate, to identify and achieve both the short and long term potential of the strategic alliance. In essence, this study is seeking an increased understanding of how partnering organizations manage alignment through: strategy formulation and implementation of an alliance, maintenance of the alliance, change management, and learning to support the original strategic intent of the relationship.

2.5.1. Strategy formulation

This section provides a discussion of the issues and decisions made by partnering organizations during the strategy formulation phase of a new strategically aligned partnership.
As described earlier (see 2.3.1), organizations are often confronted with changes in their external environment which affects their position within the market:

… the alliance must fulfil four basic criteria: add value; enable learning; protect and enhance core competencies and competitive advantages; and enable the operational flexibility needed for alliance success. (Mockler 2000:101)

Dussauge and Garrette (1999) suggest that strategic alliance provides a means to enter new markets or to strengthen partnering organizations’ position in existing markets, and if necessary to withdraw from their current business. In referring to this stage of a joint venture Lorange and Roos (1991) argued that organizations consider the following: strategic match, management blessing, internal support, and coordination of roles … (Buchel et al 1998:35). At this formation stage, Buchel (1997) argued that the process of joint venture has two phases: informal and formal. Informally there is a single firm perspective. Formally, there is a two-firm perspective as organizations strive to achieve a formal agreement, (see Figure 2-2).

In relation to joint ventures, Lorange and Roos (1990) argue that the partnering organizations need to consider the following issues at the “strategy formulation” stage: external (see 2.5.1.1) and internal (see 2.5.1.2) environments; strategic intent (see 2.5.1.3); partner selection (see 2.5.1.4); and the potential framework for operation (see 2.5.1.5).

2.5.1.1 External Environment

In the anticipatory stages of an alliance, organizations perform a review of their external environment to identify opportunities that will improve their overall competitive position (Mockler 2000). As identified earlier (see 2.4.1 and 2.5.1), globalization, regulatory changes, new technologies, competitive pressures, and the knowledge necessary to improve an organization’s overall offering supports strategic alliance as a business form (Badaracco 1991, Roos et al 1997, Davenport and Prusak 1998, Dussauge and Garrette 1999).

Doz and Hamel (1998), Dussauge and Garrette (1999), Ferguson (1999) and Mockler (2000) have identified three primary motivations for considering strategic alliances as a business option:

- To expand their current value proposition to the market;
- To reduce or eliminate competitive pressures in their current business paradigm; and
- To enable overseas expansion and entry into new markets.

Mockler (2000) suggests that an organization seeks to understand its “enterprise-wide” strategic context and needs, assessing whether a proposed alliance will support its overall business objectives. Consideration is given to those potential activities that should be performed by either a partner or partnering organizations, and how the primary organization can maximize its core competencies (Doz and Hamel 1998). At this stage, Harrigan (1986) has argued, the organization’s primary motivation is based upon three critical components: strategic; competitive; and internal.
From a strategic perspective Harrigan’s argument involves identification, creation and exploitation of synergies, technology and skill transfer, and diversification. Competitively, it will be either a reactive response to changes in their external environment or a proactive response to improving an organization’s positioning within their existing markets.

In synthesizing this thinking, Mockler (2000) suggests that organizations use a contingency approach in assessing their external environment and potential market entry strategies for both domestic and overseas markets in the preliminary stages of alliance planning. The partnering organization needs to understand market structure and position, competition, economic and political conditions, regulatory requirements, and production factors.

2.5.1.2 Internal Environment

Buchel et al (1998) suggest that primary activities within the internal environment centres around negotiating and lobbying stakeholders for support in pursuing the alliance. As part of this internal assessment, attention is given to understanding product adaptability and differentiation, and potential resources (Mockler 2000). In addition, Harrigan (1986) has proposed that consideration be given to the impact of an alliance and how it can be supported by:

- Spreading costs and risks;
- Safeguarding resources which cannot be obtained via the market;
- Improving access to financial resources
- Benefits of economies of scale and advantage of size;
- Access to new technologies and customers;
- Access to innovative managerial practices; and
- Encouraging entrepreneurial employees. (Harrigan 1986:16)

Mockler (2000) argues that the focus shifts to understanding the value chain activities and how this relates to an organization’s core competencies in supporting an alliance. Buchel et al (1998) suggest that as the formation
stage matures, focus shifts to a “two firm perspective”, and attention must now be given to developing internal support and establishing personal relationships between partnering organizations to support their future relationship.

2.5.1.3 Strategic Approach

A strategic alliance within an organization’s strategic framework is influenced by a number of factors: application of existing resources; speed and access to markets; regulatory requirements; and access to improved technologies and business processes (Harrigan 1986, Mockler 2000), (see 2.5.1.1 and 2.5.1.2).

Therefore the ability to anticipate the long-term impact of a strategic alliance, likelihood of success, and the potential impact upon an organization’s competitive context is critical for senior executives (Dussauge and Garrette 1999). Mockler (2000) is of the view that strategic alliances need to fulfil four basic objectives:

- The alliance must add value, that is it must be worth more to the company to enter an alliance than to undertake the venture on its own;
- The company must learn something from the alliance;
- The company must protect competencies even while interacting with the alliance over a continuing period of time; and
- The firm must retain flexibility, and not be overly reliant on any one partner. (2000:136)

At this stage, Buchel (1997) suggests that there are both informal and formal phases. The informal phase confirms the strategic intent within a single organization, and the formal phase establishes joint intent to proceed amongst partnering organizations. In the case of the latter, Bowers et al (2003) argues that this ensures alignment between the aspirations of both organizations and a shared market perspective and understanding as to the economic impact of their relationship.
In the planning stage, partnering organizations are validating the contribution required from both organizations in achieving the overall objective of the strategic alliance (Buchel et al. 1998). This involves understanding each partner’s contribution, shared responsibilities, governance principles supporting their partnership, potential transfer of competencies, and time to market. This congruence of understanding between partners enables consensus and confirmation of joint intent (Bowers et al. 2003).

Segil (2004) suggests that partners are progressing through a process of conceptualization, strategic alignment and development, to validation of strategic fit. This confirmation of strategic intent, Hamel and Pralahad (1989) have argued, is representative of an organization’s objectives to achieve an identified position or objective within the market place. Buchel et al. (1998) further suggest that partnering organizations will only arrive at the strategic intent of a joint venture, or strategic alliance, when the objectives of the partnership are aligned with the individual objectives of both organizations to create mutual benefit (Welborn and Kasten 2003).

2.5.1.4 Partner Selection and Negotiation

As has been established, in negotiating and selecting either a partner or partners, consideration is given to strategic fit (see 2.5.1.3), core competencies (see 2.5.1.2 and 2.5.1.3), business and competitive gaps of the partnering organizations (see 2.5.1.1 and 2.5.1.2), and other potential needs and opportunities (Mockler 2000). The aim is to ensure that partnering organizations are leveraging off complementary capabilities and that each is focused on its core competencies (Yoshino and Rangan 1995) (see 2.5.1.2). Welborn and Kasten (2003) have observed that previous collaborative experiences are actually core competencies that better enable organizational connectivity in this context. Bowers et al. (2003) argue that partners in negotiating a strategic alliance should follow four steps:

- Confirm the alliance’s strategic rationale;
Jointly frame the key terms critical to the business case for the partnership;

Resolve potential deal-breaking issues; and

Carry out rigorous negotiation in stages. (2003:363)

Fit and compatibility can affect the strategic alliance because personalities, values, skills, interpersonal interaction style, commitment and cultural characteristics can each influence the decision making process. These factors, it is argued, are critical to building trust and personal chemistry, a major consideration that supports coordination, communication, and conflict resolution between the partners (Mohr and Spekman 1994, Berquist et al 1995). This is further enabled through a shared and common vision (Mockler 2000), along with either similarities in or an appreciation of differences in organizational culture (Welborn and Kasten 2003) between the partnering organizations.

With this recognition, negotiation becomes an emerging activity. The market is not static but evolving and, potential partnering organizations recognize the importance of changing and working towards developing an arrangement with a long term focus (Bowers et al 2003). Stakeholders involved at this stage need strong negotiation skills, detailed knowledge of their organization, and a conceptual understanding of the potential of the strategic alliance (Bowers et al 2003). This process is not only critical in developing external relationships, but also to support internal relationships to enable future realignments (Segil 2004).

This preliminary forum provides partners with an opportunity to get know each other, understand differences and develop their conflict resolution skills, while at the same resolving critical issues that may affect the performance of the relationship in the future (Mockler 2000). The ability to negotiate becomes a critical competency for partnering organizations in managing differences that may arise throughout their relationship (Dussauge and Garrette 1999, Mockler 2000).
2.5.1.5 Establish Framework for Operation

Establishing how the strategic alliance will operate in the future, Mockler (2000) suggests, is a process of “developing and constructing different scenarios” as to how the strategic alliance will operate between the partnering organizations. He argues that the process itself can be used to garner commitment amongst the internal stakeholders. Lack of attention to detail or structure within a strategic alliance, however, has been identified as a primary reason for failure (Pekar and Harbison 1998).

Discussing Toshiba, as a successful case example, Mockler (2000) observes that partnering organizations carefully defined the roles and rights of each partner prior to entering into each arrangement, “equivalent of a prenuptial agreement”. Dussauge and Garrette (1999), however, argue that partnering organizations may, rather, be seeking a degree of reversibility in terms of strategic choice and direction while Mockler’s (2000) view is that partnering organizations may even prepare contingency plans to support the formation of additional strategic alliances to further improve their positioning within their markets. Doz and Hamel (1998) suggest that partnering organizations through this process are learning about their current and future environments and how they will potentially support their relationship. This process enables joint “sense making” and creates order, removes ambiguity and uncertainty, and supports shared meaning for the stakeholders involved (Weick 1995).

Nevertheless, building additional complexity into a strategic alliance can actually become a contributing factor to its failure (Melcher 1997). Ernst and Halevy (2000) observe that markets consider not only the ability to build business and reduce risks, but also the simplicity of the strategic alliance in terms of its structure. Mockler (2000) insists that structure, potential framework, requires some flexibility and “entrepreneurial ingenuity” by the partnering organizations to work through the difficulties as changes emerge within the alliance, their internal and/or external environments.
Furthermore, he suggests that achieving operational fit is an “unending” search for structure that ideally supports the objective of the strategic alliance while serving the partnering organizations’ strategic and control needs. However, as Pekar and Harbison (1998) have identified, looseness in the alliance structure can lead to failure.

2.5.1.6 Planning for success

In summary, through formal and informal planning stages, effective strategic alliance development confirms partner selection, affirms relationship potential and establishes commitment amongst the internal stakeholders. Without this level of initial planning, alliance success appears to be unlikely.

2.5.2. Implementation

In this section the factors that support and influence the partnering organizations and affect the performance of a strategic alliance at the “implementation” stage are discussed.

The ability to plan for the future is uncertain, therefore it is difficult to identify all potential contingencies (Park and Ungson 1997). As a culmination to planning a strategic alliance, organizations must give consideration to a number of issues in the implementation stage that support the partnering organizations such as: communication; cultural management; collaboration; and commitment (see 2.5.4). Buchel et al (1998) suggest that an adjustment phase aims to meet the overall objectives set by partnering organizations for the alliance, with a focus on “exchange”. This is achieved primarily through a transition team who are responsible for implementing and integrating the business context required to support the partnership, its strategic objective, and their external environment (Segil 2004).

The ability to manage cultural differences, a changing environment, and the nurturing of good people through this change process becomes the focus of this implementation stage (Mockler 2000). To facilitate this process, Segil (2004) argues that it becomes important to involve and socialize those that
will be affected by the change in the strategy formulation stage to support “transferring the alliance into the culture of the organization” (Segil 2004:66).

In support of this and recognizing the volatility of markets, Mockler (2000) has observed that: the ability to manage crisis; flexibility and contingency thinking; and entrepreneurial adaptability are important traits in supporting the partnering organizations’ performance during the implementation stage and beyond as the partners strive to implement a value proposition that is relevant to the market. For Mockler, this means ensuring that the partners are constantly reviewing and aligning their offering to support the direction of the market.

2.5.3. Maintenance

In this section the factors that support and influence the partnering organizations and affect the performance of a strategic alliance at the “maintenance” stage are discussed.

During its maintenance period, operational aspects of the strategic alliance between the partnering organizations are refined. Buchel et al (1998) refer to this stage as evaluation, during which the following questions are addressed:

- Have the objectives which the partners set for the joint venture been met?
- Have the partners achieved their objectives by means of the joint venture?
- How is the joint venture changing? (1998:41)

At this stage, the effectiveness of partnering organizations improves because they become more experienced and steps are taken to institutionalize business processes and practices and to develop staff (Harbison and Pekar 1997a,b, Kelly 1997, Mockler 2000). The more disciplined and conscientious an organization is about supporting and developing its competencies within the alliance, the greater the likelihood of success (Pekar and Harbison 1998). As a consequence, during the maintenance stage, partnering organizations
give consideration to the following issues to support each other’s performance within a strategically aligned context: collaboration; cultural management; commitment; and performance measurement.

In the end each of these issues can influence how partnering organizations operating within a strategic alliance transition between these individual stages: strategy formulation; implementation; and maintenance, and support partnering organizations as they transition from one stage to the next.

How these issues support the ability of partnering organizations to transition from one stage to the next and to continually re-align with their external environment is explored in the following section (see 2.5.4).

2.5.4. Stage transitioning

The components that support partnering organizations within a strategically aligned context transition through each of the stages: strategy formulation; implementation; maintenance; and support future re-alignments to accommodate changes in their environments are examined within this section.

2.5.4.1 Communication

The creation of appropriate communication forums between partnering organizations operating across the life of the established alliance is critical in supporting the resolution of issues and performance (Mockler 2000). Segil (2004) argued that these forums require a level of sophistication to ensure that relevant information reaches the appropriate stakeholders to support review and action. In referring to the British Airways/US Air alliance, Mockler (2000) argued that steering committees create bridges between the partnering organizations that translate vision into action, and that working groups identify synergies and programs that will fulfil the objectives of the alliance. Internally, Doz and Hamel (1998) suggest that communication is effective within an alliance where it:

- distributes leadership and decision making;
- weakens the effect of functional “silos”;
- speeds the resolution of issues;
- fosters mutual understanding and trust. (1998:259)

This implies that effective communication requires more than just communication forums, but also levels of transparency and the ability of partnering organizations to access information that will enable them to individually and collectively manage the alliance’s performance (Buchel et al 1998, Dussauge and Garrette 1999, Mockler 2000). Inadequate attention to communication within and between organizations operating in a strategic alliance results in integration and performance issues (Mockler 2000) and potential mistrust within and between the partnering organizations involved (Buchel et al 1998), as it does within an individual organization (Bourke 2004).

Doz and Hamel (1998) argue that where vertical and horizontal communication barriers are eliminated, there is increased likelihood of success for a strategic alliance. In support of this, Welborn and Kasten (2003) suggest that collaboration is more effective where communication channels are shared.

Segil (2004) suggests that, as strategic alliance’s progress through their stages of development (strategy formulation; implementation; and maintenance) (see 2.5.1, 2.5.2 and 2.5.3), some formal and informal communication components remain, and that more formalized communication and feedback mechanisms are required to measure performance (see 2.5.4.1 and 2.5.4.5). This means that stakeholders affected by the change must be involved to ensure commitment (see 2.5.4.4) and “buy-in” in realigning components of their individual organizations (Mohrman and Cummings 1989, Beer and Eisenstat 1996) and to support the objectives of the relationship.

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In support of this, Buchel et al (1998); Parise and Sasson (2002) and Wakeam (2003) argue that on-going communication through a strategic alliance’s evolution creates an environment that fosters trust between partnering organizations and in the end better supports partnering organizations ability to adapt and align to accommodate changes in their external and internal environment (see 2.5.1.1 and 2.5.1.2). Wakeam (2003) goes on to suggest that communication therefore has an important role in supporting the longevity of an alliance and the effectiveness of the relationship (Parise and Sasson 2002). Similarly, Mockler (2000) suggests that the inability to support an effective communication process within this context will lead to internal and external integration problems for the strategic alliance and negatively impact the potential longevity of the relationship.

2.5.4.2 Cultural management

Buchel et al (1998) argued that when members of partnering organizations come together in a joint venture, a form of alliance, new norms are created as a new organizational identity emerges within the new combined entity. The culture of the joint venture is distinguishable from that of its individual partnering organizations in that each largely retains its own identity, sense, and shared meaning.

… culture is as fundamental to an organization as personality is to the individual, the degree of culture fit that exists between the combining organizations is likely to be directly correlated to the success of the combination. (Cartwright and Cooper 1993:60)

In recognition of this statement Ulrich (1984) argued that culture fulfils four functions: integration, co-ordination, motivation, and identification. Mohr and Spekman (1994) and Bergquist and Betmee (1995) suggests that culture relates to the personalities, values, skills, interpersonal interaction style, commitment and characteristics that influence the decision making processes within individual organizations and between partnering organizations.
Consideration of these elements are important in building trust, a critical factor in supporting coordination, communication, and conflict resolution between partnering organizations. Buchel et al (1998) suggest that as two cultures come together through a joint venture the current culture of members from the partnering organizations is challenged.

The performance of a joint venture, according to Ulrich (1984), can be enhanced if a “community of meaning” is created by open dialogue and consensus of those involved (see 2.5.4.1. and 2.5.4.3). Mockler (2000) argue that synergies are enhanced where partnering organizations have a shared and common vision. Welborn and Kasten (2003) suggest that this position can be improved by both recognizing similarities and appreciating and managing differences in the partnering organizations culture. Therefore, the ability of partnering organizations to seek synergies or build bridges to support cultural gaps is important as relationships begin to emerge (Mockler 2000).

This commences at the strategy formulation stage (see 2.5.1), and evolves: through socialization – at this stage only a concept; through on-going management of mutual functions; through revision and development of processes; and through the integration of technologies in consultation with the various stakeholders to support the formation of cultural bridges (Segil 2004). In extending this, Parkhe (1991) suggests the position can be enhanced by creating unified organizational structures, processes, policies, and accountabilities at senior executive levels.

In addition, Mockler (2000) includes leadership and staffing as being critical components that must exist within an environment that supports open dialogue, conflict and issue resolution at both strategic and operational levels for the organizations involved (see 2.5.4.1). In conclusion, Mockler (2000) argues that time is required to manage cultural differences - not only in the creation of the alliance, but across its life (Welborn and Kasten 2003).
2.5.4.3 Collaboration and Cooperation

The aim of partnering organizations is to create an environment that supports collaboration, increases cooperation, and manages synergies within the alliance. In this context, Doz and Hamel (1998) suggest that partnering organizations may identify new business opportunities by collaborating. Buchel et al (1998) argue that co-operation is the essence of a strategic alliance as Welborn and Kasten (2003) have observed (see 2.5.4.2), and is predicated upon the ability of the individual cultures to work together.

Collaboration can be enhanced if conflicts and differences are managed in a positive manner (Mockler 2000) though Harrigan (1986) suggests that conflicts may arise between partnering organizations where a strategic alliance is forced to respond to a change in its external and internal environments (see 2.5.1.1 and 2.5.1.2), where originally stated business objectives of the alliance must be re-evaluated and may require revision (Doz and Hamel 1998).

Once the strategic alliance is confirmed, partnering organizations are required to cooperate and collaborate in order to explore new opportunities in the markets identified, and to achieve their common business objectives (Dussauge et al 1992, Doz and Hamel 1998, Mockler 2000). Ulrich (1984) argues that the ability to cooperate and collaborate is predicated upon consensus-oriented management approaches existing between partnering organizations as organizational stakeholders work collectively on issues and opportunities, and use scenario planning to anticipate outcomes. In support of this, Buchel et al (1998) suggests that an environment supporting open communication from the outset will offset potential issues of mistrust while providing the potential to build a level of transparency around decision making between partnering organizations.

The more open the communication, the higher will be the level of commitment. To guarantee commitment, communication must perform four functions: the guidance function (instruction and feedback), the
information function (reduction of uncertainty), the socialization function (communicating a “we feeling”) and the coordination function (harmonization, clarification of dependencies). (Buchel et al 1998:180)

In this environment, Doz and Hamel (1998) argue, partnering organizations learn about the factors that support their joint activities within the alliance and consequently learn about the collaborative process, which later enables them to adapt and change. Doz and Hamel further suggest that this process is more effective once it is operational and only requires either fine tuning or realigning of activities to support the ongoing performance of the alliance, and where partnering organizations not only consider their processes and context but also those of their partners and the alliance.

Mockler (2000) questions the ability for partnering organizations to collaborate and cooperate to achieve compromise during the maintenance stage (see 2.5.3). However, he suggests synergies amongst the following components: leadership; cultures; organizational structures; increased delegation; communication; individualism; entrepreneurial initiative; and better knowledge utilization (Edvinsson and Hlavacek 1997, Sveiby 1997, Mockler 2000) within this business context is important. Arino and de la Torre (1998) and Dussauge and Garrette (1999) point out that the complexity of cooperation and collaboration is challenged with the introduction of an increased number of decision making centres, on-going negotiation, and differences of interest that invariably remain between the partnering organizations.

2.5.4.4 Commitment

Commitment to a strategic alliance requires that partnering organizations make sacrifices to cooperate and collaborate with each other to achieve the strategic intent of the partnership (see 2.5.1.3). This commitment builds a level of trust and the ability to mutually influence a positive outcome for the strategic alliance (Buchel et al 1998), thereby stimulating co-operation (Doz and Hamel 1998) between the partnering organizations. In recognition of this,
Mockler (2000) argues that an incremental based approach that reduces uncertainties and ambiguity between and within the partnering organizations fosters an environment that creates transparency, trust, and commitment within and by the partnering organizations.

At the *implementation* stage (see 2.5.2), Buchel *et al.* (1998) in referring to joint ventures suggests that the following are activities that confirm whether partnering organizations are committed to a relationship:

- Partner companies move their best employees into the joint venture;
- Partners make explicit and cost-effective decisions on providing employee training;
- Development of joint venture strategies which would be of no further use if cooperation ended;
- Partners contribute special resources to the joint venture, e.g. technologies; and
- The managing director can be appointed by either partner. (1998:175)

Mockler (2000) argues that commitment from all stakeholders can be achieved through the appointment of champions who nurture entrepreneurial innovation and cultural change, and generate enthusiasm and interest within the strategic alliance. Mockler suggests underpinning this is adequate time to communicate the rationale, operational premise, and specific stakeholders’ responsibilities in supporting this relationship.

However, Feldman and Arnold (1983), argue that if differences arise in the level of commitment made by the partnering organizations then there will be an immediate reaction by those stakeholders involved in the strategic alliance. The level of commitment at *implementation* and *maintenance* stages (see 2.5.2 and 2.5.3) may be a function of the alternatives available, invested funds, and exit costs (Doz and Hamel 1998).
In developing a collaborative environment, Welborn and Kasten (2003) argue that partnering organizations demonstrate their commitment when they are prepared to share valuable assets and information with each other, suggesting that this relationship is highly intimate. Once a relationship is operational the level of commitment is affected by communication style and process, and the ability of the partners to resolve conflicts (Buchel et al 1998).

Politics and power relationships may undermine commitment by controlling the flow of information that supports decision making. Buchel et al (1998) argues that mutual commitment and longevity of the partnership are reflected in the values and actions that go into supporting the performance of the strategic alliance. In essence commitment is based upon the partnering organizations’ expectations of equality, fairness of contribution and potential future gain.

2.5.4.5 Information and Measurement

To ensure the maintenance of the strategic alliance (Mockler 2000) suggests that periodic reviews be undertaken. Lorange and Roos (1992) argued that after identifying and setting objectives, two of the remaining four functions of a management system are to support budgeting and monitoring performance. This information is important to support analysis, interpretation, and decision making with respect to the current strategy (Buchel et al 1998).

Doz and Hamel (1998) suggest that alliance partners need to regularly measure their individual and collective progress through the use of maps and scorecards towards achieving the objective of their partnership. In referring to joint ventures, Buchel et al (1998) argued that it is necessary to monitor: assumptions that support the strategic intent of the partnership; the external environment; and customer and competitor responses and activities to ensure alignment with the market and to achieve the business objectives of the strategic alliance. Doz and Hamel (1998) expressed a concern that if the partner’s focus is purely on tangible benefits, such as measurable financial
returns, then the partners may not fully realize the full potential of their alliance.

Doz and Hamel went on to suggest that the partners need to consider the less tangible components such as: transfer of knowledge between partners, improved market positioning, and reduction of market uncertainty. Anderson (1990) argued that success can be measured based upon a “transformation process” where short-term outputs may relate to the achievement of desired marketing and financial results, such as market share, customer retention and acquisition, revenue, profit and ROI targets. Whereas, longer term output may relate to functional efficiency, learning, and marketability of products and services contained within the value proposition, (see Figure 2-3).

Figure 2-3 Anderson’s (1990) criteria for joint venture success along an input-output continuum.

During the life of a joint venture, Buchel et al (1998) argues that as performance is measured and increasingly understood, decisions are made concerning whether changes, adaptations or reconfigurations are required within the alliance to ensure that the strategic intent is achieved.

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The aim is to ensure that the joint venture, or strategic alliance, is relevant for the market. What information is used, measured, and considered to be important in identifying whether an alliance is achieving its objectives and success remains debatable as identified through Anderson’s (1990) work and his input-output continuum.

However, the duration and maturity of the alliance suggests that the objectives may change and evolve as organizations begin to learn to work together in a cooperative relationship like a strategic alliance. This area is explored in Chapter 5 in increasing understanding of “how mature organizations learn together”.

2.5.5. Change and learning

This section identifies the issues for change and learning between each of the stages of a strategic alliance’s formation and evolution. It compares these issues with how change and learning are achieved within a merger or acquisition. This section is then used as the basis for establishing the research question which provides the focus of this study.

This section seeks to establish factors that affect change as organizations come together through a strategic alliance to support their individual business objectives in a given market. In doing so, the researcher has taken the opportunity to examine how change is being managed and supported by the partnering organizations in a strategic alliance through each of the stages of: strategy formulation; implementation; and maintenance and, from this, how partnering organizations learn between each of the stages to support the formation, operation, and evolution of their strategic alliance (see 2.5.5.1). The opportunity has been taken to compare this process in the context of significant change such as a merger or acquisition, to better understand potential issues, differences and nuances between the two substantially different forms of structural change (see 2.5.5.2).
In referring to joint ventures as a form of strategic alliance, Buchel et al (1998) described the types of change required as either adaptations or reconfigurations, the former relating to minor changes, which Tushman and O'Reilly (1996) described as incremental change and the latter potentially more extensive changes to support the relevance of the strategic alliance to the intended market, which Tushman and O'Reilly (1996) described as discontinuous change. The aim of the partnering organizations is to support their relationship and performance. As previously discussed (see 2.5.1.1), change is initially influenced by an organization's external environment, and secondly through its internal context to support a potential re-alignment (see 2.5.1.2 and 2.5.1.3) to support its position in the context of their markets. Ultimately, a strategic alliance as a business option has provided organizations through this type of relationship with the ability to enhance their value proposition, address their competitive context, and to expand into new markets (Varadarajan and Cunningham 1995, Doz and Hamel 1998, Dussauge and Garrette 1999, Ferguson 1999, Mockler 2000).

The challenge that partnering organizations operating in this context are confronted with, however, is an external environment (see 2.5.1.1) that it is constantly evolving through conceptualization, integration, and on-going management. Depending upon the significance of the change this may lead partnering organizations to reassess the relevance and strategic intent of their relationship.

2.5.5.1 Strategic alliance formation and implementation

As previously identified (see 2.5.1), change is driven by an ongoing organizational review of its business in the context of their markets and competition (Mockler 2000). In this dynamic environment, partnering organizations are motivated to enter into strategic alliances (see 2.4.1 and 2.5.1) to expand their market offering; address their competitive context with their existing markets; and support entry into new markets (Varadarajan and
Initially, partnering organizations at the strategy formulation stage, are individually establishing market potential through a self-directed assessment of the market (see 2.5.1.1), internal environment (see 2.5.1.2), prospective partnering organizations (see 2.5.1.4), and combined ability to support their mutual vision of their intended market (see 2.5.1.3) and potential operation (see 2.5.1.5). De Geus (1988) and Fulmer et al (1998) suggest that the ability to effect change in the formative stage is based upon an organization’s overall sensitivity to its environment, sense of internal cohesion and identity (or “organizational culture”), and a tolerance for new ways of thinking. This capacity, according to Fulmer et al (1998), enables an organization to learn, adapt, and manage their own evolution. In reality, Tushman and O’Reilly (1996) suggest organizations are aligning strategy, structure, processes, and culture to support their orientation with their external environment.

In doing so, Argyris and Schon (1978) have argued, as partnering organizations are considering their context, they are now challenging their own thinking, operating norms, and decision making, a state of “double loop” learning within which they examine different business alternatives to support potential opportunities in the market place. In support of this, Rosenberg (1982), Von Hippel (1988), and Stinchombe (1990) have argued for innovation of this nature to occur within organizations to establish focus on their customers.

Long term success is marked by increasing alignment among strategy, structure, people, and culture through incremental or evolutionary change punctuated by discontinuous or revolutionary change that requires a simultaneous shift in strategy, structure, people, and culture. These discontinuous changes are almost driven either by organizational performance problems or by major shifts in the organization’s

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environment, such as technological or competitive shifts. (Tushman and O’Reilly 1996:11)

To support this, Fulmer et al (1998) suggest, an organization will mobilize “utility” and “anticipatory tools” to support external and internal environmental scanning and scenario planning to ascertain the value of certain strategies. The reference of Fulmer et al to a cross-over tool suggests the management of significant change such as a strategic alliance, or major change to an existing relationship, which Buchel et al (1998) refers to as a reconfiguration, requires participative learning. Anticipating this view, Ciborra (1991) and Dodgson (1993) had tentatively suggested “some” opportunity to examine how organizations learn in collaboration (see 2.6). Dodgson (1993) has similarly suggested that such research would have significance in better understanding organizational behaviour between partnering organizations operating within a strategic alliance.

As has been observed, once partnering organizations have agreed to commit to a strategic alliance, implementation, they begin to focus on those activities that support the alignment of their respective businesses. By now, partnering organizations are considering the issues of aligning and sharing resources, governance structures, and the ability to achieve joint goals (Parkhe 1991). Varadarajan and Cunningham (1995) argue that coherence between partnering organizations is being driven by the need to enter new markets, overcome changes in market structure, support resource efficiencies and acquisition, reduce risk, and expand competencies in supporting a particular opportunity within the market. In this context, it is argued that the level of coherence between partnering organizations is a function of the learning and knowledge transfer that can occur (Inkpen and Dinur 1998, Mowrey et al 1996, Simonin 1999), and the ability of the organization to effect changes to support a shared strategic intent.

Partnering effort at the implementation stage is now focused on developing an interfacing environment that will support mutual objectives (Buchel et al
1998), and a transition team is usually appointed to support the integration of this business context (Segil 2004).

In supporting this and subsequent stages, Mockler (2000) argued that it was important for the partnering organizations to possess the capacity for: crisis management; flexibility and contingency thinking; and entrepreneurial adaptability to maximize current and future opportunities. Welborn and Kasten (2003) suggest, unsurprisingly, that partnering organizations with experience in partnering are advantaged, while Beer and Eisenstat (1996) have argued that the ability to effect change may actually be a function of the resources provided (Day et al. 2001), current activities supporting established practices (Henderson and Clark 1990), and the organizational structure’s ability to support organization-wide problem solving and collaboration (Dougherty and Hardy, 1996).

Research in the field of strategic partnering tends to confirm that three principles characterize the change associated with strategic re-alignment and organizational adaptation.

In the first instance, Beer and Eisenstat (1996) suggest that the change process is systemic and must focus on the interdependence of the various elements of the organization. Tushman and O’Reilly (1996) argue that the alignment of strategy, structure, processes, and culture required leadership and executive sponsorship where visibility and accountability for an alliance was a major incentive for alignment (Wakeam, 2003). Bourke (2004), however, suggests that effecting change of this nature is in reality driven by middle management as they receive the messages and direction from their senior executives, and through the implementation and maintenance stages, accept responsibility for interpreting and translating change in a context that supports their respective organizational cultures.

In the second instance, Beer and Eisenstat (1996) argue that the change process should include open and honest discussion between the partnering organizations to identify potential obstacles for implementation so that those
responsible for implementation can develop a plan that addresses all significant issues and solutions. Less optimistically, Pettigrew (1975) and Argyris (1991) would suggest that, short of crisis, change in organizations is resisted due to politics and defensive routines.

Furthermore,

Cultural inertia, because it is so ephemeral and difficult to attack directly, is a key reason managers often fail to successfully introduce revolutionary change – even when they know it is needed. (Tushman and O'Reilly 1996:19)

In the third instance, Beer and Eisenstat (1996) suggest that stakeholders involved in the change process need to develop a mutual commitment where they are involved in redesigning their organization’s future context in support of any partnership (Mohrman and Cummings 1989). Bourke (2004) argues that the resistance to change can be mitigated where middle management positions are secure, task separation is clear, and two-way communication is optimized between the front line and senior executives to supporting a realignment.

The ability to effect change of this nature, it appears, is contingent upon selecting a partnering organization that has appropriate resources (Sakar et al 2001), and an ability to learn and exploit combined resources (Kandemir et al 2002). Argyris and Schon (1978) would observe that organizations at this point are now engaged in “double loop” learning at differing levels, singularly and collectively, as they seek to align business structures, technologies, processes, and policies to support this business opportunity.

This open exchange of information, as Buchel et al (1998) have suggested, enhances the level of trust and transparency between the partnering organizations, while equal provision of resources increases the partnering organizations’ commitment to this new relationship (see 2.5.4.1). Segil (2004) argues that success in the implementation stage depends upon how well the
change is socialized into the partnering organizations, and cultural management (see 2.5.4.2) and “buy-in” or commitment is given to the new arrangement (see 2.5.4.4). Wakeam (2003) argues that shared metrics between the partnering organizations is critical in supporting an alignment of activities. The aim at this stage is to reduce levels of ambiguity and uncertainty associated with this change in each of the partnering organizations businesses and to reduce resistance by internal stakeholders, “defensive routines” (Argyris and Schon, 1978).

As with implementation, once the strategic alliance has become operational and entered the maintenance stage, issues associated with the ability to support change and learning remain. Buchel et al (1998) consider that partnering organizations are required to make either adjustments or reconfigurations, depending upon the extent of change required. The type of learning, it appears, may be either single or double loop and the tools used will depend upon the significance of the change to the organizations entering into the strategic alliance partnership.

### 2.5.5.2 Strategic alliance evolution

Keil (1999) suggests that strategic intent, organizational structures, and behaviour between the partnering organizations may be aligned at the outset of a strategic alliance. However, as the alliance passes through its own life cycle, change variables may lead to disconnects for some or all of the partners involved in the relationship (Kumar and Nti 1998).

It has been comprehensively argued that changes in strategic alliances are predominantly the result of changes in the environment of the partnering organizations (Doz and Schuen 1995, Arino and de la Torre 1998, Khanna et al 1998, Kumar and Nti 1998). Koza and Lewin (1998) have suggested that this may be a reflection of change in the strategic approach of one of the partnering organization as they reassess their current offering and market representation. As a consequence, Hayes et al (1988) and Senge (1990) have argued that the ability to reformulate strategy, context, and delivery is
what learning organizations do as they continue to adapt to their external environment. Keil (1999) suggests that this can arise for two reasons: firstly the changing intent of one or both of the partnering organizations; secondly, changes in their perception of the external environment.

Alliance reassessment is influenced by an organization’s external and internal environments. In the case of the latter, a change of leadership and key stakeholders may trigger a reassessment of intent and configuration (Keil 1999). In an ecological context, Pascale (1999) argues that this configuration actually directs organizations towards stability and equilibrium, which suggests that these organizations will have more difficulties in adapting to change. As a consequence, Schein (1978) further suggests, organizations may have difficulties with learning and change due to the different sub-cultures that operate within an organization.

Dodgson (1993) suggests that there are three primary concepts that influence the importance of learning in relation to the organization: specific competencies, knowledge base, and routines. Prahalad and Hamel (1990) have argued that learning organizations focus on developing and nurturing their core competencies to support the “collective learning of the organization”. In this context, the organizational knowledge base is used to focus on what needs to be accumulated to support the business (Metcalfe and Gibbons 1989). On the other hand, Nelson and Winter (1982) argue that routines coordinate and direct an organization’s memory and knowledge base.

As a consequence, Mockler (2000) argues, successful strategic alliances are characteristic in organizations that can learn from their own experiences, and from those of others. These organizations are successful in that they appear able to institutionalize the competencies developed through their experience and knowledge gained. Institutionalization is achieved by building changes into the processes, policies, and procedures, and then training people involved in the new way of operating. Significantly, however, mature stage
organizations generally struggle with innovation and change. Mature stage organizations apparently need to learn what is required to ensure their ongoing relevance and prosperity, whilst simultaneously effecting change that supports this very need to realign.

Recognizing this apparent incapacity of mature organizations to engage easily and willingly in learning to effect change, it becomes apparent that identifying factors that support change at each of the stages of the strategic alliance process and confirming the type of learning appropriate for each stage would be beneficial for both strategic alliance development, and for more broadly based entrepreneurial based activities.

2.5.6. Issues, findings, and opportunities

The work of Buchel et al (1998) supports the premise that joint ventures form, evolve, and change in order to support their external and internal environments (see 2.5.1.1 and 2.5.1.2) and to become self-sustaining. Dussaunique and Garrette (1999) and Mockler (2000) extend this premise to include all types of strategic alliances and describe the entrepreneurial activities associated with supporting strategy formulation (see 2.5.1), implementation (see 2.5.2), and maintenance (see 2.5.3), and the particular learning involved in the transition from one stage to another (see 2.5.4).

Buchel et al (1998) have suggested that partnering organizations operating in transition stages are confronted with making adaptations, incremental changes to their structures, processes, and technologies or undertaking reconfigurations where their external environment (2.5.1.1) has changed so significantly that it affects the actual context of the partnering relationship, which Tushman and O'Reilly (1996) have termed revolutionary change.

In extending the framework developed by Buchel et al (1998) and refined by Dussaunique and Garrette (1999) and Mockler (2000) there appears to be a need to develop a checklist to identify the factors that support the strategic alliance process as it forms and then as it evolves for partnering
organizations. This appears to require identification of the change and learning (see 2.5.5) that occurs between partnering organizations in supporting an entrepreneurial initiative, like a strategic alliance, as they work to align their businesses to support opportunities within their markets. This thesis aims to increase understanding of how mature organizations integrate an entrepreneurial approach to support a re-alignment with their external environment (see 2.5.1.1) in the context of the strategic alliance by examining the following research question:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

2.6. Organizational learning within strategic alliances

This section examines organizational learning within individual organizations and between partnering organizations as they operate within the business construct of a strategic alliance to support their mutually shared business objective within the context of their chosen market.

As previously established (see 2.3.1, 2.5.1 and 2.5.1.1), strategic alliances have become an increasingly popular business alternative for organizations addressing the impact of globalization, regulation or deregulation of markets, new technologies, competition, and for organizations gathering knowledge of industries and markets (Badaracco 1991, Parkhe 1991, Varadarajan and Cunningham 1995, Roos et al 1997, Davenport and Prusak 1998, Dussauge and Garrette 1999, Baltrusch 2001). Strategic alliance has enabled organizations to expand their existing value proposition, reduce or eliminate competitive pressure, and expand into new markets (Varadarajan and Cunningham 1995, Doz and Hamel 1998, Dussauge and Garrette 1999, Ferguson 1999, Mockler 2000).

It has also allowed organizations to source complementary assets and to learn from their partnering organizations (Hamel 1991, Hagedoorn 1993,
Shenkar and Li 1999). The popularization of the strategic alliance as a business option can be seen to be underpinned by a number of factors (see 2.4.1):

- The importance, cost, and complexity of new technologies, research and development, demand for new business competencies, or “resource and skill acquisition” (Collins and Doorley 1991, Varadarajan and Cunningham 1995, Doz and Hamel 1998);
- Enabling organizations operating in high-tech industries to pool competencies to undertake mutual research and development activities that support new opportunities and markets (Dussauge et al 1992);
- Providing a more appropriate business structure to respond within evolving and turbulent industries (Ernst and Halevy 2000);
- Enabling organizations to build new businesses (introduce new products and services to their customers, and access new distribution channels) and to enter new markets quickly, and with less capital commitment and risk, compared with other options (Varadarajan and Cunningham 1995, Ernst and Halevy 2000, Mockler 2000);
- Enabling organizations to improve business efficiencies and to achieve better economies of scale (Harrigan 1986, Varadarajan and Cunningham 1995);
- Fostering innovation due to reduced costs and risks, while reducing time elapsed to get new products and services to market (Harrigan 1986, Welborn and Kasten 2003); and
- Initiating learning that prolongs an organization’s competitive context in the market place (Maravelias and Holmqvist 1998, Iyer 2002).

Strategic alliances have been identified as supporting competitive advantage while simultaneously enhancing existing value to customers (Iyer 2002). As previously identified (see 2.4.1., 2.5.1, and 2.5.1.1), while the motive for partnering is to support business growth and opportunities, a potential by-product of this process (for mature stage organizations in particular), although it may not be stated (Iyer 2002), is for partnering organizations to
learn from each other (Lei et al. 1997) to support the development of individual and organizational competencies in specific areas.

This section examines how learning is prioritized within a strategic alliance and identifies the potential mechanisms that support the learning process. Doz and Hamel (1998) have identified the following components as integral in establishing how learning occurs within an alliance: environment; tasks; processes; skills; and goals that occur between partnering organizations as integral components (see 2.6.3). Within this context, the learning that occurs between partnering organizations through its evolution are identified as: awareness and partner selection; exploration; expansion; and commitment to relationship (Dwyer et al. 1987) and Wilson (1995) (see 2.6.3). Finally the opportunity is taken to examine Iyer’s (2002) organizational learning framework (see Figure 2-4) in consolidating earlier research of Dwyer et al. (1987), Wilson (1995), and Doz and Hamel (1998) to identify potential gaps that exist in the existing research to support this thesis (see 2.6.3). Finally the key issues, findings, and gaps are summarized to support the exploration of a second research question (see 2.6.4).

2.6.1. Background

Doz and Hamel (1998) argue that the scale of resources required to realign an individual organization with its markets may force organizations to cooperate and collaborate with other organizations through an alliance to support their strategic intent (see 2.4.1, 2.5.1.3, 2.5.4.3 and 2.6). Similarly, Iyer (2002) suggests that organizations pursuing an alliance view learning as critical to creating value for the market and preserving their competitive position (2.3.1, 2.5.1 and 2.5.1.1). To better understand what is required to achieve this, Buchel et al. (1998) argued that a learning approach comprising four key components is critical to all joint ventures:

… a changed view of the cooperation, a changed view of its duration, a different approach to problems, and an effort to achieve a win-win situation for all companies in the joint venture system. (1998:220)
In support of this, Iyer (2002) suggests that as an strategic alliance evolves that partnering organizations are managing the balance between compatibility and cooperation and the emerging need to learn and develop new sources of competitive advantage (Lei et al 1997). Further to this, Inkpen (1998) argues that by its very nature and structure, a strategic alliance creates an environment for learning for partnering organizations as embedded knowledge is transferred between the partners (Kogut 1988) to support their mutual business objectives. Parkhe (1993) suggests that this occurs because of:

…relatively enduring interfirm cooperative arrangements, involving flows and linkages that utilize resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm. (1993:794)

Iyer (2002) argues that as a strategic alliance evolves, partnering organizations learn through their experiences and interactions. Doz (1996) confirms that organizations develop “adaptive learning capacities” that enables them to address differing circumstances while the strategic alliance is forming (see 2.5.1 and 2.5.2) and later through its existence and evolution (see 2.5.3, 2.5.4 and 2.5.5). As the strategic alliance develops over time, increased levels of experience and learning are confirmed (Iyer 2002). How partnering organizations learn to support their evolving environments, external (see 2.5.1.1) and internal (see 2.5.1.2), (see 2.6.4 and 2.8), however, remains relatively under-researched.

2.6.2. Learning within a strategic alliance

Iyer (2002) argues that, across the evolution, partnering organizations use a variety of mechanisms to learn. In understanding the concept of learning in an organizational context, Shrivastava (1981) suggests a process by which knowledge is developed and shaped to support an organization’s response to a given situation. Taking this further, Levitt and March (1988), anticipating
Bourke’s (2004) findings, argue that this response is drawn from past experiences to assist an organization’s strategies, technologies, processes, and culture in supporting their future context.

Tushman and O’Reilly (1996) have argued that successful organizations are those that redesign their strategies, structures and processes to support their changing environments, which infers a willingness to learn and change. Buchel et al (1998) propose that learning oriented organizations continuously improve, upgrade, and introduce new products and services to the market, suggesting a motivation to exploit knowledge and learning (Zack 1999). Goodman and Darr (1998) argue that this is even more likely to be supported where the value is dispersed to the contributing parties. The motivating factors identified earlier (see 2.4.1, 2.5.1 and 2.6) encourage organizations to collaborate through a strategic alliance to combine complementary competencies (Doz and Hamel 1998), and therefore enable organizations to learn from each other within the alliance. Therefore potentially minimizing the affect of structural and competitive shifts in their external environment (Levitt and March 1988, Cohen and Levinthal 1990), that may effect both the organization’s future position and performance.

Learning, it appears, is a particular competence that needs to promoted and exploited by organizations (Leonard-Barton 1992, Teece et al 1997) for improved market relevance. Learning is a means by which organizations can improve their competitive position (Stata 1989), and potentially avoid purely competency-based strategies which ill-equip them to respond to identified changes in their external environment (Levitt and March 1988, Cohen and Levinthal 1990) (see 2.5.1.1). In accord with Levitt and March (1988), Iyer (2002) has argued that learning can occur in three different ways:

1. Broadcasting by a single “coercive” source;
2. Diffusion of knowledge via contact between entities with different levels of knowledge “mimetic”; and
3. Two-stage diffusion from within a small group to the rest of the population “normative”. (2002:4)
Argyris and Schon (1978 and 1996) in analysing types of learning set out a “single loop” learning process, where organizations learn without challenging the current rules of engagement, and a more advanced “double-loop” learning process where organizations challenge the rules that support their existing business context. Huber (1991) takes this further to suggest that learning can occur through experience, vicarious means, and later through experience curves.

This research provides an examination of issues associated with learning within strategic alliances that are created across industries (Dussauge and Garrette 1999) and, specifically in this case, across sectors of the financial services industry.

2.6.3. How do partnering organizations learn within a strategic alliance

Doz and Hamel (1998) argue that partnering organizations operating within a strategic alliance learn in five key areas: environment – external and internal (see 2.5.1.1 and 2.5.1.2); mutual tasks required to be performed by the partnering organizations to support their relationship (see 2.5.1.5); the process of collaboration (see 2.5.4.3); skills available and required (see 2.5.1.5); and, the goals of the individual organizations that support the strategic alliance’s formation (see 2.5.1.3) (Iyer 2002).

Dwyer et al (1987) and Wilson (1995) in their research have hypothesized that learning within a strategic alliance evolves over a number of different stages involving: awareness and partner selection (see 2.6.3.1); exploration (see 2.6.3.2); expansion (see 2.6.3.3); and commitment to the relationship (see 2.6.3.4). Doz (1996) argues that, to support their formation and evolution, organizations in an effective alliance must develop adaptive learning capacities, which enable them to address new issues at each stage of their formation and evolution (Doz 1996).
In support of this, Iyer (2002) suggests that learning leads to adaptive behaviours and new structures that increase further learning which then stimulates even further learning (Nonaka and Johannson 1985, Ring and Van de Ven 1994). The increasingly aligned structures and routines between partnering organizations within an alliance lead to increased opportunities for knowledge creation (Iyer 2002). Combined with goal congruency, transparency, and receptivity, this increased capacity provides a more appropriate environment for mutual learning (Larsson et al 1998). This process builds upon existing knowledge to support an improvement in the alliance condition and context (Doz 1996). Probst and Buchel (1997) confirm that this increased organizational knowledge supports improved problem solving and capacity for action.

Iyer’s (2002) work, while suggesting that these factors underpin knowledge creation and learning within a strategic alliance, cautions that it is critical to understand how this occurs as conditions and context change, a fundamental aim of this present study (see 2.5.6). In each learning phase, one question prevails: how do organizations learn that they need to co-operate with other organizations? This question manifests itself, repeatedly, in calls for an increased understanding of the needs and benefits of cooperation and communication, which Harrigan (1986) has identified as internal, competitive, and strategic, within each of the partnering organizations.

To support progress in this area Iyer (2002) developed a normative framework to discuss the learning alliance which identifies five learning dimensions across four stages: **Phase I - Awareness and partner selection**, **Phase II - Exploration, Phase III - Expansion**, and **Phase IV - Commitment**. In the context of this research Phases I and II represents strategy formulation (see 2.5.1), Phase III represents implementation (see 2.5.2), and Phase IV represents maintenance (see 2.5.3).

This framework accords with the qualitative and quantitative research of Barkema et al (1996) and Doz (1996) (see Figure 2-4).
<table>
<thead>
<tr>
<th>Learning Dimensions</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Phase IV</th>
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<tr>
<td><strong>Phase I</strong></td>
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<tr>
<td><strong>Learning Dimensions</strong></td>
<td><strong>Awareness and Partner Selection</strong></td>
<td><strong>Exploration</strong></td>
<td><strong>Expansion</strong></td>
<td><strong>Commitment to Relationship</strong></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>External context, including cultural, national context.</td>
<td>External context. Internal: partner corporate culture, management practices.</td>
<td>External context, for new opportunities.</td>
<td>External context, for new opportunities.</td>
</tr>
<tr>
<td><strong>Skill</strong></td>
<td>Explicit knowledge and potential partner skills.</td>
<td>Initiation of transfer of implicit skill knowledge later in the phase.</td>
<td>Transfer of implicit skill knowledge.</td>
<td>New skill development and acquisition for benefit.</td>
</tr>
<tr>
<td><strong>Goals</strong></td>
<td>Strategic intentions and initial goals of potential partners.</td>
<td>Partner goals, to seek compatible goals and establish common goals.</td>
<td>Learning to set alliance goals that benefit partners.</td>
<td>Ability to evaluate and revise alliance continuously to ensure advantage.</td>
</tr>
<tr>
<td><strong>Task</strong></td>
<td>Very little if any.</td>
<td>Initiation of understanding and establishing common alliance tasks.</td>
<td>Ability to establish common partnership tasks.</td>
<td>Ability to revise for an effective alliance.</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Very little if any.</td>
<td>Initiation of the streamlining of processes to perform alliance tasks.</td>
<td>Ability to establish joint alliance processes for mutual benefit.</td>
<td>Learning to revise joint processes to ensure efficiency and effectiveness.</td>
</tr>
</tbody>
</table>

Figure 2-4  Iyer's Learning Priorities in Strategic Alliance Evolution

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Iyer's (2002) framework assumes that, as a strategic alliance forms and evolves, there is a series of events and activities that support learning. It further assumes that this learning will change to support the current set of events. Understanding how learning develops and evolves through an alliance formation and evolution, therefore, is integral to understanding how change can be managed in this context.

2.6.3.1 Phase I – Awareness and Partner Selection

As identified earlier (see 2.5.1), Iyer’s (2002) first stage in alliance learning is dedicated to confirming the opportunity to benefit from an alliance and, identifying and evaluating an appropriate partnering organization to support an organization’s strategic objective (Wilson 1995, Iyer 2002) (see 2.5.1.4). The benefits of partnering therefore motivate alliance formation (Iyer 2002) (see 2.4.1 and 2.6). Consideration is given to strategic fit (see 2.5.1.3), core competencies (see 2.5.1.2 and 2.5.1.3), business and competitive gaps (see 2.5.1.1 and 2.5.1.2), and other potential needs and opportunities (Mockler 2000). In supporting this process, Weitz and Jap (1995) argue that, in selection of an appropriate partner, consideration must be given to compatibility of practices, values, and beliefs in order to ensure synergies between partnering organizations. The implications of issues surrounding this were discussed earlier (see 2.5.1.4).

Within this stage, organizations are gathering the necessary “corporate intelligence” by broad scanning of their environments to support their consideration and decision making through largely vicarious learning (Huber 1991). Iyer (2002) suggests that organizations in Phase I are learning unilaterally through various means: by confirming information in relation to their internal and external environments; by striving to gather as much explicit knowledge as possible about prospective partners (see 2.5.1.4); and, by examining and analysing from their external and internal environments (Huber 1991, Parkhe 1991, Doz 1996), see (2.5.1.1 and 2.5.1.2). This phase, it has been observed, may involve far greater levels of complexity and
uncertainty where organizations are considering cross-border relationships (Barkema et al 1996).

2.6.3.2 Phase II – Exploration

During exploration, partnering organizations become focused on establishing a framework for operation (see 2.5.1.5) and a platform for a relationship (Iyer 2002). Dwyer et al (1987:17) suggest that partnering organizations are in the process of, “… setting the ground rules for future exchanges.”

In Phase II, focus is on establishing strategic intent and governance structures to support the strategic alliance (Iyer 2002) and negotiating and establishing each others commitment to the relationship (Dwyer et al 1987) through informal communication exchanges (Altman and Taylor 1973, Clark and Mills 1979). Gulati (1998) argues that partnering organizations with less experience in alliances seek formal governance structure that mitigates against inappropriate behaviours.

In the end, this process enables a better understanding of each partnering organizations’ objectives (Pruitt 1981, Leigh and Rethans 1984, Dwyer et al 1987), and the identification of common ground to support the future of the strategic alliance, which indirectly supports the context of their future relationship (Wilson 1995:341) because it, “… builds social bonds and a trusting relationship.”

Learning during Iyer’s (2002) second phase evolves from being predominantly unilateral towards mutuality. As the strategic alliance progresses to the next phase, partnering organizations are trying to learn about each other’s external and internal environments: strategic intent; management approach; competencies; and culture (Iyer 2002). Parkhe (1991) suggests that developing this understanding of each partner’s thinking and approach is important to support the learning and on-going adaptation that occurs within an alliance to support its formation and future context.
As part of this process, partnering organizations are exploring differences in structures, skills, processes, and technologies, and how these may be addressed to support their cooperation (Doz 1996). For less experienced partnering organizations, Dodgson (1992) suggests that the focus is on fast tracking experience, knowledge sharing, and the promotion of mutual learning. Huber (1991) argues that while the strategic alliance is given a formal structure, learning is congenital because institutionalized practices and the existing knowledge of the partnering organizations is being adopted by the alliance.

Iyer (2002) argues that, towards the end of this stage, partnering organizations engage in vicarious learning as they seek to understand each others competencies, processes, and technologies to support their future context so that, “Learning the explicit partner knowledge continues at this stage, which can be formalized once the alliance is formed." (Iyer 2002:9)

The sharing of technology between partnering organizations, (Inkpen 1998) is an example of access to implicit knowledge. In this stage, experiential learning occurs through self-appraisal by partners to support: their adaptation (Huber 1991); mutual training of partnering organizations to support the alliance (Parkhe 1991); identification of means to support innovation (March 1991); and improving their learning and absorptive capacities (Levitt and March 1988).

In Phase II, partnering organizations are engaged in understanding their external and internal environments, partners’ objectives, and the integration of structures, technologies, and competencies to support the strategic alliance. Research suggests that implicit knowledge initially supports unilateral and then congenital and experiential learning.

2.6.3.3 Phase III – Expansion

Iyer (2002) suggests that the expansion phase of an alliance is characterized by increased levels of interdependence due to investments made, sharing of technologies, and the adaptation of business processes, products, and
services by partnering organizations to support their relationship. The creation of a governance structure (Wilson, 1995), and the costs of dissolution combined with positive experiences at the first two stages (see 2.6.3.1 and 2.6.3.2) increasingly supports cooperation and goal congruence between the partnering organizations (Dwyer et al., 1987). As Scanzoni (1979:791) observed, they “…move beyond probing each other, towards enlargement of the kinds of rewards they supply one another.”

The expansion, Iyer’s (2002) learning Phase III, encourages partnering organizations to explore issues in greater depth to support their resolution (Meill and Duck 1986). The loyalty generated through this experience encourages partnering organizations to learn about each other’s competencies and goals, to leverage each others’ resources to support business expansion, to resolve conflicts, and to adapt each of their strategies (Iyer 2002), thereby encouraging innovation and problem solving between the partnering organizations (Weitz and Jap 1995).

By now, the learning environment is partially mutual. Partners share perceptions, goals, and experiences to support the alliance and eliminate differences (Doz and Hamel 1998). Partnering organizations engage in unilateral learning as they internalize each others’ knowledge and skills, thereby creating further opportunities for learning (Iyer 2002). The level of learning between partnering organizations increases as they seek to enter new markets or create new offerings (Doz and Hamel 1998).

Where differentiated tasks and routines are performed by partnering organizations within the strategic alliance, learning facilitates the resolution of tasks and routines to support improved efficiencies (Doz 1996, Iyer 2002). Re-evaluation of shared expectations, tasks and structures, and integration of activities combined with increased levels of communication between partnering organizations provides an environment that encourages joint learning (Doz and Hamel 1998). Mutual learning is enhanced by greater levels of information, mutual investment and improved communication as
Partnering organizations learn within the alliance to adapt, exploit their environment (Iyer 2002), and institutionalize routines (Crossan et al 1999).

Partnering organizations are now drawing upon previous experiences, experiential learning, to improve context and productivity (Levitt and March 1988). Partnering organizations are now actively engaged in exploring how to create value and increase trust and commitment within the alliance. As a consequence, this stage is dominated by vicarious learning (Itami and Roehl 1987) as partners apply their observations and interactions for their mutual benefit. Mockler (2000) refers to this as institutionalization of experience and the retention of knowledge, and the ability to apply that learning from not only their own experiences but also from others.

Partnering organizations now actively and regularly scan their external environment to source information about their markets and prospective opportunities (Fahey et al 1981), creating mechanisms to monitor the performance of the alliance, and to support a re-evaluation of their context and potential new frames of reference (Huber 1991), through “double loop” learning (Argyris 1983). Buchel et al (1998) refers to this feedback loop as a “reconfiguration” where partnering organizations are required to re-evaluate direction, intention, and structure of the partnership.

2.6.3.4 Phase IV - Commitment to the relationship

Partnering organizations increasingly commit resources to the alliance relationship. Based upon their level of investment and commitment, Wilson (1995) argues that it is increasingly difficult for partners to sever the relationship because the environment between the partnering organizations is now based upon trust, satisfaction, and performance which is reinforced by common norms and values that are now shared. At this stage Dwyer et al (1987:19) suggest that, “parties purposefully engage resources to maintain the relationship.”

By Phase IV, Weitz and Jap (1995) suggest that partnering organizations openly share a common purpose, a willingness to learn mutually, and
connectivity at multiple levels. Learning between the partnering organizations is now focused on unilateral knowledge gathering and mutual capacity building to support their alliance’s direction and performance (Hamel 1991). Partnering organizations seek information and work together to solve problems and issues mutually, and to actively seek opportunities to support their relationship. This manifests itself in preserving competencies and processes within the partnering organizations (Kelly 1997, Harbison and Pekar 1997a,b, Pekar and Harbison, 1998) and acquiring new competencies to continuously create value for their markets (Doz and Hamel, 1998). In essence, the length of the association, the trust developed, and the sharing of knowledge mitigates against opportunistic behaviour (Dodgson 1992, Gulati 1998).

Iyer (2002) argues that with this level of trust, mutuality, and structural connectivity, partnering organizations become focused on exploration and exploitation for the alliance’s survival. Buchel et al (1998) argue that strategic alliances, joint ventures in their context, can only be successful if the organizations learn from each other, recognizing that they can increase their knowledge exponentially and receive mutual benefits from working together. Buchel et al (1998) suggest that, at one level, learning to cooperate, is to understand the processes and issues that affect the performance of the strategic alliance and then developing one’s practices and competencies to improve the performance of the alliance.

Iyer’s (2002) paper concludes that organizations improve their learning as the strategic alliance matures. McKinsey and Company have reported that two-thirds of strategic alliances experience difficulties in the first two years (Bleeke and Ernst 1993). Subsequent research by Booz-Allen and Hamilton in 1997 confirmed that return on investment is higher in organizations that are in alliances for longer and utilize their experience to support their future (Harbison and Pekar 1997a,b).
As a strategic alliance forms and evolves, issues, motivations, and learning for partnering organizations change (Iyer 2002). The motivating factors, learning priorities, and the tools and opportunities for effective learning and cooperation between partnering organizations as they operate within a strategically aligned context in the financial services industry are not fully understood. Innovation appears to be rooted in the capacity of organizations to continuously learn. A learning culture supports the development of knowledge. In doing so, it promotes the ability to explore new markets and innovate. By continuously learning, organizations become more receptive to change in order to align with markets, explore or create new markets.

2.6.4. Issues, findings, and opportunities

As previously identified, strategic alliances have enabled organizations to address their existence and relevance in the face of globalization of markets, regulatory changes, new technologies, competitive pressures, and the gathering of knowledge of industries and markets (Badaracco 1991, Parkhe 1991, Varadarajan and Cunningham 1995, Roos et al 1997, Davenport and Prusak 1998, Dussauge and Garrette 1999, Baltrusch 2001) (see 2.4.1, 2.5.1 and 2.6). This business structure has supported value creation for customers, improved competitive positioning, and entry into new markets (Varadarajan and Cunningham 1995, Doz and Hamel 1998, Dussauge and Garrette 1999, Ferguson 1999, Mockler 2000). As highlighted earlier, these primary influences have been underpinned by a number of motivating factors (see 2.4.1, 2.5.1 and 2.6).

One of the motivating factors relate to the organizations’ ability to learn to support its current and future context (Maravelias and Holmqvist 1998, Iyer 2002) (see 2.6). As a consequence, it is argued, the ability to learn and coordinate knowledge is crucial for partnering organizations in achieving sustainable competitive advantage (Iyer 2002) in a context of market change.

When future oriented companies use cooperative relationships as a way of shaping their strategies, they need qualities such as creativity and
innovation, not checklists and patent remedies. From this viewpoint, the main success factor is the ability of companies to learn together ... (Buchel et al 1998:244)

Iyer (2002) suggests that a strategic alliance creates an environment where resources, technologies, processes, and competencies are pooled to support a new market opportunity. This environment and context provides a unique opportunity for partnering organizations to learn. As a consequence, partnering organizations increasingly integrate new concepts and approaches to support their relevance.

Research to date has tended to focus on learning differences and priorities as pre-conditions and motivations for partnering organizations to seek change through the formation and evolution of an alliance. In doing so, as Dwyer et al (1987), Wilson (1995), Doz and Hamel (1998), have concluded and Iyer (2002) has confirmed, partnering organizations progress through distinct phases and display identifiable learning dimensions and priorities within each of these phases (see 2.6.3).

The framework development proposed by Iyer (2002) (see Figure 2-4) has been applied to argue that learning in each dimension changes as partnering organizations seek to address deficiencies in the competencies and other resources required to support their relationship and mutually shared business objectives. As part of this process, (Iyer 2002) has proposed that the partnering organizations, through their formation and evolution, shift from unilateral to mutual learning mechanisms to support their mutually shared objectives (see 2.6.3).

It is acknowledged that as a strategic alliance forms and evolves that partnering organizations re-evaluate and modify their joint activities (Astley and Van de Ven 1983) to support their current and future contexts. Larsson et al (1998) have argued that where increased levels of collaboration are required, mutual learning is enhanced when greater levels of transparency and receptivity exist between partnering organizations.
In support of this, Hamel et al (1984); Hedberg et al (1997); Hedberg and Olve (1997); and Maravalias and Holmqvist (1998) have established that learning difficulties arise where a lack of transparency and openness exists between the partnering organizations operating in this context. Baltrusch (2001) argues that the level of transparency between partnering organizations is based upon their ability to foster trust. In the end this appears to depend upon how much value partnering organizations place on learning and cooperation (Goodman and Darr 1998, Zack 1999).

What remains uncertain, however, is whether the same learning mechanisms utilized in unilateral learning are relevant to mutual learning between partnering organizations during the formation and evolution of a strategic alliance.

The challenge remains to identify the key motivating factors for learning at each stage of a strategic alliance’s formation and evolution as priorities and context change, and then to identify a potential relationship between these factors, their affect on learning priorities, and the means that might be deployed to support such learning. In consequence, it is proposed, research is required to better understand the interaction between motivating factors and to better understand their impact upon learning between partnering organizations as a strategic alliance forms and evolves.

In brief, this thesis seeks to identify the key motivating factors for learning through a strategic alliance’s formation and evolution and apply these to better understand how mature stage organizations can initiate a mutual learning environment through a strategic alliance, as an innovative and entrepreneurial response to changing market demands. In pursuing this aim, it is intended that an increased understanding of the relationship between these factors, their impact on learning priorities, and the mechanisms deployed to support learning will be developed. To this end, a second, more pragmatic, research question has been added to the first (see 2.5.6) to substantiate the relevance of this study:
How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

2.7 Major Issues Informing the Study

The literature has identified that the issue for mature-stage organizations is that once they are established in a given market, their behavior is focused on formalizing business structures and processes in order to maximize potential opportunities that exist within their chosen markets. This innately forms part of an organization's culture as it collectively seeks to support its performance and internal direction based upon its perception of its external environment (see 2.2.4).

However, this perception is challenged by factors such as new market regulation and deregulation, technological change, globalization of markets and the entrance of new competitors into their environment (see 2.4.1, 2.5.1, 2.6 and 2.6.4). This thesis has therefore examined how, within the setting of the financial services industry, mature-stage organizations integrate an entrepreneurial approach in the form of a strategic alliance, by partnering with another organization to initially understand the change and learning that occurs through this relationship.
In part, the research questions derived from this literature review highlight the motivating factors that encourage organizations to partner with others (see 2.4.1, 2.5.1, 2.5.1.1 and 2.6). Diagrammatically Figure 2-5 demonstrates the way in which organizations can be seen to progress through three distinct phases of formation and evolution: strategy formulation (see 2.5.1) which Buchel (1997) refers to in his “Framework of joint venture formation” (see Figure 2-2); implementation (see 2.5.2); and maintenance (see 2.5.3). The progression is facilitated by components that support stage transitioning (see 2.5.4) so that the change and learning arising through this process (see 2.5.5) are of particular interest where they occur between partnering organizations in supporting an entrepreneurial initiative, like a strategic alliance.

Anderson’s (1990) criteria for joint venture success along an input-output continuum (see Figure 2-3) argues that success is a function of understanding the inputs that support a longer-term orientation between partnering organization within a strategic alliance.
Therefore it becomes important to increase understanding as to how mature organizations integrate an entrepreneurial approach, such as a strategic alliance, to support realignment with their external environment.

As a result the focus in answering the first of the research questions (see 2.5.6) requires attention be given to better understanding the stages of development for a strategic alliance, transitioning between the stages (see 2.5.1, 2.5.2, 2.5.3 and 2.5.4), and the factors that support formation and evolution (see Figure 2-6).

This study provides an opportunity to understand how mature organizations learn so they can better manage change to maximize its overall value. In progressing this, it then becomes relevant to identify the key motivating factors for learning at each stage of strategic alliance’s formation and evolution and to identify how partnering organizations can create a learning environment through this type of structure.
Therefore, understanding the relationship between motivating factors, potential impact upon learning priorities, and the mechanisms used between these partnering organizations to support this environment (see 2.6.2, 2.6.3, 2.6.4 and Figure 2-6) are seen as important to the field of research.

2.8. Chapter Overview

This chapter has provided an overview of the research established in the literature review, highlighting the key areas to be addressed in subsequent chapters.

In providing a review of the emergence of strategic alliance as a preferred means of sustaining success in response to emerging global imperatives in the financial services industry, this chapter has provided an overview of the field and identified areas in which research to date has offered only a limited understanding of the evolving complexity of managing integrated organizations effectively.

In particular, the review has focused on how mature-stage organizations integrate an entrepreneurial approach, as it is understood in relation to change and learning within the financial services industry. The consequence of the review has been initial confirmation of the research question which has motivated the study:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

Increased focus on the learning required to achieve re-alignment led towards the emergence of a second, more pragmatic, research question that related to how mature organizations learn so they can manage change to maximize potential market value. The review reported in this chapter led to a statement of this additional research question in the form:
How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

In addressing the two research questions identified during this review, the following chapter discusses the research design, methodology and issues associated with undertaking this research study.
3. RESEARCH METHODOLOGY

This chapter describes and discusses the research methodology used in understanding the reality of how mature stage organizations, specifically financial institutions, adopt, integrate, and manage an entrepreneurial approach for initiatives like strategic alliances within the financial services industry.

In doing so, this chapter develops the research design and provides an assessment of the research methods available in order to establish an approach that can explore the research questions for this study (see 1.5 and 2.8). Within this construct the researcher evaluates each component of the proposed design and articulates the research methods utilized to complete this study.

3.1. Introduction to research questions

Following a review of the literature in this field, the following research questions were established (see 2.8) in order to understand how change and learning occurs within mature stage organizations operating in the construct of cross industry agreement strategic alliances.

1. How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

2. How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?
3.2. Overview of methodology

3.2.1 Research design

This study used a qualitative research approach (see 3.3) to develop an exploratory research case study design (see 3.3.2). The research methodology developed relied upon semi-structured interview questions as the principal form of data collection (see 3.4.3) to investigate how mature stage organizations in the financial services industry, in a fictionalized case (see 3.4.6), identify, integrate, and learn entrepreneurial approaches to align themselves with continually evolving markets and recast their business direction.

Data analysis was completed by using a modified form of thematic content analysis (see 3.5.1). Interpretation of results from the data collection phase (see 3.4) that was further supported by the application of several of the principles of grounded theory (see 3.5.2).

In Chapter 2 a literature review was undertaken to examine existing knowledge in the field of entrepreneurial adoption and integration for mature stage organizations through a strategically aligned construct within the financial services industry. The review of the literature established a need for an increased understanding of how these organizations mutually learn in the context of a strategic alliance to recast their business direction. Research undertaken during this study was aimed at comparing the data collected with established literature with the intention of adding to existing knowledge through the research questions posed (see 1.5, 2.8, 3.1 and 3.3.3.1).

3.2.2 Quantitative and qualitative research

3.2.2.1 Quantitative and qualitative research approaches

In examining the differences between quantitative and qualitative research approaches, Miller and Brewer (2003) suggests that the meaning derived from quantitative research is usually based upon the numerical measurement
and expression of results in a standardized form where, as Lal (2001) observes, it can be used to test hypotheses by measuring performance based upon statistical analysis. In combining and understanding the difference between quantitative and qualitative research options, Ghauri et al (1995) argues that both qualitative and quantitative data can be gathered through qualitative means. However, quantitative data relies upon its capacity to be represented in a statistical form. Data that cannot be measured in this context is considered to be qualitative.

Qualitative research, according to this approach, may be considered “any kind of research that produces findings not arrived at by means of a statistical procedure or other means of quantification” (Strauss and Corbin 1990:17). Therefore, qualitative research is likely to provide levels of description and increased understanding of processes which allows the researcher to build upon existing knowledge in a given research area, and is commonly used to better understand information that contains a level of complexity and verifiability that varies in …

- Level of abstraction;
- Frequency of occurrences
- Relevance to central questions in the research, and
- Source or ground in which they are experienced. (Marshall and Rossman 1995:112)

Because this study is focused on identifying and better understanding the factors affecting successful adoption, integration, and learning rather than measuring the levels of that success in retrospect, qualitative research was identified as the most appropriate approach to support the aims of this study. The next step of the research design was to determine the most appropriate research methodology and data collection strategy for this study.
3.3. Qualitative research design

The most important issue with research design is whether it supports the researcher in exploring the research questions posed within the study. The aim of research is to link the data sourced through this process to the research questions, and ultimately its conclusions (Yin 1994). Therefore the research design should try to avoid gathering data that fails to address the research questions (McKenzie 2003).

In developing a research strategy consideration needs to be given to ensure that the research design is the most fitting in exploring the research questions (Black 1993), and that the information sourced during the research process is the most appropriate in achieving the aims of a research study (McKenzie 2003). To support this particular objective the researcher sourced a select group of expert respondents with the knowledge and experience in the research area and that were capable of responding to complex questions in relation to the topic (Sekaran 2000), (see 3.4.7).

The following section discusses the research design developed to support this study.

3.3.1 Research Design Considerations

This research explored issues of mutual learning in relation to cross industry agreement strategic alliances as an example of an entrepreneurial activity within a group of financial institutions, mature stage organizations, using qualitative methods. Qualitative research design in the social sciences typically applies either: an experiment; a survey; or a case study (Robson 1993). This section discusses the logic supporting the most appropriate strategy to support the aims of this study.

The use of experiments in a research setting is aimed at understanding the relationship between the variables that affect the outcome, through adjustments to individual variables (Robson 1993). The approach allows the researcher to select a sample or control group that is representative of the
population and then adjust one of the variables to measure the effect on the outcome. Crosthwaite et al (1997) argue that researchers who use experiments as a research method need to have the flexibility to control and manipulate events, something which is difficult beyond a laboratory based environment. Since neither levels of control over emerging variables, nor the flexibility to manipulate events is offered within the financial services industry during periods of innovation, this method was considered unsuitable for the present study.

Surveys are used in research to collect data from a sample population with the intention of making statistical inferences about the information sourced (Norusis, 1990). This, it is argued, enables the researcher to use results from a generally definable sample to support generalizations about the population as a whole (Oppenheim, 1992). A commonly identified limitation of surveying is that it relies upon the collection of routine based responses which, as a method, fails to provide flexibility in sourcing the more in-depth information needed to explore the research questions at the levels identified within this study. As a result the researcher considered this research tool inappropriate for this study.

To access the level and diversity of information to support this study, it was decided that the research questions demanded data collection methods that enabled respondents to explain their experiences and views in relation to the strategy formulation, implementation, maintenance, and learning that occurs within a cross industry agreement strategic alliance relationship. This led the researcher to consider case study as a research design.

3.3.2 Case study as a research design

In the absence of historical context and control over relevant events (Yin 1993), case study was considered the most appropriate design for this research study. In an evolving world of strategic alliance development, the challenge for the researcher was to create a setting that enabled respondents to be involved and to relate their professional experiences and preferences
while at the same time providing information that was diverse, rich, supported the aims of the study and free of commercial-in-confidence constraints.

Case study was seen as being the most appropriate method in situations that deal with contemporary events where people or systems cannot be manipulated (Crosthwaite et al 1997, Yin 1989, 1993). Crosthwaite et al (1997) argue that case study as a research method is far superior to other currently available methods in exploring the dynamics of processes and change. Miller and Brewer (2003), similarly, has described case study as being useful when there is a need to:

… emphasise the “real-life” character of social relations, a holistic approach is sought that will allow for the maximum number of contexts of each case to be taken into account. (2003:22)

Yin (1994) supports Miller and Brewer’s (2003) opinion, arguing that case study allows an exploration to remain meaningful because information is gathered in a real-life organizational setting. This study necessarily involves a small number of respondents across a number of organizations, who have had extensive exposure to the research field, and who were prepared to provide insights into the issues identified (see 3.1).

The selection and development of a case study research design provides the researcher with the opportunity to maximize what can be learned from the research (Stake 1995). In selecting the appropriate case study approach, Yin (1981, 1994) identifies three types of case studies: descriptive; explanatory; and exploratory.

**Descriptive** cases tend to describe the actions that take place as a result of certain activities and events, similar to the case created to support this research study (see Appendix A).

**Explanatory** studies aim, after the event, to explain actions taken, whereas **exploratory** case studies aim to understand the apparent reasoning behind responses before, during and/or after they are made.
Exploratory studies ask questions, seek to gain new insights, and assess the findings (Robson 1993) in the context of the current literature while seeking to identify new theories and issues emerging in a research field. As previously identified, exploratory studies are more appropriate in dealing with contemporary events (Crosthwaite et al. 1997) and seek to better explain questions of how and why (Robson 1993).

Exploratory studies also require that a framework be created ahead of time, while providing the researcher with flexibility to conduct fieldwork and data collection prior to definition of the research questions and hypotheses (Berg 2001). This research study did not commence until the research questions were identified because it was believed that the factors which might impact upon responses needed to be identified before data gathering could be expected to lead towards meaningful interpretation.

In view of these considerations, a qualitative case study that was exploratory by nature was identified as the most appropriate research design.

3.3.3 Case Study

Case studies can be created on the basis of a multiple or single case design. Multiple case study design may integrate research and studies from multiple locations into the overall findings to confirm or challenge a theory (Yin 1994). The basic concerns with this design, as with grounded theory (Silverman 1993) are the resource and time constraints involved in establishing a sufficiently rich database. According to Miles and Huberman (1994), case study researchers also need to consider the structure used to support the research. An effective research method allows theory and learning to emerge from the data sourced during the data collection and transcription phases of the study (McKenzie 2003). As part of this, an effective and well constructed method will also maximize the utility of resources involved and minimize the time required for a study of this nature.
A common criticism of a single case design is that it is difficult for researchers to generalize the results and conclusions to support other situations (Tellis 1997). In arguing this point, Yin (1994) asserted that case study design must satisfy at least three aspects of the qualitative method: describing; explaining; and understanding. Effective research with a single case design requires thorough exploration of the relevant issues within their intended context to avoid any distortion of the data sourced and the findings derived from our analysis (Kervin 1992).

Because this study is exploratory in nature, the need to create industry-wide, or even sector-wide, generalizations is not a priority. Instead, the study seeks to identify factors that are agreed among practitioners in the industry to be influential in determining strategic alliance success.

As strategic alliances become more common and more accessible for study, it is presumed that the findings from this study will be further researched to confirm their validity, (see 3.6, 4.5 and 5.6). In support of a case study research design, Yin (1994) identified the following as important features:

- questions;
- propositions, if any;
- unit(s) of analysis;
- logic linking the data to the propositions; and
- criteria for interpreting the findings. (1994:20)

Each of these features is discussed in relation to this research study.

3.3.3.1 Research Questions

As previously identified (see 3.1), this research study sets out to explore the following questions:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?
And

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

### 3.3.3.2 Research Proposition

Propositions normally emanate from the research questions, however, with exploratory studies these are absent. This research study has the intention of exploring entrepreneurial adoption, integration, and learning that occurs between partnering organizations in a cross industry agreement strategic alliance in the financial services industry. The aim of this study was to integrate and extend theory and practice through an extensive research process in order to address the research questions for this study. Success of this research study was measured by the information’s ability to explain the factors that practicing experts in the field identified as influencing entrepreneurial adoption, integration, and mutual learning between partnering organizations in the mature stage of the corporate life cycle within a strategic alliance.

### 3.3.3.3 Units of Analysis

The unit of analysis is critical in determining how the findings of research are interpreted with each case study according to Yin (1994). A relationship should exist between how the research questions are framed, the case, and the unit of analysis. McClintock et al (1979) explain that units of analysis may vary based upon scope of activities, processes, features of organizational behaviour, and number of respondents involved. The unit of analysis will be linked together by the same case, common questions, and the same boundaries.

A case study provides the researcher with the means for gathering information in relation to an individual unit of analysis with the aim of
developing in-depth knowledge through the research process. Hussey and Hussey (1997) argue that a single case study represents an individual unit of analysis: an event; respondent; or an organization.

The unit of analysis for this research study was defined as the strategic alliance itself. As such, it involved those organizations supporting a single cross industry agreement.

In order to address the research questions relating to adoption, integration, and learning in relation to entrepreneurial activities, the single case study approach involving expert respondents from the strategic alliance partners was adopted in preference to a multiple case design (see 3.3.3).

3.3.3.4 Logic linking the data to the propositions

The complexity of relationships across partnering organizations operating within a cross industry agreement strategic alliance, initially appear somewhat challenging from a research perspective.

To achieve the aims of this study the researcher needed to consider both the information potentially available and the information collected against theoretical and practical positions established from existing literature review (see Chapter 2), to seek a better understanding of the process by which organizations introduce and manage entrepreneurial activities in cross industry agreement strategic alliances within the financial services industry.

3.4. Data collection

Following the selection of the qualitative research methodology and the single case research approach consideration needs to be given to the various data gathering options available. Borg et al (1993) argue that the method for gathering research data through a qualitative approach has an element of subjectivity, due to the researcher’s ability to relate and interact with other people within their environment. The researcher has endeavoured to reduce this level of subjectivity by creating a hypothetical case and by enlisting
respondents to play a particular role based upon their professional background and experience within a given setting (see 3.4.6). Marshall and Rossman (1995) identified a range of options available for data collection in a qualitative research study. These include: participant observation; direct observation; questionnaires and surveys; document analysis; and interviewing.

3.4.1 Data Collection Considerations

As it is usually applied, participant observation is more appropriate in supporting ethnographic based research studies, where researchers must expect to spend significant time in the field understanding the social and cultural impact of the study and their own impact within it (Lewis 1985). This approach is particularly appropriate where a researcher has unlimited access within a single organization. However, due to the issues that surround organizational confidentiality within the market place, and the general lack of interest of organizations in investing time and resources in this option it was recognized as being inappropriate for this present study.

Similarly, direct observation involves observing and recording what people do, studying behaviours and reactions to activities and events (Marshall and Rossman 1995) where respondents interact and support the function of the research topic, without the direct involvement of the researcher (Hussey and Hussey 1997). The aim of this present study, however, was not to gather an outsider’s view of the integration of strategic alliances as form of innovation, but an insider’s view (McKenzie 2003) as to how strategy was formulated, implemented, and managed on an on-going basis. In attempting to explore the research questions established for this study, the knowledge, rationale, and intuitive responses supporting decisions impacting the implementation of a strategic alliance would remain unsaid and unobserved with this method. Therefore, because it would fail to source the necessary information to support this research study, direct observation was rejected as inappropriate to the data collection demands of this study.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Questionnaires and surveys provide some basis for what is required to source the information to explore the research questions identified (see 1.5, 2.8, 3.1 and 3.3.3.1). However, as Marshall and Rossman (1995) observe, these methods are more suitable when sampling a population to understand the characteristics and features of an even larger population. While the approaches lend themselves to a structured response in support of a research proposition or a series of propositions, this study has not begun with a set of propositions. Instead, the aim of this study is to provide the researcher with more flexibility to gather additional information when issues arise that require more detailed investigation. How this is achieved is discussed more fully (see 3.4.3).

Document analysis can be beneficial in understanding the communication that transpires within an organization. However, it was decided that this approach would not provide the researcher with the richness of information, as provided through an interviewing medium, needed to understand the issues and opportunities within this field of research. Document analysis for this research was used predominantly to support discussion between the researcher and the respondents. Document analysis related purely to understanding the external market environment, other organizations’ internal approaches in this area, and in relating some of this content to the literature review to support and extend interview responses.

To support the research objectives of this study the use of interviewing was seen as the most appropriate way to gather information in relation to the research questions. The approach is discussed in detail later (see 3.4.3).

3.4.2 Secondary Data Collection

To support this research study, secondary sources were identified to support the primary data collection process. Along with the researcher's professional background and experience in this research field the literature review in Chapter 2 was also used to substantiate the information sourced through the interview process. While the interview process was expected to provide the
largest and richest amount of information (McKenzie 2003) in this research area, the researcher was conscious of the need to regularly confirm the information in light of knowledge of current issues arising from strategic alliances in the financial services industry.

These secondary sources included information sourced through on-line library catalogues and the internet for the latest publications and research articles in the research field to support theme identification and data categorization (see 3.5.1.1).

3.4.3 Primary Data Collection

The data underlying the findings of this study was gathered from in-depth interviews with respondents with executive level experience in strategy formulation, implementation, and on-going management within strategic alliances. Respondents were identified as having different levels of experience in this field, and also as applying different paradigms in consequence of that experience (see 3.4.5).

The interview process actually supported the development and iterations of the interview guide to support this research study (see Appendix C). While Marshall and Rossman (1995) argue that questionnaires supported data gathering into relatively structured response categories, Hussey and Hussey (1997) refer to the use of structured, unstructured, and semi-structured interviews to support the gathering of information.

*Structured interviews* fall within what Marshall and Rossman (1995) refer to as *questionnaire and surveys*. This medium enables the researcher to compare responses between multiple groups and to measure and understand the differences statistically. The limitation of this interview approach, as previously discussed (see 3.4.1) is that it restricts the flexibility of the researcher to add or modify questions to further understand a specific response or question and to seek clarifying comments (McKenzie 2003).
Unstructured interviews present another set of limitations, in that the researcher can vary the interviews from one respondent to another, thereby potentially affecting the objectivity and effectiveness of the research findings. Therefore the preferred approach was to adopt a semi-structured interview process where an interview guide was set, but the researcher had the flexibility during the course of the interview to explore new issues or unexpected responses (McKenzie 2003). This interview approach semi-structured therefore supported the complexity of this research subject.

3.4.4 Interviewing

In sourcing data an interview can provide the researcher with rich information if it is carried out in a well-organized and effective manner (Hussey and Hussey 1997). Interviews need to be managed carefully and, despite concerns with subjectivity previously discussed (see 3.4), a knowledgeable researcher, according to Bouchard (1976) will find it easy to develop trust with a respondent and facilitate greater level of discussion in terms of key issues within the research area.

An indicative interview guide was developed to support the researcher in the interview process (Yin 1994). The interview guide worked within the three previously identified (see 2.5) key areas of strategy formulation, implementation, and maintenance of strategic alliances in relation to entrepreneurial adoption and integration for financial services organizations.

The researcher used the flexibility afforded by the semi-structured interview process to further explore issues that were of particular interest in supporting the research aims, while at the same time modifying the interview guide to avoid questions that appeared redundant in supporting that direction (Lofland and Lofland 1984).
3.4.4.1 Pre-interview preparation

To further support the interview process, respondents were provided with a reading pack at least 7 to 10 days prior to the interview. This information pack (see Appendix A) contained: a letter of introduction to the research; biography of the researcher; and the briefing documentation on a hypothetical strategic alliance (see 3.4.6), that contained the following:

- Copy of the Abstract supporting the research study;
- Background in relation to the research;
- Why I Need This Information?
- Process;
- Sample interview guide; and
- Hypothetical case which contained a country overview, overview of the financial services industry, overview of a hypothetical banking corporation, ZBK and ZBK’s approach to wealth management, overview of ZBK’s hypothetical alliance partners, GGI and MAM.

Respondents were requested verbally by telephone or e-mail to review the content of the information pack prior to meeting with the researcher to support the interview process.

3.4.4.2 Development of indicative interview guide

To support the development of the final interview guide, three test interviews were conducted in Singapore and Melbourne between May and August 2002 to ascertain the suitability of the interview guide (refer Appendix C for the initial interview guide). The final interview guide (refer Appendix B) supported interviews undertaken between August and November 2003. There was continuous transcription and discussion of results with respondents to confirm their responses following this period.
3.4.4.3 Interview management

A typical interview began with a brief discussion of the material provided, the respondents role in the case study, and a general discussion of his/her thoughts as to the issues of concern with cross industry agreement strategic alliances in supporting organizations operating within the financial services industry. Respondents were asked to relate their thoughts, professional experience and judgment to the potential issues within the hypothetical case. This interview approach enabled respondents to relate their own personal experiences and views to the case, thereby providing information that was rich in content for the researcher.

This information was used to guide and support the interview, with particular focus given to the issues in relation to strategy formulation, implementation, and maintenance of these relationships. The final stage of the interview focused on those areas that the researcher or the respondent considered important but which had not yet been discussed. The aim was to draw upon some of the more complex issues within the research, rather than following a pre-established guide (Hussey and Hussey 1997).

3.4.4.4 Recording of interviews

All interviews were undertaken by the researcher and later transcribed from audio tapes and supported by handwritten notes to confirm a common understanding of the respondents’ responses. The tape recording of interviews has provided some conjecture within academia, where (Lincoln and Guba 1985) have suggested that this approach only be used in unusual circumstances. However, Roberts and Renzagalia (1985) have argued that researchers receive essentially the same responses from informed and experienced respondents regardless of whether they are being recorded or not.

Tape recording an interview and later transcribing the results was agreed between researcher and respondents to be the most practical means to
gather the amount of information from an approximately 90 minute meeting with each of the respondents. To confirm this process, respondents were advised that all interviews were being recorded, and that the information provided during the course of the interview would be treated as confidential. Their names, other individuals quoted, organizations quoted who they had previously been employed by or are currently employed by or working with were coded and then fictionalized to protect their identity, along with the identities of individuals and organizations quoted during the course of interview.

This code has only been revealed to the researcher and academic supervisory staff directly associated with the study. The data is now securely stored.

3.4.4.5 Length of interviews

The duration of interview times varied from one hour up to two and half hours. The average duration was approximately one and half hours. The duration was affected by respondents’ availability, scheduling and other work commitments, and interest in the subject. Those with fixed time generally gave concise answers to ensure that they were able to cover the research area. Others with more time provided more lengthy responses.

3.4.4.6 Location and period of data collection

The respondents were interviewed based upon availability in Australia and Singapore between August and November 2003.

3.4.5 Confidentiality and sample selection

Early in this research study the researcher encountered difficulties in securing the involvement of a single organization in either Australia or South-East Asia that was prepared to work solely on this research project. Prior to the research study actually commencing, the researcher was able to secure “in principle” agreement with two organizations as to their participation.
However, when final commitment was sought to progress the study these organizations subsequently withdrew their offer.

While the researcher was able to gather widespread support at a general level within organizations involved in strategic alliances as to the merits of the research, the researcher was unable to gain permission to access executives within these same organizations to conduct the research. The general concern surrounding the issue of confidentiality within the research process, and how the information would be utilized once the findings entered the public domain. While assurances were given, organizations had difficulties in securing unanimous support at senior executive levels for the study to proceed. This process of working through access issues with these potential organizational candidates delayed the research timetable for almost a year.

To overcome these concerns and to progress the research study the researcher considered the following options:

1. Interview a group of respondents from various organizations with professional backgrounds and experience in the field of strategic alliances, and relate their experiences to given situations and issues in this field; or

2. Create a hypothetical case that enabled respondents to play a role within a case study that reflected their professional background and experience. Respondents would be asked to respond to the issues raised in a hypothetical case.

The first option, while having merit in relating respondents’ professional backgrounds and experience to the research area did not fully address their continuing concerns of confidentiality. The second option was accepted as a more practical solution to the problem. Potential respondents expressed their comfort with relating their past and current experiences through a hypothetical case construct.
Inevitably, as the research study progressed, respondents were able to relate to the case issues, and to talk openly about their professional experience as it related to the case study and their views on issues and approaches in supporting cross industry agreement strategic alliances in the financial services industry.

3.4.6 Application of a Hypothetical Case Study

The introduction of the hypothetical organization made it possible to merge a range of diverse but extensive experiences under the umbrella of a single case study, gathering information from individual respondents who were responsible for and experienced in supporting strategy formulation, implementation, maintenance, and learning within a cross industry agreement strategic alliances in the financial services industry.

The advantage of developing the hypothetical case of a strategic alliance between a number of hypothetical organizations was that it enabled the researcher to gather information from respondents from a number of different organizations with diverse, complex, and extensive experience in this field while, at the same time, removing concerns of privacy and confidentiality. This strategy ensured that the researcher gathered rich and meaningful information to support analysis and interpretation of findings.

The hypothetical case study created to support this research was a fictionalized financial services organization, ZBK Banking Corporation, in a fictionalized country, Kamchoria, based in the Asia Pacific Region, that had or was about to enter into a number of cross industry agreement strategic alliances with other financial services organizations, GGI and MAM, that provided complementary products and services to support their overall offering in the Kamchorian market. GGI being an insurance company and MAM an asset management company (see Appendix A). The strategic alliance was designed to support their combined entries into the financial planning and wealth management markets, which are new business activities for the partnering organizations in this country.
In terms of sampling, Hussey and Hussey (1997) suggest that a decision needs to be made as to the rationale for extracting a sample. To support the understanding and interpretation of the data gathered for this study, respondents with experience in a number of different financial services markets in Australia, China, Europe, Hong Kong, India, Japan, Thailand, and the United Kingdom were identified in both Singapore and Australia. These respondents were selected to play a role based upon their past experiences, their level of exposure to cross industry agreement strategic alliances, and their current responsibilities within their existing organizations.

To structure the data collection phase, the roles identified within ZBK included:

- Chief Executive Officer;
- Director - Retail Banking;
- Head of Channels - Retail Banking;
- Director ZBK Asset Management; and
- Director ZBK*CONNECT – hypothesized as part of a joint venture with another technology organization, Oh Yeah, in Kamchoria.

Parallel roles created in the partnering organizations included:

- CEO Asia Pacific Great Global Insurance (GGI);
- Director Sales and Marketing GGI; and
- Head of Distribution Asia Pacific Monet Asset Management (MAM).

The respondents were divided into two separate groups and one person in each group played one of the above roles. In essence, this ensured that researcher interviewed two CEO’s for ZBK, two Directors – Retail Banking for ZBK, and so on (see 3.4.7).

Following briefing on their allocated roles within the hypothetical strategic alliance partners (see 3.4.4 and Appendix A), respondents were invited to explore the issues surrounding strategy formulation, implementation, maintenance, and learning, that from personal experience, would necessarily
take place within these organizations as they entered into and managed these new relationships.

3.4.7 The Research Sample

Glaser and Strauss (1967) argue that the sample size should be based upon data reaching saturation, which McKenzie (2003) has interpreted to mean that data should be gathered until no new data categories can be identified. De Araugo (2002) has similarly argued that there is an optimal sample size to support reliable analysis. An approach that is supported by Hussey and Hussey (1997) who have questioned the wisdom of gathering and then discarding large amounts of information where they provide the researcher with little increases in understanding.

Jankowicz (1995) argued that non-probability sampling should be based upon choosing a sample group whose knowledge and understanding of the research topic would support the process while, at the same time, provide diversity based upon the respondents differing exposure and experience. This approach has been applied to this study.

Prior to commencing data collection for the study, the researcher had identified two groups of eight (8) respondents in each of Singapore and Australia for a potential sample size of sixteen (16). To accommodate for expansion of the sample size, scope existed to create third and fourth groups within the hypothetical case to gather more information if required.

Invitations to participate in this study were sought verbally in the first instance, and confirmed via e-mail to determine date and time of intended interview. Prior to commencing interviews the researcher revisited the purpose of the research and confirmed the respondents’ commitment to be involved in the research process. Twelve (12) out of an initially identified total of sixteen (16) interviews were eventually completed. The interviewed respondents’ details are retained by the researcher and the supervisor to support the confidentiality of the individuals and their current and previous
organizations (see Appendix E). Interviewing ceased when the researcher confirmed that consistent concepts, themes, and meanings were emerging from the interviews and that further interviewing was merely producing repetition of previous data, (see 3.5.2).

3.5.  Data analysis

In a study with a small sample of expert respondents, analysis and interpretation of data becomes a critical step in the research process. Yin (1994) argues that researchers should aim to make every effort to provide analysis of the highest quality. In order to achieve this, Yin has identified four principles that a researcher should follow:

- The analysis should draw on all the available and relevant data;
- Alternative or opposing conclusions or constructions, rather than simply the researcher's privileged interpretation, should be brought forward;
- The analysis takes the benefit of the researcher's prior experience and expertise; and
- The analysis illuminates the data in a way that leads substantively to research question being addressed. (1994:20)

One of the major problems identified by Ghauri, et al (1995) in analysing qualitative data is that while the number of observations may be low, generally the information is so in-depth that this may provide difficulties for the inexperienced researcher in disseminating what is relevant in supporting the research objectives. This can be further complicated by the fact that collection and analysis of information may occur simultaneously, sometimes resulting in reformulation of the actual research problem and questions, leading to further data collection.

The research findings from this study were analysed using a modified thematic content analysis after transcription of the interviews (see 3.5.1) and confirmation of their intention with the respondents (see 3.6.1 and 3.6.3). The findings and analysis were then compared with related experience reported from literature in the field (see Chapter 2), and the researcher's own
background and experiences, (see 3.7). This process was important to support the researcher in building theory from this research. As a consequence, the analysis and findings from this study was based on a combination of the principles of thematic content analysis (see 3.5.1), and grounded theory (see 3.5.2).

3.5.1 Thematic Content Analysis

Content analysis, according to Nueman (1997), is a fundamental form of analysis, in that its primary function is identifying themes, meanings, and concepts emerging from the research gathered in the interview process. Hussey and Hussey (1997) suggest that content analysis represents a formal approach to qualitative data analysis. Building upon this, Stemler (2001) argues that content analysis is useful for identifying patterns and trends that are emerging within a given environment and, in particular, documentation used to communicate a message to an audience.

In a thematic content analysis, the function of interpreting research data and the meaning is achieved by grouping or categorizing data according to meaningful themes emerging from the data. Jankowicz (1995) suggests that this process is supported by preparing, categorizing, coding, tabulating, and illustrating information to ascertain whether the emerging themes and concepts offer apparent construct validity, external validity, and reliability (3.6.1, 3.6.3, and 3.6.4).

3.5.1.1 Theme identification from secondary data analysis

The first step in the content analysis involved a review of secondary data, currently available within organizational publications and literature presented by financial services organizations involved in strategic alliances, and grouping the information presented into thematic categories. By this process, a matrix of preliminary categories was created and the data was grouped according to the categories summarized and presented in Chapter 4.
3.5.1.2 Data categorization

Ghauri et al (1995) have observed that data sourced through the research process needs to be coded and categorized and presented so it can be interpreted, and that it can provide some insights in understanding the emerging phenomenon with research. Simple coding was used as a tabulation technique for identifying patterns within the primary data collected through the interview process. The interview data was built into range of categories with supporting evidence. Information sourced as part of the interview process was transcribed into tables as it related to the two research questions (see 3.1). To assist in data management, and because of the total volume of data was relatively small, Microsoft Word and Excel were used to group data by category. A sample of the table is presented below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Grouped Summary</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Appendix C is a sample of the first interview question for strategy formulation, implementation, maintenance, and learning within strategic alliances in the financial services industry. Appendices F to J provide a summary of the issues, considerations, and emergent theme analysis.

3.5.1.3 Data interpretation

Jankowicz (1995) emphasizes the role interpretation plays in the exploratory capacity of content analysis:

… its purpose is to describe systematically the content of your respondents’ utterances, and classify the various meanings expressed in the material you’ve recorded … content analysis is a powerful means for familiarizing yourself with what’s there. (1995:206)
3.5.2 Grounded Theory

Miller and Brewer (2003) proposed that qualitative research should not simply condense the information provided, it should aim to build an understanding and provide meaning from the information sourced that contributes to theory development. This process is expected to be able to support the researcher in identifying new knowledge in the field. Grounded theory aims to systematically gather and analyse information to develop theoretical constructs based upon the consistency of the information being sourced, and the continuous and iterative nature that supports its data collection and analysis (Myers 1997). Furthermore Strauss and Corbin suggest that:

A researcher does not begin a project with a preconceived theory in mind, unless the purpose is to elaborate and extend that theory. Rather, the researcher begins with an area of study and allows the theory to emerge from the data. Theory derived from data is more likely to resemble the “reality” than is theory derived by putting together a series of concepts based on experience or solely through speculation. Grounded theories, because they are drawn from data, are likely to offer insight, enhance understanding, and provide meaningful guide to action. (1998:12)

On this basis, Myers (1997) argues that grounded theory is useful in that it enables the development of process-oriented and context-based images and explanations in research. The strength of grounded theory as a means of data analysis, according to Taylor and Bogdan (1998), is that it is useful in establishing *theories, concepts, and propositions directly from data rather than from a priori assumptions, other research, or existing theoretical frameworks*. (1998:137). Emergence of patterns and concepts from the data can be used to link ideas and support the formulation of theory.
In answering the research questions, this research study aimed to build an agreed group of factors that contributed to the success of a strategic alliance within a defined field and, for practical purposes, seek to establish a model that would support mutual learning from the strategic alliance process.

3.6. Research standards

As with any research study, consideration needs to be given to the standards that support the research design. The study must be concerned with developing a research design that gathers reliable and relevant information and with gathering information that is an accurate representation of the respondent’s views and opinions on a research topic. It becomes a case of ensuring validity and reliability of the research design to ensure that the researcher can meet the objectives of the study. Because, as Seidman (1998) observes,

> The danger is that the researchers will try and force excerpts into categories, and the categories into themes that he or she already has in mind, rather than let them develop from the experiences of the participants as represented in the interviews. (1998:110)

To ensure quality in terms of research design, Lincoln and Guba (1985) propose that research needs to be validated for credibility, transferability, dependability, and confirmability. Following a similar argument, Yin (1989, 1993) has proposed that construct validity, internal validity, external validity, and reliability are important as means of interpreting and drawing conclusions from the data gathered.

3.6.1. Face and construct validity

Validity requires that findings accurately represent what is really happening and can be determined at a range of levels. Face validity ensures that reported findings accord with the views and experience of respondents. To ensure face validity the researcher maintained on-going dialogue with respondents involved in this research, providing feedback on emerging
findings, relating these to issues within the industry, and seeking feedback from respondents as to how industry developments related to research findings following their initial meeting and the formal interview process.

Construct validity, according to Hussey and Hussey (1997), however, requires that constructs emerging from the findings provide the actual reasons for the findings. According to Lincoln and Guba (1985) and to Yin (1994), to enhance construct validity, the researcher must be able to demonstrate that the research findings and application of the theory developed can support the multiple realities that may arise within an industry definition. From the viewpoint of an industry practitioner, the ability to validate the legitimacy of theoretical constructs in an operational context is important in endorsing findings and acceptance of the research (Trochim 2001). Validity then becomes reliant upon:

the strength of the study … To explore a problem or describe a setting, a process, a social group, or a pattern of interaction. (Marshall and Rossman 1995:143)

The continuous referencing of the literature review findings and the dialogue between researcher and respondents established in this study provided the researcher with this opportunity to support face validity and construct validity.

3.6.2. Internal validity

Internal validity offers a measure of the extent to which observable data may be ascribed to one, rather than other motivating factors, and, according to Trochim (2001), only applies to research studies that are attempting to understand cause-effect relationships. As this research study is exploratory, its intention is to identify potential factors supporting effective strategic alliances, rather than to establish and explain cause-effect relationships. As a result, it is not an appropriate concern in the investigation of how partnering organizations operating in the mature stage of a corporate life cycle appear to mutually learn in the adoption of an entrepreneurial approach.
3.6.3. **External validity**

External validity, according to Trochim (2001), refers to the transferability of research findings from one industry or segment of the market to another at this and another point in time. The challenge of transferability relates to whether the findings can be generalized and applied over time. Yin (1994) has argued that external validity could be managed through theoretical constructs and from this, generalizations could be extended.

However, in making this observation Yin (1994) appears to neglect his own demand that sample size and research design be appropriate to the demands placed on the findings. More circumspectly, perhaps, Lal (2001) suggests that claims for external validity are likely to be dependent upon context. Ritchie and Lewis (2003), however, argued that a single setting, a case study, is a unique set of circumstances and events and, because this, external validity derived from a single case study is unlikely to be an appropriate claim in supporting multiple situations.

Inferential generalisations in social research must similarly be a matter of judgement, and the role of the researcher is to provide the ‘thick description’ of the researched context and the phenomena found (views, processes, experiences etc.) which will allow others to assess their transferability to another setting. (Ritchie and Lewis 2003:268)

In this study, the researcher has adopted the approach of Lincoln and Guba (1985) who claims that the generalizability of the findings and conclusions from this research study might be strengthened through confirmation from multiple (secondary) data sources including industry publications and follow up discussions with respondents who had been exposed to strategic alliances over a number years (in particular those respondents who had been exposed to other industries).

To further support this claim, professionals from within and outside the industry with experience in strategic alliances were given the opportunity to
review the application of the research findings and recommendations to their own experience.

The outcome of this triangulation strategy, which aims to validate the research findings and strengthen their application in other settings (Marshall and Rossman 1995) is reported in the concluding chapter (see 6.5 and 6.7).

### 3.6.4 Reliability

In terms of reliability the researcher is raising other related issues about the research design. According to Trochim (2001), a reliable study is based upon consistent and repeatable measures. Lincoln and Guba (1985) are of the view that this is contingent upon stability, consistency, and predictability of information gathered, inferring that if the research design meets the necessary standard then different researchers will make similar observations and interpretations if they apply the same approach in like circumstances (Easterby-Smith et al 1991).

As a single case study may be regarded as distinctive, Ritchie and Lewis (2003) has argued that reliability should be viewed through the paradigm of replicability, that is, the coherence of the information sourced and the level of correlation between this and the results of the research. More importantly, in the context of this study, a relatively small sample of interviews (12) was required to reach a point where data repetition became obvious and suggested that further collection would merely confirm the redundancy.

The reliability of the data, it is argued, was further enhanced as only one researcher undertook this study, placed similar emphasis and focus on the research subject, and was singly responsible for transcribing and analysing the results of the interviews (McKenzie 2003).
3.7. Role of the researcher

The role of the researcher is to understand and seek out information that may not be covered in the current literature which may add to the existing learning and knowledge in a particular field (Krueger 1994). The researcher’s responsibility in the research process is to review and understand the literature in this area of interest and apply it to identify where understanding can be added to existing learning and knowledge in this field.

Once this can be established, the researcher’s role becomes a matter of crafting the questions to support the emerging research findings, designing the research approach, sourcing information from appropriate respondents, and analysing the data in the context of the current literature to provide an interpretive comment (McKenzie 2003) that may confirm emerging hypotheses, generate new hypotheses and support an increased understanding of the field of study.

Background, experience and subsequent exposure to literature in a specified field can be expected to influence a researcher’s opinions as these become exposed to further concepts and theories (McKenzie 2003). The challenge in presenting valid and reliable qualitative research findings is to ensure that the researchers’ knowledge is made explicit rather than being allowed to remain implicit (Krueger 1994).

As previously established (see 1.1.1) the researcher has considerable experience in the financial services industry and, in particular, in working with cross industry agreement strategic alliance partners within the financial services industry and across associated industries including automotive, technology, retail, and professional services to support the distribution of financial and other products and services to the market place. As an experienced practitioner in the field, it is to be anticipated that the researcher’s objectivity, as with the respondents, will be compromised by their prior experiences (Hussey and Hussey 1997). More importantly, however, as Hussey and Hussey (1997) have observed, the researcher’s and
respondents' background and experience are essential to ensuring that critical issues will be identified and discussed comprehensively with a level of expertise appropriate to the demands of the study.

The background, shared experience, and knowledge of the researcher supported interaction with respondents (see 3.6.1 and 3.6.3), as this encouraged open discussion of concepts, approaches, historical performances, and current issues in the market place. In the context of this study, it was important that the researcher was seen by the respondents to clearly understand the subject matter and therefore to relate and communicate in the same language as the respondents (Bulmer 1988, Crompton and Jones 1988).

Outside the issues of independence and objectivity (McKenzie 2003), the researcher's role is one of interpretation and critical analysis of the information gathered from professionals currently practicing in the field (Hussey and Hussey 1997, Crompton and Jones 1998). In this context, the robustness of the study, as Yin (1994) proposed, depends upon the level of research standards set and the strength of the research design.

3.8. Ethical considerations

In undertaking any form of research, the ethical issues that may arise during and after a research investigation, the nature of dissemination of the findings that may emanate from the research and the impact it may have on respondents to the study must be considered (Hussey and Hussey 1997). As a part of this dissertation’s formal process for approval, the University Ethic Approval Committee of the Swinburne University of Technology confirmed the method proposed for this research study. Once written approval was granted by that committee, data collection for the project research commenced.

To support the research process and the academic research requirements of Swinburne University of Technology as the hosting institution for the study,
the researcher provided respondents with an abstract of the research, purpose of the research, list of the research questions, and background information on those parties responsible for instigating and managing the research process (see Appendices A and B). Following the respondent’s agreement to participate in the study, as previously discussed (see 3.4.7), the researcher provided background information concerning the hypothetical case and a brief summary of the individual’s role in the case to assist respondents to prepare, facilitate discussion and allow respondents to relate their personal background and experiences to the case in responding to the questions raised during the interview process (see Appendix B).

To conform with the privacy and confidentiality requirements for this research, no respondent was advised of another respondent’s involvement. No organization or individual is identified in the dissertation, and reference is made only to the hypothetical case organizations and names. Where respondents have quoted existing organizations and individuals, these names have been removed to further support the confidentiality of the existing organizations and individuals.

Respondents were offered the opportunity, at their request, to review their individual transcripts of the interviews, and were invited to read the final draft of the dissertation and to comment upon and remove any content in relation to their transcripts that provided them with ethical concerns. Several observed that the process had actually strengthened the findings and conclusions by removing the potential to engage their personal biases in assessing the findings while seven believed (incorrectly in fact) that they could identify other respondents. As a result, they suggested, there must be a lot of organizations acting in the way described for the hypothetical case. This confirmation of the validity and reliability of the study is discussed in further detail in Chapter 6 (see 6.5 and 6.7).
3.9. Chapter overview

This chapter has provided a detailed discussion of the research methodology designed to produce a qualitative, phenomenological single case study for a group of hypothetical mature stage organizations operating within the financial services industry. The hypothetical organizations within this case study were created to encourage and support the unrestrained sourcing of information in relation to issues associated with learning in mature stage organizations involved in strategic alliance partnerships within the financial services industry.

The information was gathered primarily through semi-structured discussion with 12 expert respondents who assumed specific allocated roles, based upon their professional background and experience, in supporting the four organizations created as part of a hypothetical case study to inform this research. The interviews were recorded on audiotapes, transcribed, and then analysed using modified content analytical and grounded theory techniques.

The role of the researcher was to ensure that the method adopted for this research study provided ample scope to source the necessary information required to explore the research questions. The role of the respondents was to provide unconstrained views and opinions on particular issues and situations at each stage of the process according to their experience in connection with the role they had assumed for the study. The implications of this approach are further discussed in the closing chapter.
The following chapter, Chapter 4, provides an analysis and discussion of the data obtained from the research method described in this chapter. As discussed, it addresses the findings in relation to a hypothetical case involving mature stage organizations operating within strategic alliances to support recasting of their business direction.

Chapter 5 will draw conclusions from the research undertaken to confirm how partnering organizations can mutually learn to recast their direction.
4. INTEGRATION OF ENTREPRENEURIAL APPROACH

4.1. Introduction

The aim of this chapter is to address the first of the two research questions identified in Chapter 2 (see 2.5.6):

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

The findings reported in this chapter largely confirm the work reported by Buchel et al (1998) in respect of the development stages within a joint venture, and generalized by Dussauge and Garrette (1999), Mockler (2000), and Segil (2004) in relation to all types of strategic alliances. It examines the issues in relation to entrepreneurial contingency planning and the strategic management process in supporting its, using strategic alliance as an entrepreneurial initiative, development and evolution.

While previous discussion assumes a linear approach from conceptualization to on-going management of a strategic alliance, it does recognize that external and internal environments (see 2.5.1.1 and 2.5.1.2) are evolving. There is potential to change the original context and overall business objectives for the partnership simultaneously to support improved business efficiencies. Factors that significantly affect the original intention of the strategic alliance, such as regulation or deregulation, globalization, or other discontinuous change (Tushman and O’Reilly 1996) within the market may have major effects on the industry and its target markets.

Applying this framework, this chapter describes the change and learning that occur within partnering organizations in supporting strategic alliance in this study (see 2.5.5). In extension of the framework developed by Buchel et al (1998), the findings are developed to present a checklist aimed at better supporting the integration of an entrepreneurial initiative, change and learning.
into organizations seeking to use strategic alliances as a means of either improving their overall value proposition, expand their overall offering to their existing market, address their competitive context, or to support their entry into a new markets (see 2.5.1 and 2.5.5). This chapter highlights how an entrepreneurial adoption checklist may support partnering organizations who are managing individual and multiple entrepreneurial initiatives in the form of strategic alliances, through their formation and evolution (see 4.3, 4.4 and 6.2).

In doing so, the study examines how learning is occurring at the strategy formulation stage (see 2.5.1 and 4.2.1) and is drawn through into the implementation (see 2.5.2 and 4.2.2) and maintenance (see 2.5.3 and 4.2.3) stages, thereby supporting an environment for change and learning (see 2.5.5 and 6.2). This thinking is extended to provide concluding comments that summarize the research findings in relation to learning and change in a strategically aligned context. The conclusions drawn from exploring the checklist are discussed in the final section of this chapter and in the final chapter (see 4.6, 6.2.1, 6.2.2, 6.2.3, 6.4 and 6.5.1).

4.2 Extending Current Thinking

The respondents involved in this study generally supported the view that from conceptualization to on-going management, the development of an alliance was linear, although external referencing of the environment at different stages was necessary and provided a multi dimensional framework to ensure market relevance during conceptualization and development, and subsequent on-going management of the relationship. The extension of the work of Buchel et al (1998) and Mockler (2000) was expected to increase understanding of the factors that support learning and change within strategic alliances in the financial services industry at the stages of strategy formulation, implementation, and maintenance (see Figure 4.1).
Previous literature in the area of joint ventures in general, and of strategic alliances in particular (see 2.5), has established that the process is seen to be essentially iterative. The type and extent of change affected is governed by referencing of internal and external environments in the context of their performance (see 2.5.1.1 and 2.5.1.2). The present study has confirmed the accepted findings but suggests that the process is more complex than previously reported.

Therefore in addressing the first of the research questions, the researcher has investigated the change and learning that occurs as partnering organizations attempt to either align or realign the direction of their strategic alliance as part of its formation and evolution.

In understanding this, it is important to recognize that partnering organizations entering into a strategic alliance are confronted with a need to change to support their external context. Researchers suggest that the internal organizational context of partnering organizations realign to support their intended positioning within their external environments (see 2.5.1), and
to support their mutually shared vision and business objectives in relation to their targeted market (see 2.5.1.3, 2.5.1.4, 2.5.1.5, and 2.5.1.6).

The aim in this section is to identify factors that support an organization’s re-alignment with its existing and prospective markets, and to identify the internal machinations that occur to support re-alignment. This has involved identifying catalysts for change, how organizations manage their change, and how organizations learn at each stage to support progression and future re-alignments. In addition, it assumes that organizations will be managing multiple entrepreneurial initiatives or opportunities, such as strategic alliances, at the same time. As a result organizations are constantly re-assessing and comparing opportunities to support their own growth and expansion.

4.2.1 Strategy formulation

Environmental scanning processes tend to be driven by an organization’s need to understand the opportunities that exist within their markets (see 2.5.1.1). This seems to occur as organizations are confronted by a need to change their business paradigm in response to either regulatory influences, globalization, rapid changes in technologies, unfavourable financial results or economic conditions, or a combination of the above that either potentially threaten their survival or provide an opportunity for an organization to substantially expand their business (see 2.5.1.1 and 2.5.1.2).

The formulation of strategy in this area then becomes part of the overall assessment of an organizations direction. In essence,

… [a] strategic alliance falls out of the business planning process, as every business leader is looking at growing his or her business. So in mature industries you look at a strategic alliance, because it provides you with some natural advantages. Low investment, capital, often it comes with immediate market share. (Ling, Head of Channels ZBK)

Furthermore,
... strategic review process that comes up with holes, and it is a matter of filling gaps in your product range or that you see you are good manufacturer of product and have little or no distribution capabilities or you have distribution capabilities but you don’t have the product offering to support your customers. Therefore if you have the capabilities it is a matter of getting it from the market and being proactive. (Leroy, CEO Asia Pacific Region GGI)

Within the *strategy formulation* stage, respondents highlighted a view that within cross industry agreement strategic alliances with prospective partnering organizations in the financial services industry consideration needed to be given to:

- market proposition;
- commonality of focus;
- strategy appropriateness;
- financial feasibility; and
- business integration.

Therefore confirmation of a market proposition by the partnering organizations' initially acts as a catalyst for change (see 4.2.1.1). Therefore the management of this stage now requires partnering organizations to establish whether they share a common view on how the opportunity should be approached. If the strategy is appropriate to support their individual business objectives? While in the end understanding whether it is financially feasible and that they can successfully integrate their businesses to support this potential opportunity (see 4.2.1.2). As part of this process there is associated learning that arises as partnering organizations come together in considering this type of relationship (see 4.2.1.3).
4.2.1.1 Catalysts for change

As identified earlier, (see 2.5.1 and 4.2.1) the need for change is being driven by an organization's external environment:

Regulatory and other significant events drive strategic reviews. A change of CEO does not have a significant change on the direction of a business unless a significant event occurs. (Ling, Head of Channels ZBK)

As a result, scanning and anticipating change in their external environment become a priority.

To me the focus is on what is happening locally. Relevance of regulatory requirements and positioning in terms of competitors ... (Bryan, Director Retail Banking ZBK)

... This Region was identified due to potential growth and opportunities, regulatory changes that would support market entry, and potential acquisition and strategic alliance opportunities. (Betty, Director Sales and Marketing GGI)

Furthermore, once this review is undertaken it is a matter of understanding what an organization needs to do to achieve their desired objective (see 2.5.1.2 - 2.5.1.6, and 4.2.1.2).

... [S]trategic alliances are born out of necessity, lack of capability one way or the other within an organization and then one or the other parties will go out to the market and do a review of what is on offer in the market and what is closest to what they need. (Leroy, CEO Asia Pacific Region GGI)

The impetus supporting a potential strategic alliance is ultimately the potential size of the market opportunity and financial return. This may be a preferred option, over a merger or acquisition, as partnering organizations individually recognize that they do not have the competencies to exploit the opportunity.
and acknowledge that there is a need to get to market promptly. The respondents to this study reported speed to market as an overriding factor supporting a strategic alliance, largely because:

... alliances are cheaper hence attractive for building revenue streams quickly (Bryan, Director Retail Banking ZBK)

In addition, time to market may impact upon the financial market’s reaction to buying, acquiring or merging, or building options (BAI/BCG 1999).

As opposed to an acquisition or merger. Well probably they are a lot cheaper and the resources required are not as great. ... therefore with a lesser investment I can leverage that skill and capacity through this type of arrangement. (Bart, CEO ZBK)

Within the past decade, as Dussauge and Garrette (1999) observed, strategic alliances have been more favourably received by financial markets than acquisitions or mergers because of their apparently lower initial investment demands, ability to overcome integration issues, speed to market, ability to generate revenue quickly, and reversibility. As a consequence, it appears to be commonly accepted that:

... use of strategic alliances will be the influence of institutional investors and their ability to vote on share price. They have a lot of say in this direction, boards are influenced by this, and while management consulting firms run around saying that 90% of acquisition result in the dilution of shareholder value for the acquiring company. So therefore organizations in mature markets who are chasing double digit growth will always look to strategic alliances to support this outcome. Therefore building business capabilities being only the other alternative means that strategic alliances will be the preferred choice. (Ling, Head of Channels ZBK)

While strategic alliances provide organizations with the opportunity to pool resources and globalize more rapidly (see 2.4.1), mature stage organizations
such as financial services organizations may enter into strategic alliances in order to diversify their offering and to leverage their complementary competencies. In essence, cross-industry agreement strategic alliances (see 2.4.2.3) become more attractive when an organization has identified, through environmental scanning, a business opportunity that can be maximized by co-operating and collaborating with another organization to develop a combined value proposition that utilizes their combined competencies to access a new or existing market. As director of retail banking at ZBK, Larramy observes that strategic alliances, in his experience, are likely to be:

… based upon the local market environment. … it is really scanning the market and identifying what is the value proposition that we can provide that will improve our market share overall, and strengthen our customer relationships. (Larramy, Director Retail Banking ZBK)

In summary respondents through this study highlighted the following components as potentially motivating and supporting strategic alliance formation as they seek to establish the market proposition:

- Access and speed to market;
- Lesser investment in terms of resources and time as opposed to either acquisition or merger or comparable opportunities;
- Ability to leverage and pool compatible competencies and resources;
- Potential ability to integrate with other partnering organization(s);
- Ability to generate additional revenues quickly;
- Ease of reversibility of the arrangement;
- Ability to globalize and regionalize business; and
- Ability to diversify offering to an organization’s existing and prospective customers.

4.2.1.2 Management of change

Organizations continuously monitor their external environment to quantify the potential of market opportunity, and seek prospective partnering organizations to support alliances. Issues such as speed to market, level of
investment, pooling of resources, ease of integration, and potential market response influence an organizations consideration on entering into a strategic alliance (see 4.2.1 and 4.2.1.1).

You have to be quick to the market, so you don’t have to invent something, and that’s why outsourcing [by way of a strategic alliance] is the key here. It relieves you of a lot of investment, capital, and you may not be doing it well. It is a low risk way of acquiring product capabilities. (Burt, Head of Distribution Asia Pacific Monet Asset Management).

At this initial stage, strategy formulation, the respondents to this study indicated that there is a responsibility by the partnering organizations to confirm whether an approach, strategy, can be crafted that has the potential to maximize the business opportunity identified (see 4.2.1.1). This study highlights four key areas requiring attention before progressing to the next stage, implementation, and in confirming potential partnering organization(s) and strategy:

- Commonality of focus (see 4.2.1.2.1);
- Strategy appropriateness (see 4.2.1.2.2);
- Financial feasibility (see 4.2.1.2.3); and
- Business integration (see 4.2.1.2.4).

4.2.1.2.1 Commonality of focus

It is generally agreed by the respondents to this study that in entering into a strategic alliance it is important for partnering organizations to both consider a number of issues in addressing a particular business opportunity. Those particularly identified include: ownership and commitment; a common view of the market; due diligence; alignment of business objectives; goal sharing; and conflict resolution.

This case study strongly suggests that for each of the businesses involved, the above process represents a powerful potential departure from the way they have conducted business in the past, and is reliant upon servicing a
newly identified market. Respondents have argued that the responsibility of formulating strategies and business approaches inevitably emanate from senior executive level.

Ultimately strategy has to be in the hands of the CEO otherwise nothing will get developed or implemented. However, I think it is the responsibility of the executive team to identify opportunities and engage the CEO. (Barney, CEO Asia Pacific Region GGI)

In this context,

[...]the biggest thing with a strategic alliance is that you cannot impose your own views or your will on your partner. You need to have a very clear business plan and understanding how things will work from the outset. (Betty, Director Sales and Marketing GGI)

Furthermore being involved appears to be important to ensure that partnering organizations are aligned in terms of view, intention, and direction.

I expect as a strategic alliance partner that I would be involved in the group decision making processes, at least from our perspective as a partner. (Betty, Director Sales and Marketing GGI)

Therefore partners should have a common view as to the direction of the market and the potential business opportunity for the partnering organizations involved. As one respondent stated, they should have,

... a common view as to the direction the market is going and the financial and business model to be successful in this market. (Barney, CEO Asia Pacific Region GGI)

The due diligence process should determine whether potential partnering organizations have the competencies to support the potential objectives of the strategic alliance. However, one respondent noted that,
… the difficulty with this is the time involved to confirm both the external and internal capabilities. (Bryan, Director Retail Banking ZBK)

Nevertheless,

[i]f you look at a strategic alliance you should apply the same due diligence process as to what you undertake for a merger or acquisition. (Listiani, Director Sales & Marketing GGI)

In crafting a business plan, however, respondents suggest that consideration needs to be given as to how partnering organizations can clearly support the performance of the strategic alliance. They observe that roles and expectations need to be clearly defined at this stage to avoid any confusion or misunderstanding between the partnering organizations.

You need to have a very clear business plan, and understanding how things will work from the outset. (Betty, Director Sales & Marketing GGI)

Therefore partnering organizations should share clear, common, and consistent objectives that support the strategic alliance in terms of potential market share, revenues, profit, and EBIT (earnings before income tax) growth. In the respondent’s words, they should have,

… clear and concise business objectives that reflect the overall vision for the strategic alliances … (Larramy, Director Retail Banking ZBK)

The main thing is common objectives, the two businesses need to be aligned in such a way that they are trying to achieve the same thing. Both organizations are focused on this … (Betty, Director Sales & Marketing GGI)

In support of this, goal setting by the partners should be aligned to support the objective of the strategic alliance. The business planning process between the partnering organizations needs to identify goals that reflect and are aligned with the overall objectives of each of the partnering organizations within the strategic alliance.
Goals need to be relevant to support the arrangement. (Bryan, Director Retail Banking ZBK)

However the underlying motivation for business units within each of the partnering organizations is whether the strategic alliance will actually support them in achieving their individual objectives.

Factors would be what do the other partners bring to the table to help me achieve my goals. Their customer base and their willingness to share information that I can utilize to reach my objective. (Bryan, Director Retail Banking ZBK)

For the majority of respondents to this study, the onus was seen to be on the partnering organizations to ensure that there is a strong alignment between the goals of the individual organizations and those of the internal stakeholders involved in supporting the performance of the strategic alliance so that they are motivated to support this context, and potential conflicts are minimized.

The partners must address conflicts as they arise to ensure focus on the overall objective of the relationship. During the strategy formulation stage, respondents clearly identified the potential for conflicts to occur as partnering organizations negotiated the potential alliance context. In particular, respondents identified: unequal investment of capital and/or resources; inability to justify the business case; lack of common vision; different expectations; and poorly defined product and service boundaries between organizations. As Argyris and Schon (1978) have argued, the unconscious “theories of action” of the partnering organizations are challenged, as different cultures come together.

The partnering organizations’ view of how things have been managed within individual organizations is challenged when an alliance is proposed (Buchel et al 1998) and uncertainty and ambiguity develop between the organizations. When theories in action differ,
... Potential self-interest [may be] at conflict with the objective or the alliance or joint venture. (Bart, CEO ZBK)

Nevertheless, conflict can be used to build the relationship between the organizations if managed positively (see 4.3 and 6.2.3). This allows partnering organizations to discuss, clarify, and negotiate format. Therefore at a visioning level, respondents agreed that partners needed to reach early agreement on:

- Common view of the market and the potential business opportunity within it;
- Ability to confirm competencies through the due diligence process;
- CEO and Senior Executive commitment to the vision and strategy;
- Partnering organizations share common and consistent objectives that support the direction of the strategic alliance;
- Goal setting by the partnering organizations and their business units aligned with the objectives of the strategic alliance; and
- The ability to address issues and potential conflicts as they arise between the organizations.

4.2.1.2.2 Strategy appropriateness

In entering into any alliance, strategy appropriateness requires partnering organizations to give consideration to a number of issues:

- the competencies and offering of the partnering organizations (see 4.2.1.2.2.1);
- the markets ability to understand the value proposition (see 4.2.1.2.2.2);
- clarity of boundaries between partnering organizations in supporting the overall objectives (see 4.2.1.2.2.3); and
- the partnering organizations’ ability to respect cultural differences (see 4.2.1.2.2.4).

4.2.1.2.2.1 Competencies and offering of the partnering organizations

Partnering organizations should have the appropriate competencies to support the strategic alliance through its various stages: strategy formulation;
implementation; maintenance; and change and learning (see 4.2.1, 4.2.2 and 4.2.3). As identified previously (see 2.4.2.3), cross industry agreement strategic alliances are aimed at leveraging the complementary competencies of each of the partnering organizations (Yoshino and Rangan 1995) to either combine their competencies in entering into new markets or in supporting one of the partnering organization’s in learning about the other partner’s industry (see 2.5.1.2 and 2.5.1.4).

I think with a strategic alliance there is an acknowledgement that I cannot afford to make that investment, therefore with a lesser investment I can leverage that skill and capacity through this type of arrangement … (Bart, CEO ZBK)

In the hypothetical alliance of ZBK, GGI, and MAM, the researcher explored the issues surrounding strategic alliances in relation to retail banks, insurance companies, and product specialists such as asset management companies. Specifically, the case study has explored issues related to supporting alliances designed for entry into the financial planning and wealth management markets (see 3.4.6). Dussauge and Garrette (1999) suggest that these types of alliances typically arise through a need to support a new business activity (see 2.4.2.2 and 2.4.2.3).

The findings from this study suggest that success of the alliance is predicated upon the distinctiveness of the different offerings provided by the partnering organizations in maintaining their own identity while avoiding potential crossover and conflicts in terms of competencies. As Leo observes from the position of CEO of an alliance partner:

… the parties offering … is so different. We are not involved with their … products, MIS, business processes and structure. … All we are interested in is the crude outcome. It is so far away from our sphere of competence, its not even close to what we do. (Leo, CEO ZBK)
An acknowledgement is made internally that the individual organization cannot support the market opportunity in a singular context. However, by partnering with one or more organizations from other industries, they can collectively approach the market with a combined and relevant offering. The complimentary nature of a partner’s competencies, however, requires care to avoid building a sense of deficit capacity into the selection of an appropriate partner. As one respondent stated,

... Then it is a matter of identifying those partners that are complimentary in terms [of] skill set or product offering. (Barney, CEO Asia Pacific Region GGI)

The complementary nature of the external offering must be extended to consider issues of internal compatibility in relation to structures, processes, and technologies (see 2.5.1.2). However it does present challenges:

Internally you need to consider the issues in terms of technology, business processes, and procedures. (Bryan, Director Retail Banking ZBK)

Partnering organizations acknowledge the significance of the other organizations’ branding in supporting their overall value proposition to the market. As partner selection moves towards completion, organizations are attempting to understand, from external perspectives, whether branding, combined offering, and the proposed value proposition will maximize the business opportunity identified within the proposed market.

The external factors are important: branding; product and service offering potentially to your customers; and potentially the interfacing technologies. Externally we have a responsibility to provide an offering that supports a perceived market need. (Bryan, Director Retail Banking ZBK)

Simultaneously, it appears, organizations involved in establishing a strategic alliance are already considering internal factors such as alignment of
structures, technologies, and cultures that support future performance beyond this stage (see 2.5.1.5).

... at the next level down we are considering issues in terms of brand, product and service offering, extent of offering, and alignment of structures. (Bryan, Director Retail Banking ZBK)

... can you work with the individuals within the different partnering organizations. (Bryan, Director Retail Banking ZBK)

In support of this, respondents highlighted the importance of working together to identify the issues and how these competencies can be aligned.

... forums such as executive and operations steering committees to support the strategic review of the partnerships business direction, introduction of new products, technologies, and processes. This approach creates greater levels [of] interdependencies between each other. (Barney, CEO Asia Pacific Region GGI)

4.2.1.2.2.2 The markets ability to understand the value proposition

Respondents highlighted the need for the market to understand the potential linkage between the two organizations and to continue to identify their individual brands as being separate from their partner’s. In essence, it appears, it is important for the alliance partners to feel confident that the market understands the new value proposition and the potential linkage between partnering organizations’ offering in supporting this overall offering.

For ZBK the strength of a brand like Monet is like having a Fidelity or Schroeders in your offering. It will compliment our business. (Beverley, Director ZBK Asset Management)

For Beverley, the value proposition aims to package a more complete offering that better supports the market. This relies upon both external and internal communication, in the first instance, to the market, and in the second, to those responsible for supporting its sales and after sales performance to
ensure that both the external and internal environments understand linkages, relevance, and benefits (see 2.5.1.1 and 2.5.1.2).

**4.2.1.2.2.3 Clarity of boundaries between partnering organizations**

The study identified that tension arose where there was a cross over between the products and services provided by partnering organizations. One of the respondents in Australia observed that this had created ambiguity that had affected the success of these types of relationships previously. Several respondents in Singapore highlighted similar experiences where offerings crossed-over.

The consequence, as each observed, was that when difficulties arose within the strategic alliance, the overwhelming tendency was for partnering organizations to problem solve individually and internally. As a consequence, cooperation and collaboration between partnering organizations were early casualties when problems arose (see 2.5.4.3). Within this case and to overcome this particular issue, respondents through the context of the hypothetical providers, GGI and MAM, in this case study highlighted the importance of creating boundaries to ensure success within the strategic alliance:

> … clear boundaries between different product offerings by the banks and other partners [are needed], so in the end there is no overlap between products … (Burt, Head of Distribution Asia Pacific Monet Asset Management)

As the CEO of GGI commented,

> … alliances are successful when distinct capabilities are bought in by each partner. … When there is clear delineation between partners' responsibilities for activities, for example where one partners brings in distribution, one brings in manufacturing, and another brings in marketing, then certainly from my experience where these boundaries
and responsibilities are clear, this is when alliances work best. (Leroy, CEO Asia Pacific Region GGI)

The respondents in this case study clearly suggest that where the focus is given to core competencies by the partnering organizations which are distinct from one another, longevity, stability, and success of the alliance are strongly supported (see 2.5.4).

4.2.1.2.2.4 Partnering organizations’ ability to respect cultural differences

In terms of the appropriateness of strategy, the responsibility of the CEO and senior executive team for each of the partnering organizations is to ensure an alignment in terms of culture and values. Buchel et al (1998) argues that this is achieved through open and honest dialogue between the partnering organizations to achieve consensus and create what Ulrich (1984) termed a “community of meaning” (see 2.5.4.2). Respondents in this case study highlighted similar requirements to those set forth by researchers in this area of strategic alliance formation.

One of the important things from the CEO’s role is ensuring [that] the partner has at least similar values to your organization, and ensuring that you are not putting your organization at risk. (Leroy, CEO Asia Pacific Region GGI)

A clear vision for what we are trying to achieve, alignment of values about how we work together and what believe are important for the success of the alliance … (Burt, Head of Distribution Asia Pacific Monet Asset Management)

At this point, Ulrich (1984) argues, the most important component in building and developing the cultural synergies between the partnering organizations is developing identification with, and motivation toward, the joint venture. Respondents highlighted the importance of understanding and appreciating the internal components of each of the partnering organizations to support
the future performance of the relationship, a view supported by researchers in this area (see 2.5.1.3, 2.5.1.4, and 2.5.1.5).

It is very important in that it is better to understand your partnering organization internal view or aspects such as direction, culture, business structure and processes. (Betty, Director Sales and Marketing GGI)

Recognizing that the power of the alliance is based on all partnering organizations’ competencies and that diversity rather than sameness may be preferable, respondents saw a need to ensure that:

- Partnering organizations have the appropriate competencies to support each stage and the required changes;
- Organizations acknowledge the value of the competencies of potential partnering organizations in supporting the overall value proposition and achieving the business objectives within their market;
- Market understands the linkage between the two organizations, and still identifies their individual brands as being distinct from their partners.
- Clear delineation in boundaries between the partnering organizations products and services to avoid potential conflict in the market; and
- An appreciation and respect of the other organizations culture and values.

4.2.1.2.3 Financial feasibility

In supporting a strategic alliance as an alternative, consideration must be given to its financial feasibility in comparison with other business options (see 2.4.1 and 2.4.3), and then with other factors required to support the performance of the strategic alliance for the partnering organizations. As previously established (see 2.4.1, 2.4.3 and 4.2.1), the preference for strategic alliances over other alternatives is based upon speed to market, cost, and access to potential partnering organizations that have the necessary competencies required to support the business opportunity.
As opposed to an acquisition or merger. Well probably they are a lot cheaper and the resources required are not as great. … In a strategic alliance I’m saying I don’t really need that capability in developing and building my business. (Bart, CEO ZBK)

Again, it becomes clear that, in the opinion of the respondents to this study.

The market then sees a strategic alliance as low cost, so if there is significant growth in the revenue the market will react quite positively. (Leroy, CEO Asia Pacific Region GGI)

While the cost of aligning and speed to market support strategic alliances, Dussauge and Garrette (1999) argue that a strategic alliance has a degree of reversibility. Whether this influences the level of co-operation and collaboration between partners remains debatable from this study. The potential size of the opportunity appears to be more generally agreed to influence any decision to proceed with a strategic alliance as a preferred business option.

… strategic alliance it becomes a case of significance test. If it doesn’t have significance of size it’s doomed to fail. Die on the vine! (Ling, Head of Channels ZBK)

4.2.1.2.4 Business integration

Finally during the strategy formulation stage, attention should be given to understanding whether the partners’ businesses can be integrated to support the operation of the strategic alliance in the future (see 2.5.1.5). Partnering organizations are considering how their business can confirm this opportunity as part of a due diligence process.

Internally, you need to consider the issues in terms of technology, business processes, and procedures. … Potentially this could form part of a ‘due diligence’ process, however, the difficulty with this is the time
involved to confirm both the external and internal capabilities. (Bryan, Director Retail Banking ZBK)

In achieving change, organizations are now aligning their views and thinking in terms of supporting the performance and direction of their potential relationship. Commitment is endorsed as parties within the partnering organizations work together to establish how the relationship will operate, feasibility of the relationship, and identify issues that require attention to support their combined direction. This level of commitment builds trust between the partnering organizations (see 2.5.4.4).

4.2.1.3 Learning

Mature stage organizations invariably grapple with innovation and change (see 2.5.5.1). There is a presumption that organizations will learn through the experience of a strategic alliance because they are now challenging their own thinking, operating norms. Using a variety of approaches and tools to support external and internal environmental scanning and scenario planning, they seek to ascertain the value of various growth strategies (see 2.5.5.1) because:

... it is art form rather than science. You have to trawl through the options [because] changes in the market place may happen that enable you to do things that you couldn’t do in other markets due to regulation or deregulation or other factors. (Barney, CEO Asia Pacific Region GGI)

Argyris and Schon (1978) argued that “double loop” learning appears to be common at a strategic level within organizations, in a singular context, as they explore different business paradigms to support new business opportunities in the market place.

It is very unusual for the same people to be involved in one alliance to another alliance. You will always have discontinuities, you may [have] one or maybe two [people] involved, but in most cases it is very rare. Also each alliance or JV will be different, unless you take a very
generalist approach. You also have to take into account the issue of time. A JV/alliance 20 years ago will be different in nature as to one today, based upon the way businesses function today. (Leo, CEO ZBK)

... [S]trategic alliances become the preferred option due to the fact that share markets crunch organizations for even thinking about an acquisition. So organizations are scared to do one. So organizations then prefer to do a strategic alliance. (Ling, Head of Channels ZBK)

Crucially, however,

Every alliance is different, customer needs and staff needs are different ... The differences in regulation and market requirements vary from country to country, so if ZBK was to use the same model and approach for another market it would have some difficulty here. Markets vary so the approach and management of the alliance will vary based upon the circumstances. (Beverley, Director ZBK Asset Management)

And, in seeking creative “double loop” learning solutions to extend organizational boundaries, organizations work to develop commonality of focus, outlook, and business objectives between the partnering organizations to support their future relationship. Respondents increasingly ask,

... can you work with the individuals within the different partnering organizations. (Bryan, Director Retail Banking ZBK)

Previous poor experiences may see organizations revert to “single loop” learning as a means of dealing with this prospective business relationship (strategic alliance) paradigm. In these cases, “defensive routines” by organizational members act to preserve form, thinking, and direction of the organization (see 2.5.5.1).

It can either learn to work better or worse depending upon the experience base is like. Because there was one company where I tried to do an alliance with a particular organization that whilst agreement
was clear at CEO level, there was resistance at my level and below due to poor experiences with other alliances where they believed they got very little out of it. (Bryan, Director Retail Banking ZBK)

Entrepreneurial mature stage organizations must continuously identify and learn approaches that address business opportunity. Through this process, individual organizations in alliance can manage their own evolution (Fulmer et al 1998) (see 2.5.5.1).

4.2.2 Implementation

Once partnering organizations have been able to agree upon a strategy to pursue a market opportunity through a strategic alliance their focus shifts towards formalizing and implementing the arrangement (see 2.5.2 and 2.5.4.1). As part of the implementation stage the findings from this study highlight what appear to be four key areas demanding particular attention in a cross-industry agreement strategic alliance:

- Commitment to direction;
- Management of strategy;
- An enabling environment; and
- Business integration.

Commitment given to this direction and the management of strategy by the partnering organizations’ implementation teams’ act as catalysts for change to support this stage (see 4.2.2.1). The management of this stage requires an environment conducive and supportive of change while addressing the necessary integration issues that will support this new business environment (see 4.2.2.2). As part of this process there is associated learning that arises as partnering organizations come together through this relationship (see 4.2.2.3)

4.2.2.1 Catalysts for change

By implementation, commitment to the strategic alliance is now driven by the CEO’s and their senior executive teams. The respective organizations
develop the capacity to exploit the opportunity offered by the strategic alliance, and manage current and potential issues that may impact upon this direction at this stage (see 2.5.4.4).

… So it is important that the CEO pass this onto senior management team to ensure that it is driven through the organization. So then it becomes a case of getting into the “hearts and minds” of the people responsible for managing and supporting the implementation and ongoing management of the alliance. You will have greater chance of success. (Barney, CEO Asia Pacific Region GGI)

As a result, it is generally agreed,

As a CEO within your own organization you create some excitement for the venture. So there is a process for [the] whole of the organization involvement. An awareness of what is going on, so we get the awareness and support. This will support a re-education of the business as to how things have changed within the business. (Leroy, CEO Asia Pacific Region GGI).

At implementation, the CEO's of the partnering organizations will then have to let their senior management team and related senior stakeholders implement their vision.

To some extent you have to let go of the strategy, that is a challenge. Because no one person will put the same expression or face on the strategy as those that perhaps who originally crafted it. (Barney, CEO Asia Pacific Region GGI)

Partnering organizations now work to ensure the proposed offering is consistent with the partnership’s intended direction so that,

… providing you are adhering to the strategy, and can still achieve the objectives you set down in the beginning you need to work together to ensure that the core strategic intent of your strategy is not affected. …
you are seeking feedback from those responsible for the implementation from both your team [and] the partners implementation team. (Barney, CEO Asia Pacific Region GGI)

My involvement becomes more tactical: distribution; promotion; product and service offering through discussion with channels; internal stakeholders; and the partners. (Bryan, Director Retail Banking ZBK)

As part of this process identifying issues and probable solutions to support the implementation of the strategy (see 4.2.2.2.2).

At this stage I think you are pretty much internally focused at what has to be done to get the alliance up and running, so you are seeking feedback from those responsible for the implementation from both your team [and] the partners implementation team. (Barney, CEO Asia Pacific Region GGI)

These stakeholders, it is agreed, must now work with multiple levels in their respective organizations to ensure commitment and forward motion of the whole organization. The ability of senior executives within the partnering organizations to articulate the direction and reasoning behind the strategic alliance becomes crucial during implementation.

In terms of the communicating the formation of an alliance this is important to getting the “buy-in” of those retailing these products at the ground level. So communicating the need and the benefits of the alliance becomes important in getting commitment from the bank’s staff in supporting our target market. (Burt, Head of Distribution Asia Pacific Monet Asset Management)

Clear direction enables the senior executive teams within both partnering organizations to manage the issues from the “ground level” and to customize solutions that support an alignment with the strategic intent of the relationship.
... People are working together to ensure that changes are being implemented on time, so the process of re-aligning the business is being achieved in terms of the timetable set at this stage. (Betty, Director Sales and Marketing GGI)

As part of this alignment, partnering organizations are now working towards the creation of an environment that supports this direction (see 4.2.2.2). Cooperation and collaboration support the flow of information between partnering organizations and the ability of these organizations to change and align with the direction of their market (see 2.5.4.1, 2.5.4.3 and 4.2.2.2.1). In essence, change becomes focused on crafting a business structure and format to support the alliance’s eventual performance.

Collaboration between the parties in the alliance are important, bringing together the thinking of the experts from both sides to develop the best approach to support the alliance is fairly important. (Betty, Director Sales and Marketing GGI)

4.2.2.2 Management of change

As part of the implementation stage, the respondents to this study indicated that there is a responsibility to create an enabling environment to ensure that both partnering organizations are involved and that there is commitment to delivering this strategic alliance to market (see 2.5.4). This study highlights five key areas to create an enabling environment:

- Communication of change, implications, and progress (see 4.2.2.2.1);
- Addressing impediments (see 4.2.2.2.2);
- Establish service level agreements (SLA’s), roles and responsibilities (see 4.2.2.2.3);
- Promotion of collaboration and cooperation between partnering organizations (see 4.2.2.2.4); and
- Alignment and business integration (see 4.2.2.2.5).
4.2.2.2.1 Communication

In the context of this study, respondents strongly affirm the need for information concerning the changes, implications, and progress of the strategic alliance to be regularly communicated throughout the organizations.

The real key is communicating and providing feedback to ensure support amongst your staff and the partners involved. (Bart, CEO ZBK)

And

At all levels, you need to understand that different levels need different information. So you need to adapt your message to support the various levels within the organization. (Burt, Head of Distribution Asia Pacific Monet Asset Management)

Feedback is sought from staff involved in supporting the strategic alliance to ensure that all issues are covered and that change is supported once implemented.

… [A]ll parties should be involved based upon what they can contribute to the strategic alliance/partnership. (Bernard, Director ZBK*Connect)

Partnering organizations need an environment that promotes “two-way” communication as the lower levels attempt to understand and interpret the impact of these changes. Each organization relies upon “top down” and “bottom up” efforts to equip internal stakeholders with insight into the issues and factors affecting this re-alignment.

4.2.2.2.2 Addressing impediments

The internal stakeholders now deal with integration and alignment issues to ensure commitment from those employees affected by the strategic alliance. Impediments identified by the partnering organizations need to be addressed to ensure alignment with the strategic alliance.
… [E]nsure potential impediments for the strategic alliances are identified and addressed. (Bryan, Director Retail Banking ZBK)

The elimination of doubts and resistance, and the promotion of benefits become priorities:

I think that one of thing obviously is that you have a share of their minds and hearts. My experience says that the best way to do this is to understand their doubts. (Burt, Head of Distribution Asia Pacific MAM)

4.2.2.2.3 Service level agreements, roles, and responsibilities

Service level agreements (SLA’s) are developed and negotiated to support future performance.

By introducing SLA’s we can regularly monitor and manage performance. I may expect to have reporting issues in terms of the sales and the processing of actual sales … (Bryan, Director Retail Banking ZBK)

Roles, responsibilities, accountabilities, and measures are clearly defined to support implementation and the next stage, maintenance (see 4.2.3).

… internally by setting clear accountabilities and measures to support the staff's focus. (Bryan, Director Retail Banking ZBK)

And

… the objective of the strategic alliance are clear and concise, and that the accountabilities of the key stakeholders within our business and partners are aligned to support the business objectives. (Larramy, Director Retail Banking ZBK)

At this stage partnering organizations are further developing the level of mutual understanding, trust, and respect that now supports the collaboration and cooperation between the stakeholders involved and affected by the change (see 2.5.4. and 4.2.2.2.4).
4.2.2.2.4 Collaboration and cooperation

Partnering organizations are now compelled to work together to establish operating structures, processes, procedures, policies, benchmarks, and performance measures that support alliance. This process reduces ambiguity and uncertainty within organizations and between partners to foster a sense of mutuality and trust:

… a willingness to collaborate on strategy, approach and management.
(Bryan, Director Retail Banking ZBK)

There is increasing recognition that collaborating at all levels supports the rate of change.

Working together, collaboration. Joint involvement between partners can actually get things done faster. (Betty, Director Sales and Marketing GGI)

However, where these relationships can fail is where partnering organizations fail to make time to develop their relationships at different operating levels that allows them to work through these differences to collaborate and cooperate, and this may be based upon past experiences, “defensive routines” (Argyris and Schon, 1978) (see 2.5.5.1).

The importance of pooling our knowledge, however, there can be a natural resistance to take on other ideas from outside. This can slow down the progress and inhibit their ability to achieve the business objectives. (Betty, Director Sales and Marketing GGI)

The issue is whether partnering organizations actually recognize the need or the value in cooperating and collaborating to actually grow their respective businesses. This area is examined further in Chapter 5. At this stage, implementation is about maximizing combined capabilities and relationship building to support the strategic alliance’s intention to promote business integration while maintaining autonomous operation.
4.2.2.5 Business integration

At implementation, as previously discussed, both partnering organizations are focused on aligning their respective structures, processes, and technologies to support the strategic alliance (see 2.5.2, 2.5.4 and 4.2.2.2.4). At the same time, it is clear from the respondents to this study that they are aiming to ensure that the alliance enhances the individual performance of their own business units.

The ability to integrate into your business process so it is seamless will make it easier to stick, but again focus will be driven by the ability of the strategic alliance to support you overall financial targets and outcomes. (Ling, Head of Channels ZBK)

At this stage, partnering organizations are considering the potential impact upon their businesses (see 2.5.1.6 and 2.5.2).

... [P]rocess is very important to me in terms of meeting my customer expectations, so I would expect to have a say. (Bernard, Director ZBK*Connect)

Attention is increasingly directed at an internal alignment to support its external direction,

... people are working together to ensure that changes are being implemented on time, so the process of re-aligning the business is being achieved in terms of the timetable set at this stage. (Betty, Director Sales and Marketing GGI)

4.2.2.3 Learning

In managing the change that is occurring at this stage, implementation, individual organizations are looking inwards to determine what is required to support this new alliance environment. At the same time, organizations are working with their partners to ensure that there is the necessary collective outlook to support the business objectives of this relationship. As with
strategy formulation, organizations who possess staff with previous experience and competencies to assist in transition management (see 2.5.1.4, 2.5.5.1, and 4.2.1.3).

With expanding capabilities, increased collaboration, and recognition of change organizations increasingly challenge their own thinking and expectations about implementation. Now engaging each other, the partners seek to develop and provide the best internal and external proposition to support the performance of their alliance.

“Double loop” learning is now occurring at different levels, singularly and collectively, as the partners seek to align business structures, technologies, processes, procedures, and policies to address the new business opportunity. The ability to consider other options and alternatives at this stage is not only a function of past experiences, but also the financial and regulatory constraints placed on the organizations (see 2.5.5.1). Organizational learning becomes embedded within process and the ability of organizations to learn is increasingly based on retention of the senior executive team.

What organizations do is evolve and build capabilities through process, and that’s all they do. All the organization is doing is learning through process, but in terms of organizational learning it comes and goes with changes in senior executives. As this has become, the rate of personnel changes within organizations, more turbulent and churning like the sea, so has organizational learning. (Ling, Head of Channels ZBK)

Turnover of senior executives and expectation of short-term results works against both the development and the duration of strategic alliance.

... there is such as huge turnover of staff at senior levels within organizations these days that some people are only in roles for say 3 to 5 years. If one CEO puts an alliance in place it is easy for an incoming CEO to throw out the alliance if he or she feels it doesn’t work, and put
in something else, may be another alliance to replace the existing one. (Listiani, Director Sales and Marketing GGI)

Staff turnover is an issue for both implementation and maintenance stages and the challenge for organizations is, increasingly again, to harness transient learning to support future initiatives.

As a part of the learning today we don’t have the experience so over time we learn to identify problems in advance and then to mitigate. However, I believe that organizational learning is a function of stability of staff involved, that is having the same staff involved in a number of alliances into the future. They develop knowledge and experiences that may better support future alliances. (Bernard, Director ZBK*Connect)

Even so, this can also come down to duration between alliances, timing, and perspective. Moreover, environment (regulatory, technology, and markets) is never static.

…we don’t have people that were in the organization that long. I wasn’t in a senior position when these decisions were made in the mid 1980’s. So where is the learning. I can’t bring a perspective of 1985, 1986 or 1989 that has any relevance to my current role or context to be able [to] guide me as a leader within this organization today. (Ling, Head of Channels ZBK)

Internally, technologies, structure, processes, and policies are developed in the context of past perceived market need. In aligning to the current opportunity at implementation organizations must brainstorm to seek solutions as to how they will best support this new direction, which does infer “double loop” learning. However, the overriding short term influences, as identified earlier, are the financial and regulatory constraints (see 2.5.1.1 and 2.5.1.2) on the business opportunity.
4.2.3  Maintenance

In this study, the implementation stage of the strategic alliance process has effectively created an environment identified at the strategy formulation stage, based upon internal and external assumptions concerning both partnering organizations and the market (see 2.5.1.1, 2.5.1.2 and 2.5.1.3). Once the strategic alliance is operational, its focus shifts to maximizing the potential of the relationship in the context of an evolving market.

4.2.3.1  Catalysts for Change

By this stage, maintenance, this case study confirmed that ownership and management of strategy were passed on to the business units responsible within the partnering organizations where the emphasis on maintaining an enabling environment became central and performance drivers and results were tracked and measured (see 4.2.3.2.7).

For the stakeholders involved, including the CEO’s and senior executive teams, they should be focused on achieving the original intent of the strategic alliance. Internal stakeholders within both partnering organizations must own and work with the strategy to keep their businesses focused on achieving the objectives of their relationship. As Leo observes,

> The intention at [the] CEO strategic and operational level is to make it work! (Leo, CEO ZBK)

Nevertheless, acceptance of the alliance, even at this stage, remained a challenge. The alliance needs to be accepted collectively within every part of the organization responsible for managing alliance performance.

> I think when you start to get the “rubber on the road” is often a challenge. Because you will often have someone within the other partnering organization saying I don’t want that product I want something slightly different, this [is] not only a problem in [an] alliance
but generally in business when you go cross-border. (Barney, CEO Asia Pacific Region GGI)

Clear and consistent communication of how the change will affect staff, was highlighted as being a way to mitigate the impact of these issues. Inadequate attention to addressing integration and performance issues lead to mistrust between the partnering organizations as it would within an individual organization (see 2.5.4.1 and 4.2.3.2).

Getting support from staff is critical. It is important to provide communication that supports their understanding of the benefits of the partnership for our customers, how it affects them, and keeps them informed in terms of its progress. Then it becomes to align their activities in supporting the partnership. (Barney, CEO Asia Pacific Region GGI)

Respondents highlighted the importance of using SLA’s, key performance indicators (KPI’s), rewards, and recognition developed during the implementation stage as being significant at this stage to support alignment to the business objectives and performance of the alliance, and change within the partnering organizations.

… it needs to be [a] clear set of key performance indicators, and that needs to be looked at very regularly to see if this is falling apart and how do we get this back on track. (Listiani, Director Sales and Marketing GGI)

Functionally the ownership and management of strategy during this stage is managed by internal stakeholders who are responsible for the performance of the alliance. The team responsible for the management of the strategy are now focused on activities to support the established alliance and ambiguity is largely removed, ensuring stakeholders are clear about their roles and responsibilities. As Wakeam (2003) suggested, this is achieved through
shared metrics to align combined activities and minimize \textit{defensive routines} (see 2.5.5.1, 2.5.5.2 and 4.2.3.2.7).

Respondents suggested that one of the factors that tests the longevity of an alliance is how well thought out and considered the strategy is, can the partnership generate sustainable results? (see 2.5.1.5). Personnel changes at CEO and/or senior executive level are always going to test and challenge this business paradigm.

If you build on a strong foundation a good strategy will survive a new CEO from both partners, because it is successful and supporting the growth of the business. (Barney, CEO Asia Pacific Region GGI)

In adapting the strategy to support the alliance Ling confirms joint ownership and action,

\ldots if the value in the alliance is strong both organizations will continue to align. I think they just stay naturally aligned. (Ling, Head of Channels ZBK)

\textbf{4.2.3.2 Management of change}

The emphasis at this stage, \textit{maintenance}, is to ensure that stakeholders are now working together in support of the objectives of the alliance. Respondents suggested that focus now shifts to creating an enabling environment between the organizations involved:

- Elimination of impediments (see 4.2.3.2.1);
- Cultural management – address cultural differences (see 4.2.3.2.2)
- Promote openness and flexibility between internal stakeholders (see 4.2.3.2.3);
- Establish accountabilities, rewards, and recognition (see 4.2.3.2.4);
- Encourage and manages communication - “on-going” dialogue across multiple levels and through different types of forums (see 4.2.3.2.5);
- Development of competencies to support this new environment (see 4.2.3.2.6); and
Performance management – tracks its (strategic alliance) performance against the objectives established (see 4.2.3.2.7).

4.2.3.2.1 Elimination of impediments

Impediments to the performance are identified and addressed to ensure the partnering organizations are aligned with the business objectives of the strategic alliance. As Bryan confirms,

To ensure potential impediments for the strategic alliances are identified and addressed. (Bryan, Director Retail Banking ZBK)

4.2.3.2.2 Cultural management

Respondents in this study suggested that it was important to respect an individual organizations culture, and to learn to work with it in supporting the aims of the strategic alliance. Managing cultural difference reduces resistance and increases collaborative opportunity:

... [W]ithin these types of partnership it is generally the ability of each partner to respect each other culture, and to understand and appreciate those partners’ cultures that will support the overall business objectives and expectations. (Bart, CEO ZBK)

In an alliance I do not believe we have the ability to change another organizations culture, however what we are experiencing is a respect for one and another cultures and frames of references. (Bryan, Director Retail Banking ZBK)

To mitigate differences open communication was promoted as a way to understand and work with difference to support compromise:

... working together to try and achieve compromise where compromise is necessary. (Betty, Director Sales and Marketing GGI)
While the respondent in this instance identified compromise as a key factor, compromise arose from improved collaboration and cooperation (see 2.5.4.3).

4.2.3.2.3 Openness, flexibility, and responsiveness

The ability of partnering organizations to manage cultural differences and to cooperate and collaborate requires a spirit of openness, mutuality, and trust between the stakeholders involved (see 2.5.4). Respondents continually highlighted the importance of these issues in supporting relationship development and cultural management (see 4.2.3.2.2).

What guarantees success is openness and clarity around the roles within the strategic alliances. Good relationship between the parties the ability to build trust and openness between the parties, so communication supports the change and the on-going management of the partnership. (Betty, Director Sales and Marketing GGI)

There is an acknowledgement by the respondents in this study that alliance success has two sides.

My view it comes down to softer issues such as openness, mutuality, flexibility, and responsiveness. On the other side it comes back to my KPI’s in relation to these strategic alliances. (Bryan, Director Retail Banking ZBK)

The ability to mitigate and manage difference becomes an important component in alliance, and in supporting relationship development.

You have to learn to work with and manage the differences that may exist between ZBK and the partners. Identify common ground such as deliverables and expectation of outcome and work towards that and keep the focus. (Bernard, Director ZBK*Connect)
4.2.3.2.4  Accountabilities, rewards, and recognition

Accountabilities that relate to key performance indicators for internal stakeholders are, similarly, significant in supporting the performance of the strategic alliance. Therefore commitment to the alliance is governed by the extent that accountability directly relates to the alliance’s success.

… a function of how much of my personal KPI’s are linked to the performances of the strategic alliances negotiated. (Bryan, Director Retail Banking ZBK)

Reward and recognition systems need to be introduced to ensure that stakeholders within both partnering organizations support the organizational alignment required for the strategic alliance.

So you need to make someone or a group accountable for the key performance indicators that support the alliance, and in the reward and recognition system you need to make sure you have report cards and rewards to support the objectives of the alliance. (Barney, CEO Asia Pacific Region GGI)

4.2.3.2.5  Communication management

At this stage partnering organizations should be monitoring performance and identifying changes that will support alignment between the organizations to ensure that the business objectives of the strategic alliance can be achieved (see 2.5.4.1, 2.5.4.5 and 4.2.3.2.7).

Getting support from staff is critical. It is important to provide communication that supports their understanding of the benefits of the partnership for our customers, how it affects them, and keeps them informed in terms of its progress. Then it becomes to align their activities in supporting the partnership. (Barney, CEO Asia Pacific Region GGI)
Two-way communication is managed through various forms (working groups and steering committees) to confirm performance, issues affecting performance, and resolution.

Getting support from staff is critical. It is important to provide communication that supports their understanding of the benefits of the partnership for our customers, how it affects them, and keeps them informed in terms of its progress. (Barney, CEO Asia Pacific Region GGI)

Respondents highlighting how communication is supported between partners (see 2.5.4.1):

I would expect that this would be managed at various levels, CEO’s and at my level, subordinates and partner equivalent through formal forums such as steering committees, and informally through open communication. (Bryan, Director Retail Banking ZBK)

At a formal level through communication with the senior stakeholders and through formal forums such as steering committees, and informally through open communication as we manage the day-to-day issues. (Bernard, Director ZBK*Connect)

These issues were also reflected in respondents views that:

This [the success of the strategic alliance] relies upon constant communication and an ability to manage the differences between your organizations, and appreciate the impact of the market on both you and your partner. (Burt, Head of Asia Pacific Region Monet Asset Management)

The ability to manage communication affects the potential for longevity of the relationship:
A lack of communication and dialogue between the partners will work against the alliances once it is up and running. (Burt, Head of Distribution Asia Pacific Monet Asset Management)

The extent of communication can influence success of both relationship and cultural management between the partnering organizations (see 4.2.3.2.2).

... open communication and trust and commitment is made to this. It snowballs so that it strengthens the strategic alliance as it goes along. (Listiani, Director Sales and Marketing GGI)

Through the alliance development process, organizations individually are developing the cohesion and identity required to build a sense of tolerance for new ways of thinking (see 2.5.5.1). The potential challenge at this stage is the focus given to internal alignment in the context of the strategy formulated and objectives set at the outset for external alignment. The issue is the ability of organizations to continually re-align, in the face of their own mature stage cultures, with their external environment when this is, itself, evolving and changing. Respondents suggest that this becomes an issue due to the size of the investment made and the potential market opportunity.

... If it is significant both partnering organization will be moving with it. (Ling, Head of Channels ZBK)

Importantly, it impacts on the combined value of the offering to the market.

... if the value in the alliance is strong, both organizations will continue to align. I think they just stay naturally aligned. (Ling, Head of Channels ZBK)

As a result, constant market referencing appears essential to ensure relevance of the value proposition, and in order to maximize market opportunities.

From my perspective I’m trying to keep my channel and value proposition relevant to the market, so using market information and
performance/results to influence any change in strategy … (Bernard, Director ZBK*Connect)

4.2.3.2.6 Competency development

Leadership provides perspective, reasoning, and influences a change of behaviour. To support this staff are trained into the alliance (see 2.5.5.2).

For example you are shifting from product flogging to a cross-selling culture, so it’s through education and training. (Leroy, CEO Asia Pacific Region GGI)

… It may involve training to ensure delivery of expectations in terms of the change. This is probably something that needs to be discussed up-front between the partners. (Bernard, Director ZBK*Connect)

Organizations are successful if they institutionalize capabilities developed through their experience and knowledge gained (see 2.5.5.2).

4.2.3.2.7 Performance Management

Respondents to this study highlighted the importance to regularly measure and track performance standards set within service level agreements (SLA’s) through a range of commonly accepted techniques (see 2.5.4.5).

My ability to influence is through current and potential results and market feedback concerning SLA’s. (Bernard, Director ZBK*Connect)

Respondents suggested that partnering organizations are using MIS to source information to monitor the performance of the alliance in the context of the business objectives established.

MIS to show that we are moving with the partnership towards the strategic objective. We need to be constantly talking to ensure that we are aligned and focused on our original strategic intent. (Bart, CEO ZBK)
… feedback daily about issues and performance, and what steps are being taken to support the success of the strategic alliance. Once the strategic alliance is “bedded down” I would be relying upon MIS reporting on a weekly basis and using feedback from my management committee in terms of issues and progress perhaps on a monthly basis. (Larramy, Director Retail Banking ZBK)

While the ability to monitor, measure, and incentivise stakeholders is important, respondents again highlighted the need to create an environment that supports interaction, cooperation, and collaboration between the partnering organizations involved, formally and informally.

… at a formal level through communication with the senior stakeholders and through formal forums such as steering committees, and informally through open communication as we manage the day-to-day issues. (Bernard, Director ZBK*Connect)

Management information systems (MIS) reporting is widely utilized to confirm whether both partnering organizations are achieving the business objectives of the strategic alliance. Achievement of business objectives set in relation to revenue, profitability, ROI, market share, customer acquisition and retention can be measured as more than just achieving marketing and financial results. Findings from this study confirm that initial focus in the short term is given to financial based results, market share, customer retention and acquisition. In the longer term, the focus moves to learning, business efficiency, and current marketability of their combined value proposition, (see Figure 2-3 and Figure 4-2).
Figure 4-2 Anderson’s (1990) criteria for joint venture success along an input-output continuum.

The general consensus of respondents involved in this study in relation to the financial services industry is that their business objectives for the alliance focused towards the shorter term orientation (see 2.5.4.5) because:

By this stage it is a case of revenue, profitability, ROI, customer acquisition and retention. (Barney, CEO Asia Pacific Region GGI)

The market share would be one thing, and that we are growing against the market overall. Performance against the business plan. (Betty, Director Sales and Marketing GGI)

The value of the alliance is measured purely in financial terms, indicators such as revenue generated out of the alliance. (Listiani, Director Sales & Marketing GGI)

The issues supporting longer term orientation proposed by Anderson (1990) is explored in the following section (see 4.3) and in Chapter 5.
4.2.3.3 Learning

As reported earlier (see 4.2.3.2) partnering organizations are referencing the market and managing the performance of the alliance in the context of the strategy and objectives developed earlier. In *maintenance*, the challenge for partnering organizations is to identify if the alliance requires further changes, substantive or non-substantive in nature, to improve its relevance to the market and to maximize business opportunities.

At this stage the focus of the stakeholders involved is aligning the organization with the new alliance context, and at the same time referencing their external environment to ensure on-going relevance of the alliance to the market. As a consequence, partnering organizations need to manage any potential change required to reduce the ambiguity and confusion for those involved (see 2.5.5.1). This demands a highly developed and continually evolving ability to understand, interpret, and manage these different contexts of operation. As discussed earlier (see 4.2.2.3), learning may be a function of the stakeholders experience with these types of arrangements and the level of staff turnover within the partnering organizations operating in the strategic alliance.

... organizations can learn this as time goes on. However, this is contingent upon the same people being involved, need to have stability across the organization. (Betty, Director Sales & Marketing, GGI.)

In essence, the more experienced individual and organization is likely to bring a greater level of past associations and involvements that enable consideration of a range of options at different levels to support a given situation, “double loop” learning. Organizations and individuals with less experience appear to develop incremental solutions based upon their lesser experience with this business construct, “single loop” learning (see 2.5.5.1, 2.6.2, and 4.2.2.3). These findings are discussed in conclusion in Chapter 6.
The learning issues and the ability to adapt and re-align an organization are similar over each of the stages of the strategic alliance process: *strategy formulation*; *implementation*; and *maintenance*. However, how the organization learns and how much it learns is dependent on the experience levels between individuals and the organizations collectively as to how they respond to their internal and external environment.

4.3 Integrating an entrepreneurial approach

This section presents a checklist to support the integration of an entrepreneurial approach for mature stage organizations seeking to enter cross industry agreement strategic alliances in the financial services industry as a form of innovation for their existing and proposed markets. The checklist has been developed as a summary of findings related to effecting change that occurs across a strategic alliance (see 4.2.1, 4.2.2, and 4.2.3).

While the origins of each of the themes identified in relation to the strategic alliance process have been previously discussed (see 2.5.1, 2.5.2, 2.5.3, and 2.5.4), what has been identified is an integrating sequence that offers substantially increased capacity to apply these observations within a strategic alliance in the finance services industry. This has enabled the researcher to group and identify the themes and components that support the “management of change” at each stage of a strategic alliance’s formation and evolution (see Figure 4-3).

In taking this further, the development of a checklist has enabled the researcher to identify the consideration that are the catalyst of change; support management of change; and the type of learning that is occurring at each stage of alliance development: *strategy formulation*; *implementation*; and *maintenance* (see 4.2.1, 4.2.2, 4.2.3, and Figure 4-4).
<table>
<thead>
<tr>
<th>Stage</th>
<th>Category used in the study</th>
<th>Common group themes and components that support the “management of change” for each stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Strategy formulation</td>
<td>Commonality of focus&lt;br&gt;▪ Common view of market and opportunity;&lt;br&gt;▪ Confirm competencies through due diligence;&lt;br&gt;▪ CEO and Executive commit to the vision and strategy;&lt;br&gt;▪ Share common and consistent objectives;&lt;br&gt;▪ Alignment of goal setting; and&lt;br&gt;▪ Address issues and potential conflicts. Strategy appropriateness&lt;br&gt;▪ Competencies to support each stage;&lt;br&gt;▪ Acknowledgement of partners’ value;&lt;br&gt;▪ Market understands the proposition;&lt;br&gt;▪ Clear delineation in boundaries; and&lt;br&gt;▪ Respect of each other’s culture and values. Financial feasibility</td>
</tr>
<tr>
<td>2.</td>
<td>Implementation</td>
<td>Enabling environment&lt;br&gt;▪ Communication of change, implications, and progress;&lt;br&gt;▪ Ability to address impediments;&lt;br&gt;▪ Create service levels service level agreements (SLA’s);&lt;br&gt;▪ Establish roles and responsibilities; and&lt;br&gt;▪ Collaboration and cooperation is promoted. Integrating businesses</td>
</tr>
<tr>
<td>3.</td>
<td>Maintenance</td>
<td>Enabling environment&lt;br&gt;▪ Elimination of impediments;&lt;br&gt;▪ Management of cultural differences;&lt;br&gt;▪ Openness and flexibility promoted;&lt;br&gt;▪ Accountabilities, rewards, and recognition established;&lt;br&gt;▪ Communication is managed across multiple levels and through different forums;&lt;br&gt;▪ Competencies developed or accessed; and&lt;br&gt;▪ Performance management to measure success and opportunities for improvement.</td>
</tr>
</tbody>
</table>

Figure 4-3: Common group themes and components “management of change” for each stage of the strategic alliance process.
<table>
<thead>
<tr>
<th><strong>Catalyst for change</strong></th>
<th><strong>Strategy formulation and entry</strong></th>
<th><strong>Implementation</strong></th>
<th><strong>Maintenance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External environment:</strong></td>
<td>▪ Globalization of industries</td>
<td>▪ Align partners to the relationship objective:</td>
<td>▪ Strategy is handed over to stakeholders responsible for this new environment;</td>
</tr>
<tr>
<td></td>
<td>▪ Rate of technological change</td>
<td>▪ Handover strategy to stakeholders responsible;</td>
<td>▪ Activities are directed towards supporting the objectives; and</td>
</tr>
<tr>
<td></td>
<td>▪ Changes in regulatory, political, and economic framework</td>
<td>▪ Align organizations to vision; and</td>
<td>▪ Communication of SLA’s, KPI’s, and rewards in support of objectives.</td>
</tr>
<tr>
<td></td>
<td>Financial performance; and</td>
<td>▪ Craft format and structure to achieve objectives.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market relevance.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Management of change</strong></th>
<th><strong>Commonality of focus</strong></th>
<th><strong>Enabling environment</strong></th>
<th><strong>Enabling environment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▪ Common view of market and opportunity;</td>
<td>▪ Communication of change, implications, and progress;</td>
<td>▪ Elimination of impediments;</td>
</tr>
<tr>
<td></td>
<td>▪ Confirm competencies through due diligence;</td>
<td>▪ Ability to address impediments;</td>
<td>▪ Management of cultural differences;</td>
</tr>
<tr>
<td></td>
<td>▪ CEO and Executive commit to the vision and strategy;</td>
<td>▪ Create service levels service level agreements (SLA’s);</td>
<td>▪ Openness and flexibility promoted;</td>
</tr>
<tr>
<td></td>
<td>▪ Share common and consistent objectives;</td>
<td>▪ Roles and responsibilities; and</td>
<td>▪ Accountabilities, rewards, and recognition established;</td>
</tr>
<tr>
<td></td>
<td>▪ Alignment of goal setting; and</td>
<td>▪ Collaboration and cooperation is promoted.</td>
<td>▪ Communication is managed across multiple levels and through different forums;</td>
</tr>
<tr>
<td></td>
<td>▪ Address issues and potential conflicts.</td>
<td>Integrating businesses</td>
<td>▪ Competencies developed or accessed; and</td>
</tr>
<tr>
<td></td>
<td><strong>Strategy appropriateness</strong></td>
<td>▪ Environmental scanning;</td>
<td>▪ Performance management to measure success and opportunities for improvement.</td>
</tr>
<tr>
<td></td>
<td>▪ Competencies to support each stage;</td>
<td>▪ Scenario planning;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Acknowledgement of partners’ value;</td>
<td>▪ Brainstorming; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Market understands the proposition;</td>
<td>▪ Prior experiences and competencies support “double loop” learning.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Clear delineation in boundaries; and</td>
<td>▪ Challenge the best internal and external propositions based upon constraints; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Respect of each others culture and values.</td>
<td>▪ Prior experiences encourage “double loop” learning.</td>
<td></td>
</tr>
</tbody>
</table>

| **Lening** | ▪ Environmental scanning;  | ▪ Prior experience and low staff turnover supports transition and market referencing; and  |                 |
|           | ▪ Scenario planning;  | ▪ The level of experience influences whether “single or double loop” learning.  |                 |
|           | ▪ Brainstorming;  | ▪ Sigmally and collectively.  |                 |
|           | ▪ Prior experiences and competencies support “double loop” learning.  |                 |                 |

Figure 4-4 Integration Checklist for an Entrepreneurial Approach.
4.4 Adopting an entrepreneurial approach

Respondents in this case study have identified a need to negotiate or renegotiate boundaries at each of the transition points: strategy formulation to implementation; and implementation to maintenance. Individual organizations at each of these transition points are considering their own position and context, so “double loop” learning is done individually in each of the partnering organizations and collectively in the alliance (see 2.5.5).

What enables this learning within and between organizations is the type of environment created by the partnering organizations. Partnering organizations must establish communication and reporting protocols to confirm change, implications, and progress for internal and external environments for the stakeholders involved. Respondents have identified the flexibility of this environment as being critical to support change, and for learning to take place within and between partnering organizations (see 4.3).

An organization or group of partnering organizations can better respond to an entrepreneurial opportunity if it has a responsive and learning oriented environment. Once an entrepreneurial opportunity is identified, both partnering organizations need to support their initially shared vision. An appreciation and respect of difference is necessary to achieve the aims of the alliance and the shared vision.

The findings from this study also confirm that the learning organization requires a shared vision across all organizational levels. Change is driven by not only from the CEO and senior executives but also by middle management who are responsible for communicating messages from senior executives to the front line staff, and translating and operationalizing the change required into a language that fits the culture of the partnering organizations (see 2.5.4 and 2.5.5).
4.5 Chapter Overview

This chapter has presented findings which address the first of the two research questions (see 2.5.6):

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

In addition to presenting the findings, the chapter has summarized the findings in a checklist to support mature stage organizations in managing change, thereby integrating an entrepreneurial approach. Therefore an entrepreneurial organization which is successful in managing change and fostering learning can better achieve continual re-alignment with existing and new markets. Building upon the work of Buchel et al (1998), Dussauge and Garrette (1999), and Mockler (2000) this checklist used strategic alliances as a form of innovation that supports partnering organizations operating in the financial services industry.

Examining the factors which make a strategic alliance successful helps us understand what it takes to integrate an entrepreneurial approach into mature stage organizations (see 2.5.4 and 2.5.5).

- In doing so, it has confirmed current understanding of the steps required to support the adoption, integration, and on-going management of strategic alliances between mature stage organizations.

The findings presented in this chapter confirm and increase understanding of the initial change and learning that occurs between partnering organizations entering into an alliance, and of the iterative nature of the learning and change that occurs in each stage of the alliance as the external environment evolves. In doing so, this chapter has identified factors that support the acceptance of strategic alliance as an increasingly preferred entrepreneurial initiative in mature stage organizations in the financial services industry.
5. HOW MATURE ORGANIZATIONS LEARN TOGETHER

5.1. Introduction

From the findings reported in Chapter 4, a checklist was developed to describe “how” partnering organizations in strategic alliances can manage the alliance while supporting associated change and learning across the strategic alliance process (see 4.3 and 4.4.). The opportunity to examine a strategic alliance within the context of the hypothetical case study created for this research project (see 3.4.6) led to the extension of the original research design (see Chapter 3) to include a second research question:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

Iyer’s (2002) learning framework presupposes that learning occurs initially to address deficiencies in competencies and resources in an alliance, and that learning progresses from unilateral to mutual in order to support the partnering organizations mutually shared business objectives and context. However, even at this stage what remains unclear is whether the same learning mechanisms deployed within a unilateral learning environment are appropriate for the mutual learning environment of the partnering organizations.

As a consequence this research aims to confirm the key motivating factors for learning in the various stages of a strategic alliance’s formation and evolution and apply these to better understand how mature stage organizations can create a mutual learning environment in order to support their evolving external and internal environments (see 2.5.1.1 and 2.5.1.2).

This chapter presents findings to develop a model which, it is proposed, explains how the hypothetical case organizations: ZBK; GGI; and MAM learned individually and collaboratively as partners in the context of their
strategic alliance. The findings presented in this chapter extend understanding of how learning is prioritized, and the mechanisms that support the learning process for partnering organizations operating in alliance. Initially, this chapter presents findings related to three phases of learning that occur within an organization and between organizations: partners need to co-operate (see 5.2); how to co-operate (see 5.3), and; partners grow through cooperation (see 5.4).

In conclusion, the chapter presents a model suggesting how mature organizations “can” learn in the context of the strategic alliance (see 5.5). The key issues and findings developed in response to the second research question are summarized (see 5.6). The implications of this model in practice and for further research are discussed in the following Chapter 6.

5.2 Partners need to co-operate

As previously established (see 2.6 and 2.6.3), learning between partnering organizations within a strategic alliance occurs throughout its evolution, and in a number of different stages: awareness and partner selection, exploration, expansion, and over time, commitment to the relationship.

At the awareness and partner selection stage, Iyer (2002) identified learning to be one-sided with a focus on the external environment, potential partnering organization’s offerings, and competencies (see 2.6.3.1). Findings from this study support the view (see 2.6.3) that organizations learn “side by side”, motivated by external context in their positioning (relevance and structure) and perception of opportunities in the market place.

Once the strategic alliance option and a potential partner are confirmed, steps are taken to establish issues requiring resolution to support the proposed integration.

The challenge, and this is part of your assessment of potential strategic alliance partners, is understanding whether they have the capabilities to
fully support the market opportunity you have identified. (Larramy, Director Retail Banking ZBK)

As a result, organizations should consider whether the potential partner is:

... financially robust, capable of following through, [and what are its] capabilities, extent of product and service offering in the context of the market, ... the technology ... (Ling, Head of Channels ZBK)

From the CEO’s viewpoint:

I think getting the right balance of financial incentives is important. So it becomes a case of strategic alignment then financial alignment. (Barney, CEO Asia Pacific Region GGI)

To support the formation of the alliance relationship, additional stakeholders from the partnering organizations necessarily become involved to ensure that their individual organizations understand the vision and objectives of the relationship. At the same time, preferably, they are ensuring that business structures, processes, policies, and technologies are aligned and integrated to support the strategic alliance by:

... working together, in collaboration. Joint involvement between partners can actually get things done faster. (Betty, Director Sales and Marketing GGI)

Collaboration between the parties in the alliance is important. Bringing together the thinking of the experts from both sides to develop the best approach to supporting the alliance is fairly important. (Betty, Director Sales and Marketing GGI)

The energy for partnering organizations to recognize the need to cooperate generally appears to be driven from the top of each organization. The spirit of cooperation and collaboration, initially driven by the leadership and vision given by the CEO and through senior and middle management teams within
each of the partnering organizations shifts the focus from external referencing to an internal alignment between the partners to ensure each is able to maximize the market opportunity identified through their partnering:

At this stage I think you are pretty much internally focused at what has to be done to get the alliance up and running, so you are seeking feedback from those responsible for the implementation from both your team the partners implementation team. (Barney, CEO Asia Pacific Region GGI)

At implementation and maintenance (see 4.2.2 and 4.2.3), the partnering organizations are focused on creating an enabling an environment that supports their ability to cooperate and collaborate (see 4.2.2.2 and 4.2.3.2). This is enabled by “two way” communication that supports training, elicits feedback from those involved, initiates problem management and resolution mechanisms, establishes boundaries and accountabilities between the partnering organizations, and measures performance. The clarity of the communication and the involvement of key stakeholders and staff involved supports openness, flexibility, and responsiveness which builds trust, sense making, and commitment (see 4.2.3.2.3).

My focus at this stage may be to build the staff’s confidence with this change, so employee turnover is minimized and customer and staff feedback is positive. (Bryan, Director Retail Banking ZBK)

So what is needed is clarity of roles and responsibilities, so everyone knows who’s doing what and by when. (Betty, Director Sales and Marketing GGI)

Pursuing this need for clarity, Beverley suggests that

… On two fronts we need openness and clarity around the roles within the strategic alliances. Good relationship between the parties involved to ensure trust and understanding between the parties. (Beverley, Director ZBK Asset Management)
In this hypothetical alliance, communication provides a means to identify commonality and differences between ZBK, GGI and MAM as they work through their differences, problems, and issues to support their alliances.

... so we are challenging both the organizations culture and capabilities to shift from past practices to today’s expectations. (Leroy, CEO Asia Pacific Region GGI)

This process is supporting relationship development and managing cultural differences as the two companies learn to cooperate and manage change through their respective organizations.

Your ability to influence your own culture is important in achieving change and an outcome. ... It’s the whole issue of change management, you must ensure that people are comfortable and that the new way we do business is part of the way they now work in their organizational environment. (Leroy, CEO Asia Pacific Region GGI)

The findings of this study suggest that initial interpretations of how partners learn that they need to cooperate emanate from their individual organization’s motivation to scan their external environments (see 5.2.1). Once a strategy has been confirmed, there is a need for learning and cooperation between partners (see 5.2.2), and identifying factors that may inhibit this cooperation (see 5.2.3).

5.2.1 Individual organizational motivating factors

This study supports Iyer’s (2002) suggestion that an organization’s motivation to learn and cooperate with another organization is not only driven by their external environment (see 2.5.1.1 and 4.2.1.1) and potential changes in that environment, but also by the expected financial gain (see 2.6).

The value of the alliance is measured purely in financial terms, indicators such as revenue generated out of the alliance. (Listiani, Director Sales & Marketing GGI)
And

… Changes in the market place may happen that enable you to do things that you couldn’t do in other markets due to regulation or deregulation or other factors. (Barney, CEO Asia Pacific Region GGI)

Respondents confirmed that consideration is given to the external environment with respect to the size of the opportunity, relevance, and potential structure. While organizations are also considering their internal environment in relation to: partner appropriateness; complementary nature of their competencies; ease of integration with respect to technology, structure and processes; and the feasibility of an alliance achieving their overall business objectives (see 4.2.1.2).

5.2.2 Environment for Learning and Cooperation

The alignment of organizations within the alliance context provides an opportunity to create an environment where partners can learn and cooperate. The respondents to this study confirmed that the ability to build trust and openness was critical in supporting an environment for learning and cooperation between partnering organizations:

… Good relationship and the ability to build trust and openness between the parties, so communication supports the change and the on-going management of the partnership. (Betty, Director Sales and Marketing GGI)

Further to this, respondents suggested that the approach taken to learning and cooperation was heavily influenced by their previous experience with apparently similar relationships.

… I think it is going to be heavily influenced by the CEO and the sponsor, and if he or she has had good experiences in the past, they will support these types of initiatives. If he or she has had a bad experience, they are going to be highly skeptical. So they will tend to
ask a lot more questions in terms of strategy as to why are we entering into this. (Bart, CEO ZBK)

While these relationships may be considered and confirmed at a CEO and Senior Executive level, past experiences at a business unit level may act to subvert the potential for future relationships.

… whilst agreement was clear at CEO level, there was resistance at my level and below due to poor experiences with other alliances where they believed they got very little out of it. (Bryan, Director Retail Banking ZBK)

Nevertheless, while previous research suggests that organizations focus on building their level of experience quickly, encourage sharing of knowledge, and mutual learning (see 2.6.3.2), the respondents to this study argued instead that:

It is very unusual for the same people to be involved from one alliance to another alliance. You will always have discontinuities, you may one or maybe two involved, but in most cases it is very rare. Also each alliance or JV will be different, unless you take a very generalist approach. You also have to take into account the issue of time, a JV/alliance 20 years ago will be different in nature as to one today, based upon the way businesses function today. (Leo, CEO ZBK)

Supporting this view from an operational perspective, Ling observes that:

…we don’t have people that were in the organization that long, I wasn’t in a senior position when these decisions were made in the mid 1980’s. So where is the learning. I can’t bring a perspective of 1985, 1986 or 1989 that has any relevance to my current role or context to be able guide me as a leader within this organization today. (Ling, Head of Channels ZBK)
Nevertheless, as the CEO of ZBK, Bart argues that the duration of prior involvement does support the development of trust, willingness to share knowledge, and mitigation (see 2.6.3.4), although,

… there is tremendous amount of due diligence done, understanding the background of the institution. (Bart, CEO ZBK)

Synthesizing previous research with Bart’s observation and Beverley’s experience leads to a tentative suggestion that even the duration between strategic alliances and the involvement of different people within the partnering organizations can be mitigated if the appropriate time is given during the partner selection and due diligence stage. The ability to progress towards learning is then supported by the partnering organizations’ ability to create formal and informal communications channels that support cooperation between the organizations, creating:

… forums such as executive and operations steering committees to support the strategic review of the partnerships business direction, introduction of new products, technologies, and processes. This approach creates greater levels interdependencies between each other. (Barney, CEO Asia Pacific Region GGI)

Further, the migration of resources between organizations is a major factor in supporting potential expansion, an area highlighted by the respondents to this study as requiring more investigation (see 6.6.2).

Where it is important is where there is a balance between the organizational capabilities and their ability to support the market direction we are seeking. Sometimes, as I have experienced in the past in the UK, this can be successful where you provide staff to your partner on either a secondment and/or a permanent basis in supporting your mutual business functions. (Barney, CEO Asia Pacific Region GGI)

As identified earlier (see 5.2.1), respondents to this study have suggested that the motivating factors are initially driven by an external context, market
and competition, which is selfishly promoted through a perceived opportunity to improve their financial position. As part of this process, their internal referencing organizations aim to support the partner selection process to confirm alignments in market interpretation, philosophies, and the perceived complementary nature of their capabilities and competencies to support apparently mutually shared ambitions.

Beyond this, it seems to be necessary for partnering organizations to learn that they need to cooperate before an environment that supports learning and cooperation can be created. In essence, the senior management teams at ZBK, GGI, and MAM are in solid agreement that the willingness of organizations to cooperate is being driven by changes that potentially affect their future performance. The ability to move to the next learning phase “how to cooperate” is more evidently based upon perceived financial benefits. There are, nevertheless, factors which may confound the alliance.

5.2.3 Inhibiting factors

The findings of this study identify certain factors which inhibit the ability of partnering organizations to learn. The respondents in this study identified the major inhibiting factors relating to inadequate motivation to support the alliance due to either the partnering organizations’ self-interest or their inability to agree on, the extent of the business opportunity. Clearly, shared vision need not necessarily translate into shared assessment of the business opportunity.

This may provide some problems in that partners may have different expectations in terms of what is required and potential outcomes. (Barney, CEO Asia Pacific Region GGI)

However, if the motivating factors are adequate to support progress (see 5.2.1), its achievement will be predicated upon the strengths of the environmental factors that support learning and cooperation (see 5.2.2). Previous experience or “bringing inside” experience is seen as supporting the
learning, cooperation, and knowledge that may be shared between partners (see 2.6.2). Thus, personnel turnover potentially inhibits alliance success.

… [learning] is contingent upon the same people being involved. You need to have stability across the organization, because changes in personnel early and later on can inhibit the performance of the alliance or potentially unravel the work done! (Betty, Director Sales and Marketing GGI)

Similarly, cultural differences in how organizations value learning, cooperation, openness and transparency need to be overcome or acknowledged during relationship development. Such differences may influence the effectiveness of newly established communication channels.

… there can be a natural resistance to take on other ideas from outside. This can slow down the progress and inhibit their ability to achieve the business objectives. (Betty, Director Sales and Marketing GGI)

Respondents also observed that lack of time dedicated to the due diligence and partner selection processes (see 2.5.1 and 4.2.1.2) may undermine much of the work required to support later relationship development and cultural assimilation.

5.2.4 A mature stage organization learning model - First stage

A learning model which explains how these findings might be drawn together suggests that partnering organizations are motivated to enter into an alliance by a need to improve their positioning and context with their external environment (see 2.5.1.1 and 4.2.1.1), and that subsequent referencing of the market is focused on finding suitable partnering organizations to support the identified opportunity within the market.

The findings from this study suggest that once the partnering organizations have chosen an alliance partner and committed to the alliance, the catalyst to progress is a perceived need to integrate structures, technologies,
processes, and procedures to support the new business construct (see Figure 5-1). Through this, it is anticipated, partners are learning that they need to cooperate in order to achieve the objectives of their redefined business within the strategic alliance ZBK, GGI, and MAM.

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<tr>
<th>Partners Need To Cooperate</th>
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<tr>
<td><strong>Motivating factors</strong></td>
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<td>- Feasibility.</td>
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<td><strong>Environment for learning and collaboration</strong></td>
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<td>- Relationship development;</td>
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<td>- Effectiveness of communications;</td>
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<td>- Time spent on due diligence and partnership selection.</td>
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<tr>
<td><strong>Inhibiting factors</strong></td>
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<td>- Inadequate motivation;</td>
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<td>- Experience and staff turnover;</td>
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<td>- Cultural resistance</td>
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<tr>
<td>- Poor relationship management; and</td>
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<td>- Lack of time dedicated due diligence and partner selection.</td>
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**Transitioning to the next phase**
This is driven by individual key performance indicators (KPI), rewards, and recognition in support of the strategic alliance’s objectives.

Figure 5-1 First stage of “Strategic Alliance Organizational Maturity Learning Model”
5.2.5 Moving to the next phase

The creation of the strategic alliance between ZBK, GGI, and MAM implies that the partnering organizations recognized the benefit of cooperation to support both the performance of the alliance and the achievement of their own individual organization’s business objectives.

Their initial need to cooperate appears to be driven by the external environment (see 2.5.1.1 and 4.2.1.1) and their approach to learning appears to be driven by a recognized need to cooperate. Progress to the next phase of learning involves the organizations recognizing the tangible gains from their initial cooperation in the alliance. At an organizational level, the respondents to this study pledged additional support to the alliance on the basis of observable results:

… So I’m looking at opportunities as to where I can improve my market share ... (Burt, Head of Distribution Asia Pacific Monet Asset Management)

Burt may be motivated to achieve by his particular accountabilities within MAM, and his initial need to cooperate may be driven through the partnering organizations KPI’s, recognition and rewards program (see 4.2.2.2.3, 4.2.3.2.4 and 5.2.4). As CEO of GGI, however, Barney’s view was more pragmatically focused on the achievements of the alliance as an entity:

Thing that supports an alliance is achieving some quick wins early on for both partners to support and strengthen the commitment to the alliance in the medium to long term ... (Barney, CEO Asia Pacific Region GGI)

In this study, however, most of the respondents were more self-centred in the early stages of the alliance.
I'm looking at all options to hit my targets. I want to identify factors and approaches that will guarantee my success. (Bryan, Director Retail Banking ZBK)

Bryan recognized that by cooperating he could achieve his individual goals which were aligned with and underpinned the success of the strategic alliance. While this crystallizes a need to cooperate at an individual level without necessarily being required to learn from the alliance the next phase emphasizes a collective need within the partnering organizations to learn *how to cooperate* to further support and maximize the objectives of their strategic alliance (see 5.3).

### 5.3 How to cooperate

After the *strategy formulation* stage the catalyst for the ‘learning alliance’ originates from a need for partners to integrate structures, technologies, processes, and procedures to support their new business construct. A learning environment can be fostered by focusing attention on the following:

- Value placed on learning and cooperation;
- Relationship development supporting openness and transparency;
- Previous experience or mitigating steps taken to support operating in this construct;
- Effectiveness of formal and informal communication channels;
- How knowledge is shared amongst the partners; and
- Time expended on the due diligence and partner selection process.

At this point, the respondents from ZBK, GGI, and MAM agree that partnering organizations are learning how to cooperate. They strongly suggest that mutual success at this stage is about the resolution of external environmental factors.

Is there a need to change here? Can the partner adapt appropriately to the change in the market? If it is a partnership, preferably the two of
you are coming together at the same time, “saying hey we’ve got an issue here and what are we going to do about it. (Bart, CEO ZBK)

As the strategic alliance develops, the respondents assert, learning shifts from predominantly unilateral to mutual learning as skills, goals, tasks, and processes are increasingly shared between ZBK, GGI, and MAM. This mutuality is being driven by the need for partners to work together to achieve their increasingly joint outcomes.

You have to learn to work with and manage the differences that may exist between ZBK and the partners. Identify common ground such as deliverables and expectation of outcome and work towards that and keep the focus. (Bernard, Director ZBK*Connect)

In the initial strategy formulation stage of a strategic alliance, partnering organizations generated an environment where partnering organizations learn that they need to cooperate. In essence they learned that they must learn for the alliance to support their personal and collective interests.

Now they must learn how to learn or how to manage their learning through organizational alignment and partnership cohesion.

5.3.1 Organizational alignment

The first step in managing the learning that is occurring within the alliance is to align the organizational structures. The alignment of organizational structures enables partners to transfer information and knowledge between each other.

5.3.1.1 Strategic Alignment

One component of organizational alignment is strategic alignment. The alliance partners must establish a clear and common vision of the partnership and develop a business strategy which is mutually accepted and supported. Thus, the organizations can learn within the guidelines of the vision and strategy.
... The ability to operationalize the vision can go a long way to supporting the partners within the alliance. The challenge is understanding the link between strategy and operationalizing it, the example I like to use is the NASA quest to put “a man on the moon”. Everyone at NASA from the Head of Engineer to the Janitor knew that they were part of putting “a man on the moon.” So this type of vision and commitment can create a focus that enables organizations to work together. (Barney, CEO Asia Pacific Region GGI)

As part of the strategy development process, ZBK, GGI, and MAM personnel supporting this study highlighted the importance of bridging gaps to support and manage expectations:

You have to learn to work with and manage the differences that may exist between ZBK and the partners. Identify common ground such as deliverables and expectation of outcome[s] and work towards that and keep the focus. (Bernard, Director ZBK*Connect)

Identifying commonly desired outcomes and working towards them becomes a first step in managing the learning in this phase of the alliance.

5.3.1.2 Structural Alignment

Another component of organizational alignment is structural alignment. The internal processes and roles must be carefully crafted so that staff know what their roles and responsibilities are and such processes and roles must be aligned with the alliance objectives.

Strategic alliance structures need to enable partnering organizations to contribute to the overall objectives of the relationship. As previously established (see 4.2.2.2 and 4.2.3.2), initially collaborating leadership of the partnering organizations needs to establish the long term orientation of the relationship, to establish priorities and to develop a proactive approach to support the resolution of issues.
Respondents to this study argued that, at the next level down, the responsibility of the senior management team was to define roles and create clear accountabilities that were aligned with the objectives of the strategic alliance across the partnering organizations. As Bernard observes:

> The factors that support alliances here would be defined roles and clear accountabilities of who is responsible for what and delivering what. (Bernard, Director ZBK*Connect)

Expanding this imperative, Bryan reinforces the view that there must be:

> Clear and consistent accountabilities for each of the stakeholders involved, along with a willingness to collaborate on strategy, approach and management. (Bryan, Director Retail Banking ZBK)

In essence, the intent of the leadership team is to create an environment that supports collaboration and co-operation not only through the creation of communication channels and the development of relationships between the partnering organizations, but also through the establishment of genuine accountabilities and processes between the organizations. As Ling observes, learning is actually built into this process, though staff turnover can impede smooth development (see 5.2.2).

> What organizations do is evolve and build capabilities through process, and that’s all they do. All the organization is doing is learning through process, but in terms of organizational learning it comes and goes with changes in senior executives. As the rate of personnel changes within organizations has become more turbulent and churning like the sea, so has organizational learning. (Ling, Head of Channels ZBK)

Thereby, highlighting leadership as being critical in resolving these components: roles; responsibilities; and processes. The respondents to this study link the importance of clarity of both roles and responsibilities within a collaborative environment.
To work together, to be successful is about clarity of roles and responsibilities, a willingness to work in a collaborative environment. An environment between the partners that provides for openness, mutuality in understanding each business needs, flexibility and responsiveness in achieving [and] reviewing objectives. Proactive management of KPI’s and focus. (Betty, Director Sales and Marketing GGI)

While Edvinsson and Hlavaeck (1997) and Sveiby (1997) have argued that leadership and management involved in a strategic alliance can address vision to action issues by creating an adaptive and flexible organization through the creation of collaborative structures, such as flattened hierarchies (see 2.6.3). However, the respondents to this study were less easy to convince. Instead, they argued, overcoming cultural differences between partners and supporting individual effort and learning through increased levels of delegation and entrepreneurial activities requires clear leadership and an appropriate business structure.

5.3.1.3 Cultural Alignment

The findings from this study clearly identify the importance of cultural management in supporting the performance of a strategic alliance (see 4.2.1.2.2.4 and 4.2.3.2.2). Culture can best be managed by strong leadership with a clear vision.

In terms of managing culture across different organizations within a strategic alliance and potential impact, I think that this can be mitigated by having a clear vision going in and going forward. (Barney, CEO Asia Pacific Region GGI)

Indicating the potential for a mismatch between the cultures of alliance partners, Betty observed that:

It is essential to understand your partnering organization’s internal view or aspects such as direction, culture, business structure and processes. (Betty, Director Sales and Marketing GGI)
As previously established (see 2.5.4.1 and 2.5.4.3), open communication can
counter mistrust and suspicion if decision making at each organizational level
is transparent in a strategic alliance. The respondents to this study suggested
that tolerance, an understanding of differences and the ability to work with
difference were critical in supporting learning and cooperation between
partners.

You have to learn to work with and manage the differences that may
exist between ZBK and the partners. Identify common ground such as
deliverables and expectation of outcome and work towards that and
keep the focus. (Bernard, Director ZBK*Connect)

Similarly,

In an alliance I do not believe we have the ability to change another
organization’s culture. However, what we are experiencing is a respect
for one another’s cultures and frames of references. (Bryan, Director
Retail Banking ZBK)

The transparency and inclusivity of the partnering organizations approach to
the strategic alliance may minimize the effect of potential differences in the
participating organizations culture in supporting this relationship.

You haven’t changed the culture, you have made it part of the culture of
what the staff do. (Leroy, CEO Asia Pacific Region GGI)

5.3.1.4 Individual Alignment
The individual element of learning how to cooperate is about providing an
environment that makes use of experienced personnel, adequate
remuneration to promote appropriate behaviours, and the ability of
stakeholders within partnering organizations to work within and across teams
in a spirit of collaboration and cooperation between the partnering
organizations (see 2.5.4.3).
... along with a willingness to collaborate on strategy, approach and management. (Bryan, Director Retail Banking ZBK)

Human resources involved from each of the partnering organizations require individuals that have strong relationship skills, flexibility and responsiveness in terms of thinking and approach, and the ability to support and manage trust across organizations over a long period (see 2.5.4.2). This approach deviates from the notion of cultural difference at the organizational level where it is viewed important to support function and performance of an individual organization.

An environment between the partners that provides for openness, mutuality in understanding each other's business needs, flexibility and responsiveness in achieving and reviewing objectives. Proactive management of KPI’s and focus. (Betty, Director Sales and Marketing GGI)

Betty's demand for “flexibility and responsiveness” at an alliance level appears, initially, to be at odds with her requirement for “proactive management of KPI’s and focus”. Her approach is moderated on reflection to include the need for stability of personnel so that, as previously noted, time to adjust to the alliance can be capitalized as learning:

... organizations can learn this as time goes on. However, this is contingent upon the same people being involved, need to have stability across the organization, because changes in personnel early and later on ... (Betty, Director Sales and Marketing GGI)

5.3.2 Partnership cohesion

Learning how to cooperate is not only a function of the competencies of the individuals involved in supporting ZBK, GGI, and MAM, but the retention of key stakeholders to support “trust, commitment, and sense making” (Buchel et al 1998:157) required for this type of business relationship.
The combination of these elements (trust, commitment, and sense making) is not only important to support the cohesion between the partnering organizations, but for current and future learning.

5.3.2.1 Trust

Learning that we need to cooperate requires an “enabling environment” that fosters the development of trust between partners through:

- Time expended developing and building relationships;
- The use of previous experience or securing resources that have experience in operating in similar constructs; and
- Establishment of formal and informal communication channels.

The most commonly cited and passionately argued principle for strategic alliance development reported by the respondents to this study has been time for partners to work together to identify common ground in terms of strategy and operation.

How ZBK, GGI, and MAM will support the partnership is to retain the experience of stakeholders and how the flow of information concerning issues that affect and support the performance of the strategic alliance will be facilitated are seen as central to success.

... Good relationships between the parties, the ability to build trust and openness between the parties, so communication to support the change and the on-going management of the partnership. (Betty, Director Sales and Marketing GGI)

As a result,

... one key thing that will make or break an alliance is trust. The partners have to be open and honest as to what each can or can’t bring to the table. (Listiani, Director Sales and Marketing GGI)

Trust enables partnering organizations to understand and address ambiguity and complexity that may arise within their type of relationship. It also fosters
notions of reciprocity and obligation between partnering organizations. At an inter-organizational level, Beverley suggests, there is need for a:

... Good relationship between the parties involved to ensure trust and understanding between the parties. (Beverley, Director ZBK Asset Management)

As Betty observes:

If there is a distinct lack of trust and openness between the parties it will potentially struggle and fail. (Betty, Director Sales and Marketing GGI)

The ability to retain key stakeholders serves to support trust because the power of organizations is preserved within their formal hierarchies and cultural change requires the gradual rebuilding of disrupted power bases to support the on-going performance of the relationship.

5.3.2.2 Commitment

[When] open communication and trust and commitment are made to this, it snowballs so that it strengthens the strategic alliance as it goes along. (Listiani, Director Sales and Marketing GGI)

As previously discussed (see 2.5.4.4), commitment leads partnering organizations to make short-term sacrifices in the interest of long-term collaboration, so that mutual commitment is reflected, in essence, in the values and actions which are aimed at preserving the relationship between the partnering organizations.

So this type of vision and commitment can create a focus that enables organizations to work together. (Barney, CEO Asia Pacific Region GGI)
5.3.2.3 Sense Making

In supporting the performance of the strategic alliance, the challenge for partnering organizations is to create an environment that aligns the activities and efforts of individuals in supporting the direction of the strategic alliance. In essence, the operationalization and development of the alliance must reduce the ambiguity that arises to provide clarity for all of those affected by the change and who are responsible for achieving its business objectives. Changing organizational stories, disrupts meaning and disturbs operational intentions. The strategic alliance between ZBK, GGI, and MAM represents a new organizational reality for those involved, so success for the partnering organizations depends upon acceptance of this new reality. Respondents highlighted the importance of confirming expectations, education, and commitment from those involved.

It is important to have buy-in and commitment from those operating at the ground level for a strategic alliance to be successful. (Burt, Head of Distribution Asia Pacific Monet Asset Management)

To achieve this new reality requires the:

… commitment of senior management to the strategic alliance, we need to educate our people involved in supporting the alliance, and it is also important for partners to clearly understand … expectations in terms of operations and deliverables, our value proposition. (Bart, CEO ZBK)

What is evident within ZBK, GGI, and MAM is that trust, commitment, and sense making within a strategically aligned context are initially experienced by different parts of the partnering organizations at different times based upon their involvement in the strategic alliance process. So each part of the partnering organizations is developing the components that will support further learning at a different rate and from a different point relative to the alliance start-up.
Consequently, the reality of the alliance will develop at different stages across the partnering organizations. As personnel within ZBK, GGI, and MAM come to terms with the change, buy in to the change and commit to the new relationship, their willingness to learn will become increasingly engaged. In this context, management of the alliance as a relationship entity seems likely to remain highly problematic.

5.3.3 A mature stage organization learning model - Second stage

While the model proposed earlier (see 5.2.5) appears to explain early alliance learning, it appears that partnering organizations are not only motivated by a need to remain relevant with their external environment, but also by a need to ensure that their combined organizational alignment mix of strategy, structure, culture, and individualism supports both their evolving learning demands and their alignment with their external environment. The findings suggest that the second learning stage is characterized by continued effective performance is further influenced by the trust, commitment, and sense making that is embodied in the leadership team of each partnering organization in the alliance. Collectively, the partnering organizations have learned that they need to cooperate, they have learned *how to cooperate* and they have begun to recognize that cooperation can be leveraged to achieve continued growth (see Figure 5-2).
### Partners Need to Cooperate

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<thead>
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<th>How to Cooperate</th>
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<td>- Knowledge management; and</td>
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<tr>
<td>- Time spent on due diligence and partnership selection.</td>
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<tr>
<td><strong>Inhibiting factors</strong></td>
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<tr>
<td>- Inadequate motivation;</td>
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<tr>
<td>- Experience and staff turnover;</td>
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<tr>
<td>- Cultural resistance</td>
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<tr>
<td>- Poor relationship management; and</td>
<td></td>
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<tr>
<td>- Lack of time dedicated due diligence and partner selection.</td>
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</table>

### How to Cooperate

<table>
<thead>
<tr>
<th>Integration and alignment of management forms</th>
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<tbody>
<tr>
<td>- Strategy development;</td>
</tr>
<tr>
<td>- Structure;</td>
</tr>
<tr>
<td>- Culture; and</td>
</tr>
<tr>
<td>- Human resources.</td>
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</tbody>
</table>

### Environment for learning and collaboration

<table>
<thead>
<tr>
<th>Partnership cohesion</th>
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</thead>
<tbody>
<tr>
<td><strong>Trust</strong></td>
</tr>
<tr>
<td>- Relationship development;</td>
</tr>
<tr>
<td>- Formal and informal communication channels; and</td>
</tr>
<tr>
<td>- Time spent on due diligence.</td>
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<tr>
<td><strong>Commitment</strong></td>
</tr>
<tr>
<td>- Values and action;</td>
</tr>
<tr>
<td>- Resources;</td>
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<tr>
<td>- Training; and</td>
</tr>
<tr>
<td>- Technology.</td>
</tr>
</tbody>
</table>

### Inhibiting factors

<table>
<thead>
<tr>
<th>Sensemaking</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Removal of ambiguity and complexity; and</td>
</tr>
<tr>
<td>- Provision of clarity.</td>
</tr>
</tbody>
</table>

**Transitioning to the next phase**

Driven by individual key performance indicators (KPI), rewards, and recognition, but now also in the spirit of collaboration and cooperation.

---

Figure 5-2 The first two stages of the “Strategic Alliance Organizational Maturity Learning Model”.

---

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Collectively, also, individuals within ZBK, GGI, and MAM are aligning to the overall organizational direction. The strategic alliance is now based upon a diverse but commonly focused collection of motivations, individuals and groups. Underpinning this second learning phase, learning *how to cooperate*, partnering organizations become increasingly focused on further developing the levels of trust, commitment, and sense making at all levels of the partnering organizations through on-going relationship development, communication, growing and previous experiences, and the extended time within this relationship.

5.3.4 Moving to the next phase

As partnering organizations recognize the benefit of *how to cooperate*, they are increasingly prepared to accept the final step towards securing the success of the alliance by accepting that *Partners grow through cooperation*. Initially *how to cooperate* is supported by an organizational alignment matrix involving strategy, structure, culture, and individual considerations (see 5.3.1) underpinned by improving levels of trust, commitment, and sense making that supports clarity of roles and responsibilities, openness of communication, and activities that resolve issues while expanding opportunities for the partnering organizations.

In the alliance between ZBK, GGI, and MAM, the primary motivation of increased revenues, profitability, customer acquisition, and market share, has increasingly come to be supported by the spirit of cooperation and collaboration developed through increased levels of trust, commitment, and sense making between the partnering organizations involved. While the financial results continue to be important, other factors are actually securing and extending the partnership’s longevity:

What guarantees success is openness and clarity around the roles within the strategic alliances. Good relationship between the parties, the ability to build trust and openness between the parties, so
communication to support the change and the on-going management of the partnership [are important] ... Alliances can be a healthy thing if people can sit around the table, discuss and work to consensus on what needs to be done. (Betty, Director Sales and Marketing GGI)

Betty has come to recognize that the environment she is helping to create is actually supporting the sustainability of the relationships she sees building. However, the importance of the strategic alliance and the partnering organizations have become an apparently unconscious recognition that the cooperating partners may be able to grow further, faster and stronger with each other. While this has supported a need to cooperate, the partners can progress their financial performance and market presence through mutual interdependencies to support further growth (see 5.4).

5.4 Partners grow through cooperation

... Learning is an extra benefit of cooperation, and it brings the employees of two companies closer together. (Buchel et al 1998:227)

As ZBK, GGI, and MAM reached the stage where Partners grow through cooperation, they began to recognize that elements of mutual learning were emerging from within the partnership through their increased and improved communication and through their mutual investment in time and energy to support re-alignment of strategy, structure, processes, and competencies. As Crossan et al (1999) argued (see 2.6.3.3), the process of embedding the learning of individuals and groups had been necessarily built into the processes and practices of the partners as they developed their collaborative learning processes to implement the alliance.

What organizations do is evolve and build capabilities through process, and that’s all they do. All the organization is doing is learning through process, but in terms of organizational learning it comes and goes with changes in senior executives. As this has become, the rate of personnel changes within organizations, more turbulent and churning
like the sea, so has organizational learning. (Ling, Head of Channels ZBK)

As ZBK, GGI, and MAM learned from each other, they began to maximize their mutual benefits and organizational knowledge. Combining their knowledge and expertise, they realized that they could achieve far more by doing so than by operating independently or even alongside one another within a strategically aligned context. In effect, they began using their existing resources collectively to maximize existing opportunities and enter into new markets. As Betty observed:

Working together, collaboration. Joint involvement between partners can actually get things done faster. (Betty, Director Sales and Marketing GGI)

Recognizing the potential for a win-win situation, collaborating partners apparently began to identify ways in which they could maximize opportunities within existing markets and potentially enter new markets. With this recognition, they highlighted the need for a formalized learning approach between their organizations.

… commitment of senior management to the strategic alliance, we need to educate our people involved in supporting the alliance, and that is also important for partners to clearly understand what ZBK’s expectations are … Bart, CEO ZBK.

Within a strategically aligned context, the senior management teams of ZBK, GGI, and MAM came to understand that mutual learning between partners was being enhanced by greater levels of collaboration. Moreover, their capacity for learning to grow together was supported by the increasing receptivity and transparency of those involved in supporting the alliance itself.
5.4.1 Learning at different levels

To enable expansion and evolution, ZBK, GGI, and MAM become engaged in a reassessment of their business processes, technologies and business paradigms to maximize performance, improve business productivity (see 2.6.3.4) and recognize the value of establishing a learning context at all levels.

I expect that this would be managed at various levels, CEO's and at my level, subordinates and partner equivalent through formal forums such as steering committees, and informally through open communication.

(Bryan, Director Retail Banking ZBK)

ZBK, GGI, and MAM are now focused on enhancing capabilities, competencies, and processes within each of their organizations. As part of this evolution, the partnering organizations are developing competencies and capabilities based upon learning from both their external and internal environments. Seeking to overcome intellectual capital losses through staff turnover, they are increasingly staffing according to emerging needs rather than replacing previous staff with unchanged role specifications or responsibilities.

Therefore the focus is on the institutionalization of new knowledge and learning from their own experiences and recruiting the experience of others, the learning process is becoming internalized as a strategic and conscious organizational objective:

... anyone with reasonable capabilities should learn from the experience. (Leroy, CEO Asia Pacific Region GGI)

From the perspective of the CEO, the learning process remains rather more conscious than Leroy has realized. As Barney reflects

... from my experience they learn a lot from looking at other organizations. Basically it is easier to be detached and understand
either the successes or failures of the JV or alliance from outside, than when you are actually inside one. When you are involved in a strategic alliance your job as a manager is to make it work, so you may not be aware of the problems in the past with previous alliances. (Barney, CEO Asia Pacific Region GGI)

The learning that occurs at different levels is based within, and upon, the frame of reference of the individual stakeholders at ZBK, GGI, and MAM. Individuals are contextualizing changes in their external environment and aligning their internal context to support the overall objective of the strategic alliance. Meanwhile, the potential barriers to organizational learning are strategic, structural, cultural, individual, or political (see 5.3.1) though ZBK, GGI, and MAM have become reliant upon “goodwill” underpinned by a spirit of cooperation that is enabling the partnering organizations to accept their differences. Within and across the alliance, they are learning at different levels while maintaining their intended direction. As a result, Betty’s earlier demand for flexibility (see 5.3.1) has been achieved. As Bernard observes, the alliance is now sufficiently confident in its identity to,

[b]e more flexible and be willing to compromise where necessary to at least keep the strategic alliance heading [in] the right direction. The ability to understand and appreciate the other partner’s position, their perspective. (Bernard, Director ZBK*Connect)

5.4.2 How cooperation influences learning

As trust, commitment, and sense making have developed at ZBK, GGI, and MAM, common norms and values are being articulated. As Betty observed, the partners are collaborating to develop the best approach to resolving issues and achieving the alliance objectives. Thus the partners are learning from each other and supporting each other’s learning.

Collaboration between the parties in the alliance is important, bringing together the thinking of the experts from both sides to develop the best
approach to supporting the alliance is fairly important. … Joint involvement between partners can actually get things done faster. (Betty, Director Sales and Marketing GGI)

5.4.3 Learning together in a strategic alliance

Placing an increasing emphasis on mutual learning, partners are focused on the acquisition of new competencies and capabilities to continuously improve the value they provide to the market (see 2.6.5.4). Their intention has developed towards:

Identification of the issues and working with key stakeholders to craft a solution that will support all parties. (Betty, Director Sales and Marketing GGI)

… so over time we learn to identify problems in advance and then to mitigate. … They develop knowledge and experiences that may better support future alliances. (Bernard, Director ZBK*Connect)

Despite McKinsey’s research identifying two-thirds of strategic alliances running into difficulties within the first two years (Bleeke and Ernst 1993), Bernard’s observation, from the director’s perspective, confirms the view that partnering organizations improve their learning as the strategic alliance matures. Longevity is clearly an ingredient for success.

5.4.4 A mature stage organization learning model – Final Stage

By the time organizations have reached a stage where Partners grow through cooperation, the learning they report is occurring at all levels. Partnering organizations are embedding new shared knowledge and experience into their existing capabilities, competencies, and processes (see Figure 5-3). This learning is supported through the leadership given, the organizational structure established, and the culture that exists between the partnering organizations in the context of their existing markets and potential new and emerging opportunities.
<table>
<thead>
<tr>
<th>Partners Need to Cooperate</th>
<th>How to Cooperate</th>
<th>Partners grow through cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivating factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Environment</strong></td>
<td>Integration and alignment of management forms</td>
<td>Learning occurs on all levels</td>
</tr>
<tr>
<td>- Opportunity</td>
<td>- Strategy</td>
<td><strong>Embedding learnings into:</strong></td>
</tr>
<tr>
<td>- Relevance</td>
<td>- Development</td>
<td>- Competencies</td>
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<tr>
<td>- Structure</td>
<td>- Structure;</td>
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<tr>
<td><strong>Internal Environment</strong></td>
<td>- Culture;</td>
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<tr>
<td>- Partner selection</td>
<td>- Human resources.</td>
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<td>- Complementary capabilities</td>
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<td>- Integration</td>
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<tr>
<td>- Feasibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environment for learning and collaboration</strong></td>
<td><strong>Partnership cohesion</strong></td>
<td><strong>Cooperation is influencing learning</strong></td>
</tr>
<tr>
<td>- Value learning and collaboration;</td>
<td>- Trust</td>
<td>- Leadership;</td>
</tr>
<tr>
<td>- Relationship development;</td>
<td>- Relationship development;</td>
<td>- Structure;</td>
</tr>
<tr>
<td>- Previous partnering experience;</td>
<td>- Formal and informal communication channels; and</td>
<td>- Culture.</td>
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<tr>
<td>- Effectiveness of communications;</td>
<td>- Time spent on due diligence</td>
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<tr>
<td>- Knowledge management; and</td>
<td><strong>Commitment</strong></td>
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<tr>
<td>- Time spent on due diligence and partnership selection.</td>
<td>- Values and action;</td>
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<td><strong>Inhibiting factors</strong></td>
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<td>- Lack of time dedicated due diligence and partner selection.</td>
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</table>

| | **Sensemaking** | **Learning together to grow** |
| | - Removal of ambiguity and complexity; and | - Proactive; |
| | - Provision of clarity. | - Improve market positioning; and | |
| | | - Greater financial rewards. |

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Figure 5-3 Three stages of the “Strategic Alliance Organizational Maturity Learning Model”.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
5.5 Mature stage organizations “can” learn in a strategic alliance

5.5.1 Partners need to cooperate

Learning at the strategy formulation stage (see 4.2.1.3) of an alliance is predominantly one-sided as attention is directed towards the external environment, potential partnering organization’s offerings and competencies (see 5.2). However, once partnering organizations move beyond this stage it becomes two-sided to support the implementation and maintenance stages (see 4.2.2.3 and 4.2.3.3). By implementation, partnering organizations are working individually and collaboratively towards achieving the shared vision and objectives of the strategic alliance by integrating their business structures, processes, policies, and technologies to support this new context.

Cooperation and collaboration between partnering organizations is continuously influenced by the leadership and vision of the CEO, and the ability of senior executives and middle management within each of the partnering organizations to internally align with their external context. However, what these findings have established is that learning and cooperation (see 5.2.2) are supported where partnering organizations have good relationship management skills, prior experience, and cultures that value cooperation, learning, openness, and transparency (see 5.2.3).

When partners need to cooperate, they are motivated by their need to improve their relevance and context with their external environment.

5.5.2 How to cooperate

The findings of this study indicate that learning between partnering organizations at this stage is now focused on how they align and continually re-align their organizational structures and cultures to transfer knowledge that will support future performance (see 5.3.1). Once partnering organizations have recognized how to cooperate, it appears from the respondents to this study, they are increasingly prepared to explore how they can further improve their mutual positions, partners grow through cooperation.
5.5.3 Partners grow through cooperation

This study clearly suggests that mutual learning is supported through improved levels of communication and mutual investment in time and resources between the partnering organizations to the strategic alliance performance.

Individually and in alliance, partnering organizations increase their learning capacity to maximize existing opportunities and identify new opportunities together. Mature stage partnering organizations engage in creating solutions, exploring opportunities that will strengthen their relationship and, as reported by the respondents to this study, place an increasing emphasis on mutual learning.

5.6 Chapter Overview

The purpose of this chapter has been to address the research question:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

The chapter has presented findings which strongly support a model in which mature stage organizations adopt an entrepreneurial approach from which they can mutually learn to support their re-alignment with their intended markets. Findings presented in this chapter have established that learning organizations in an alliance pass through three distinct phases of learning:

- Partners need to cooperate;
- How to cooperate; and
- Partners grow through cooperation.

Expanding from this basis, the chapter has proposed an increased or better understanding of how mutual learning develops between partnering organizations involved in entrepreneurial initiatives such as strategic
alliances. It is clear that trust, commitment, and sense-making have a significant effect on the level of consciousness and cooperation of individuals operating within organizations operating in a strategic alliance to capitalize on their own learning.

The findings support a learning model in which allied organizations initially learn “side-by-side”, where partners need to cooperate. In the second stage, how to cooperate, the proposed model focused on ensuring that organizational alignment: strategic, structural, cultural, individual, and partnership cohesion were available to support organizational learning. In the stage, partners grow through cooperation, the model is extended to identify that learning occurs unevenly but at all levels as partnering organizations embed new learnings into their existing competencies and processes. These new learnings access existing leadership, structure, and culture to support improved market positioning, growth, and further expansion.

In the following Chapter 6, conclusions drawn from the findings of the study, presented in Chapters 4 and 5, are identified and the implications of the alliance integration check list (see 4.3) and the three stage learning model (see 5.2.4, 5.3.3, and 5.4.4) for practice are identified and discussed. In conclusion, the implications of the methodology adopted and the exploratory nature of the findings for further research are identified and discussed.
6 CONCLUSIONS AND IMPLICATIONS

6.1 Introduction

This thesis has examined the ability of mature stage organizations within the financial services industry to “bring inside” an entrepreneurial approach to support a re-alignment with changes in their external environment. The study uses a hypothetical strategic alliance as a form of entrepreneurial approach to examine how financial services organizations conceptualize, integrate, and manage new initiatives like this to support their evolving business environment.

Chapter 1 introduced the thesis by explaining why the study is important for mature stage organizations operating within the financial services industry. The implications of corporate lifecycles and the relevance to mature stage organizations were introduced to highlight the importance for these organizations of how they learn, change, and adapt to their evolving external environment to support their renewal and survival. The factors that affect adoption of an entrepreneurial approach: leadership; structure; and culture were highlighted as being important components in supporting change.

In recasting an organization’s business direction, the researcher argued that organizations need to continuously explore other opportunities to improve their context and relevance as markets evolve. This presupposed a need to provide a business approach for enabling mature stage organizations to learn, develop, and implement entrepreneurial based initiatives, such as cross industry agreement strategic alliance within the financial services industry, within their existing and new markets (see 1.4). From this preliminary investigation the initial research question was developed:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach to capitalize on the learning in response to evolving markets?
During the early data collection phase of this study, the researcher identified an opportunity to investigate issues associated with learning between partnering organizations within the context of a strategic alliance, and in particular cross industry agreement strategic alliances. As a consequence of this, a second research question was added:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

In addressing the two questions, the aims of the research project were identified (see 1.5) as follows:

- To identify and contrast the current literature with empirical research in relation to strategy formulation, integration, on-going management of an entrepreneurial approach along with the associated change and learning for partnering organizations operating in a strategically aligned context;
- To extend the learning beyond the literature review to provide further insights into this research field;
- To integrate theory into practice and to provide a further extension to the literature in this area, and provide a major contribution to the practice in this field; and
- To communicate clearly the findings and conclusions of the research to other researchers in this field, and to advance the theory of change and learning for partnering organizations operating within a strategically aligned context.

To progress research in this field and to maximize previous work undertaken, a comprehensive literature review was conducted to frame the research questions within the existing body of knowledge (see Chapter 2). Research initially focused on the development of the corporate lifecycle management framework to understand the characteristics and potential issues of mature
stage organizations (see 2.2). In dissecting this further, research was aimed at examining the issues associated with introducing entrepreneurial approaches into mature stage organizations operating within the financial services industry, in particular the retail banking segment, in the Asia Pacific Region and globally (see 2.3).

With this intention clearly identified, the researcher examined why financial services organizations have previously innovated to improve their context (see 2.3.2), and why these organizations and the market as a whole have utilized mergers and acquisitions as a strategic option to support their positioning (see 2.3.3) and an organization’s future.

This review process enabled an examination of strategic alliances as an alternative strategic business option. The researcher reviewed the type of alliance options available to support a new direction (see 2.4) and, in particular, the type of strategic alliance that support the financial services industry (see 2.4.2.2 and 2.4.2.3). Understanding strategic alliance as an entrepreneurial approach involved examining the factors that support and subvert strategic alliance formation, development, and evolution (see 2.5.1, 2.5.2, 2.5.3, 2.5.4, and 2.5.5) as partnering organizations seek to create and craft a new position in the market.

The review then synthesized the industry and organizational experiences to provide an examination of the phases of learning and the potential for further research into understanding the learning that arises within strategic alliances for organizations individually and collectively as they mature (see 2.6).

In a methodological strategy designed to overcome confidentiality issues, a hypothetical case study was created to observe and analyse the formation, implementation, and management of strategic alliances operating in the financial services industry (see 3.4.6). Executives from different business areas from various financial institutions were designated a role to play in the case study and interviewed about their observations, actions and opinions relating to the hypothetical organizations and strategic alliances. The aim of
this approach was to apply the background and expertise of these industry professionals in supporting a strategic alliance so that the researcher could gather and report information, opinions, and insights into the issues associated with the formation and evolution of actual strategic alliances in this industry (see 3.4.5).

The research design for this project was developed from the literature review described in Chapter 3. Applying a top-down approach, a qualitative research methodology (see 3.2), and case study approach (see 3.3.2 and 3.3.3) involving semi-structured interviews with 12 industry professionals from two separate research groups based in either Australia or Singapore (see 3.4.3, 3.4.4 and 3.4.5) was developed. Content analyses were then conducted on interview data for each of the research questions (see 3.5).

The findings of this study were presented in Chapter 4 in answering the first research question and in Chapter 5 in answering the second. Explanatory models were developed in these chapters for further consideration (see 6.5).

Chapter 6 confirms the substance of previous research in the field and presents the conclusions drawn from the findings of this study. The chapter identifies and discusses the checklist and learning model developed from the findings in Chapters 4 and 5 and demonstrates the extent to which each represents a substantial extension on previous understanding of learning in partnering organizations. This chapter then discusses the major implications for industry application that can be drawn from these conclusions, presents recommendations for further research and proposes potential research design improvements based on the experience of the present study.
6.2 Integration of an entrepreneurial approach - Chapter 4

Conclusions

Chapter 4 addressed the research question:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

The conclusions drawn from exploration of this question are discussed in the following four sections, and represent an expansion of current thinking and understanding of “catalysts of change”, “management of change”, and the “learning” for organizations who adopt strategic alliance as an entrepreneurial approach to support their overall positioning in the context of their external environment.

6.2.1 Strategic alliance process

In referencing the work of Buchel et al (1998), this study confirmed that joint ventures form, evolve, and change to become self-sustaining. To extend the examination of the strategic alliance process, this study built on the previous work of Dussauge and Garrette (1999), Mockler (2000), and Segil (2004) to include equity and non-equity based strategic alliances, the entrepreneurial activities associated in supporting them through the three stages of: strategy formulation (see 2.5.1 and 4.2.1); implementation (see 2.5.2 and 4.2.2); and maintenance (see 2.5.3 and 4.2.3); and the particular learning involved in transitioning from one stage to the next (see 2.5.4 and 4.4).

As previously described (see 4.2), the respondents involved in this study generally supported the view that the development of a strategic alliance was linear in nature, though external referencing of the environment at different stages was necessary and provided a multi dimensional framework to ensure market relevance (see 4.2). Previous literature in this area, (see 2.5), established that this process, by its nature, is iterative. The data from all interviews then confirmed the view that strategic alliances resulting from
cross industry agreements within the financial services industry progress through the stages of development described in Chapter 4.

However, the primary aim of this research was to increase understanding of the issues and emphasis identified at each stage of a strategic alliance’s formation and evolution. The findings of this study of cross industry agreement strategic alliances confirmed the accepted findings within the literature (see 2.5). However, the process has been found to be more complex than previously reported (see Chapter 4).

<table>
<thead>
<tr>
<th>Stage</th>
<th>Category used in study.</th>
<th>Corresponding categories developed by Buchel et al (1998).</th>
<th>Common group themes for each stage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategy formulation</td>
<td>Formation</td>
<td>▪ Market proposition</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Commonality of focus</td>
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<td>▪ Strategy appropriateness</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Financial feasibility</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Business integration</td>
</tr>
<tr>
<td>2</td>
<td>Implementation</td>
<td>Adjustment</td>
<td>▪ Commitment</td>
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<td></td>
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<td></td>
<td>▪ Management of strategy</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Enabling environment</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Stakeholder alignment</td>
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<td></td>
<td>▪ Business integration</td>
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<tr>
<td>3</td>
<td>Maintenance</td>
<td>Evaluation</td>
<td>▪ Ownership of strategy</td>
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<td></td>
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<td></td>
<td>▪ Management of strategy</td>
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<td></td>
<td></td>
<td></td>
<td>▪ Enabling environment</td>
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<td></td>
<td></td>
<td>▪ Information management</td>
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<td></td>
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<td>▪ Performance management</td>
</tr>
</tbody>
</table>

Figure 6-1: Comparison of categories used by Buchel et al (1998)

The structuring of interview questions for this study in terms of Buchel et al (1998) categories (see 3.4.4), enabled the respondents to contextualize their considerations and frame their own thinking on a range of specific issues in relation to the strategic alliance process (see 2.5).

At strategy formulation, respondents confirmed that they considered the following factors in analysing prospective partnering organizations for cross industry agreement strategic alliances in the financial services industry,
consideration is given to: market position, commonality of focus; strategy appropriateness; financial feasibility; and business integration (see 4.2.1). As the relationship develops, the focus of the partnering organizations shifts towards formalizing and implementation of the alliance.

These findings highlight the key considerations for strategic alliance as: commitment to direction; management of strategy; an enabling environment; and business integration (see 4.2.2). Once the strategic alliance is operational at the, maintenance stage, the research suggests that focus shifts to maximizing the potential of the relationship and that this requires ownership and management of the strategy, an enabling environment, and appropriate communication and performance management approaches within and between the partnering organizations involved (see 4.2.3).

The initial orientation by the respondents involved in this study suggested a shorter term focus at the beginning of a strategic alliance, which may evolve as the alliance matures into a longer term orientation (Anderson 1990).

In conclusion, these findings suggest that:

- The ability to integrate an entrepreneurial approach, such as a strategic alliance, is enabled if partnering organizations share a common vision of the market, the opportunity, and their approach at conception.

- A strategic alliance’s success at formation and through its evolution is enhanced where partnering organizations promote open and honest communication within and between their organizations. Such communication creates an environment of trust, sense making, and commitment for those stakeholders responsible and involved.

6.2.2 Change and learning within the strategic alliance process

Entering into a strategic alliance, partnering organizations are confronted with a need to change their internal context in support of a mutually shared view of the opportunities within their external environment. However, the
realization is that their external and internal environments are rarely static, so any change - whether significant or not - may require partnering organizations operating in alliance to reassess their structure, processes, contribution, and the business objectives originally supporting the intent of their alliance, and through its evolution.

Referencing the work of Buchel et al (1998), Dussauge and Garrette (1999), and Mockler (2000) these researchers confirmed a series of factors that support change and learning within strategic alliances in the financial services industry at: strategy formulation; implementation; and maintenance (see 2.5.1-2.5.5, 4.2.1-4.2.3).

The aim of this research, however, was to develop a clearer understanding of how partnering organization(s) can influence and manage change for future re-alignments with their external market(s). This involved identifying the catalysts for change, management of change, and how organizations learn to support the formation, existence, and subsequent re-alignments with their intended markets (see 4.2.1, 4.2.2 and 4.2.3) through strategic alliance.

At strategy formulation, the respondents to this study suggest that speed to market, level of investment, pooling of resources, ease of integration, and potential market response are critical factors in considering whether to pursue a strategic alliance (see 2.5.1, 2.5.5, 2.5.5.1, and 4.2.1). The mature organizational responses supporting this case study identify the learning required to support new business opportunities, (see 4.2.1.3) confirm that individual organizations are actually managing their own evolution through identifiable learning processes (Fulmer et al 1998). In essence, as Tushman and O'Reilly (1996) have suggested, organizations align strategy, structure, processes, and culture to support their orientation to their external environment (see 2.5.5.1).

Respondents suggested that the responsibility of formulating these ideas emanates at senior executive levels as they engage their CEO’s. Tushman and O'Reilly (1996) suggested that this type of change is discontinuous.
rather than *incremental*, and as a consequence this gives rise to substantial issues to supporting change within an alliance (see 2.5.5 and 2.5.5.1). In supporting a change of this nature, the respondents to this study suggested that partnering organizations seek to validate their reasoning, to confirm view and intention, to establish how individual competencies can be aligned and integrated, and to identify other issues that might enhance their combined direction (see 4.2.1.3).

Again, researchers have previously confirmed that mature stage organizations invariably struggle with innovation and change (see 2.2.3 and 2.2.4). This case study identified a strategic alliance as a form of innovation in the financial services industry, within which there is an assumption that organizations will learn.

However, de Geus (1988) and Fulmer *et al* (1998) argue that the ability to effectively change is based upon an organization’s overall sensitivity to its environment, sense of internal cohesion and identity (or “organizational culture”), and a tolerance for new ways of thinking. This internal capacity, they argue, is what enables organization to learn, adapt, and manage their own evolution (Fulmer *et al* 1998) (see 2.5.5.1). This study reported that the ability for mature partnering organizations to allow business strategies to emerge were influenced by a number of factors:

- Prior experiences of the stakeholders involved;
- Potential reaction of financial markets;
- The level of creativity and flexibility between and within organizations;
- Tools available to address ambiguity; and
- Whether the environment promotes organizational learning (see 2.5.5.1).

Once partnering organizations enter the *implementation* stage of the alliance, focus therefore shifts to those activities that support an alignment of their respective businesses (see 2.5.5.1 and 4.2.2.2).
The issue of aligning, sharing resources and governance structures, and developing a capacity to achieve joint goals (Parkhe 1991) becomes paramount. Varadarajan and Cunningham (1995) argue that a level of coherence develops between partnering organizations and the level of coherence between partnering organizations can be seen as an increasing function of the learning and knowledge transfer (see 2.5.5.1).

Respondents to this study confirmed that partnering organizations, through their internal stakeholders, increasingly cooperate and collaborate to create appropriate structures to support the alliance (Segil 2004) to achieve mutual objectives (see 2.5.5.1 and 4.2.2.4). This environment similarly supports the developing information flow between organizations and their ability to align with their markets (see 4.2.2.2.1).

Researchers have argued that change of this nature relies on leadership, previous partnering experience, flattened hierarchy, a flexible and adaptive organizational structure, and a culture that promotes the management of knowledge and an entrepreneurial focus (see 2.5.5.1 and 4.2.2). In extension, it has been suggested that individualism and an entrepreneurial focus are functions of organizational structure and its ability to support organization-wide problem solving and collaborative capacities (see 2.2.4, 2.5.5.1 and 4.2.2).

In the field of strategic partnering, Beer and Eisenstat (1996) have suggested that the change process is systemic and must focus on the interdependence of the various elements within the organization. Respondents to this study suggested that the aim was to eliminate any doubts and resistance to change, and to promote the benefits of change.

Partnering organizations work together, they argued, to create operating structures, processes, procedures, policies, benchmarks, and performance measures to support the alliance. This process reduces ambiguity and uncertainty within individual organizations and between partners, thereby
creating a sense of mutuality and trust between stakeholders (see 2.5.5.1 and 4.2.2).

Bourke (2004) has suggested that effecting change of this nature is driven by middle management as they receive direction from senior executives and through the implementation and maintenance stages they interpret and translate change to support their respective organizational cultures (see 2.5.4.2).

Adding a second dimension to their argument, Beer and Eisenstat (1996) argue that the change process should promote open and honest discussion among those affected by the change to identify potential obstacles to implementation. This allows those responsible for implementation to plan to address all the issues and solutions. In support of openness and honesty, the respondents to this study suggested high success rates in alliance development where a cooperative and collaborative environment exists internally within each individual organization and across the partnering organizations (see 2.5.5.1 and 4.2.2).

Promoting a third dimension to this argument, researchers have suggested that stakeholders involved in the change process need to develop a mutual commitment where they are involved in redesigning a future context. Bourke (2004) argues that internal resistance to change can be mitigated where middle management positions are secure, task separation is clear, and two-way communication is optimized throughout the organization. Respondents to this case study suggest that there is recognition that collaboration at all levels supports change during the strategic alliance process and its evolution (see 2.5.5.1 and 4.2.2).

As with strategy formulation, organizations in the implementation stage benefit from previous experience and existing competencies in transition management (see 2.5.5.1 and 4.2.2.3) because “double loop” learning is facilitated at different levels, singularly and collectively, within and by the
organizations seeking to align technologies, structures, processes, and competencies.

Turnover of senior executives and expectation of short-term results influences the duration of the strategic alliance, and this is an issue at both implementation and maintenance stages. The challenge for organizations is to harness this learning to support future initiatives (see 2.5.5.1 and 4.2.2.3). At implementation, brainstorming to best support alliance thereby a mechanism to encourage “double loop” learning (see 2.5.5.1).

Entering the maintenance stage, respondents to this study suggested that success was based on clear and consistent communication (see 2.5.4.1, 2.5.5.2, and 4.2.3.2.5). Respondents also highlighted the importance of using SLA’s, measurements, incentives, and recognition designed and developed at implementation in supporting the alliance’s performance and to ensure the organization’s alignment with the alliance objectives (see 4.2.3.2.4 and 4.2.3.2.7).

The internal stakeholders now responsible for the management of the strategy were seen to be focused on activities that supported alliance direction, and eliminated ambiguity to ensure clarity about their roles and responsibilities. Commitment given by the stakeholders involved appeared to be influenced by the extent of a person’s overall accountabilities in relation to the alliance, information provided to validate the alliance’s performance, and an environment that supported interaction, cooperation, and collaboration between the partnering organizations (see 4.2.3.2.4). Researchers have argued that the ability of partnering organizations to manage cultural differences and to cooperate and collaborate requires a spirit of openness, mutuality, and trust between the stakeholders involved (see 2.5.4.2 and 2.5.4.3).

The respondents to this study highlighted the importance of these issues in supporting relationship development and cultural management as it aids partnering organizations in managing differences and opportunities (see
4.2.3.2.3). Further, they argued that individual organizations operating in alliance are developing the cohesion and identity required to build a sense of tolerance for new ways of thinking (see 2.5.5.1 and 4.2.3.3).

This study suggests that another major challenge during the maintenance stage is to maintain focus on internal alignment in the context of the strategy formulated and objectives set, and later the ability of the organization to continually re-align with an evolving external environment (see 2.5.5.2).

Respondents suggested that an organization’s response to a strategic alliance is often related to a test of significance in terms of investment, combined value and relevance of the offering to the market, and their joint ability to maximize market opportunities (see 4.2.1.2.2 and 4.2.1.2.3) so that alliance reassessment is influenced by internal environment (see 2.5.5.2). The challenge for partnering organizations was seen to rest on the identification of either substantive or minimal changes required to improve relevance and to maximize business opportunities.

These adaptations and reconfigurations, as referred to by Buchel et al (1998), drive partnering organizations as they seek to align their strategic alliance’s internal environment with their perceived external environment (see 2.5 and 4.3). In contrast, Pascale (1999) has suggested that this configuring process actually directs organizations towards stability and equilibrium. In light of this, as Schein (1978) had observed, organizations may have difficulties with learning and change due to the different sub-cultures that operate within an organization (see 2.5.5.2). Respondents suggested that this can be mitigated where the individuals and organizations have had past experiences with strategic alliances, and have institutionalized their competencies in supporting their performance in this area.

In the end, more experienced individuals and organizations enable alliance partners to consider a more extensive range of options, again inferring “double loop” learning. Less experienced individuals and organizations tend to offer only incremental solutions based on more limited experience, “single
Therefore the learning and the ability of an organization in this context to adapt to their external environment and re-align their internal environment appears to vary based upon developing experience across the strategic alliance.

In conclusion, these findings suggest that:

- A mature stage organization’s ability to manage entrepreneurial adoption of change is inextricably linked to the degree that learning is emphasized within the cultures of the individual “partnering” organization and the environment that supports the strategic alliance.

- The level of openness, trust, and mutuality integral to partnering success occur at a number of organizational levels as a strategic alliance forms and evolves. Organization’s collectively rely upon their senior executive teams to support “double loop” learning through feedback from formal and informal communication channels within their organizations to support the alliance’s on-going alignment with its external environment.

### 6.2.3 Integration of an entrepreneurial approach

The initial aim of this thesis was to increase understanding of how mature stage organizations integrate an entrepreneurial approach to support a realignment with their external environment (see 2.5.1.1) in the context of a strategic alliance. Addressing this question, it is assumed, organizations constantly need to reassess and compare opportunities in the market to support their growth and expansion. In this context, the researcher assumed that mature stage organizations need to be capable of identifying, integrating, and managing multiple entrepreneurial opportunities, such as strategic alliances.

In order to identify the factors that support entrepreneurial initiatives, such as strategic alliances the researcher referenced the framework developed by
Buchel et al (1998) and other researchers work related to this area and used a case study (see 3.4.6) to source information from experienced respondents in this field (see 3.4.5).

In particular, research attention was given to developing a practical checklist to support the integration of an entrepreneurial approach, such as a strategic alliance, in the financial services industry. An Integration Checklist for Entrepreneurial Approach (see Figure 6-3) was developed on the basis of identified change that occurs within partnering organizations as they internally align and re-align to support their external environment (see 2.5.1.1).

Respondents confirmed the key themes and components that were considered at each stage of the alliance process (see 4.2.1, 4.2.2, 4.2.3, 4.3 and Figure 6-2). The researcher categorized the observations and reflections of the respondents into three groups: catalysts for change; management of change; and learning. This was done to determine what is required to support the integration of entrepreneurial initiatives like a strategic alliance in the financial services industry. Particular attention was given to how these may influence the change management process (see Figure 6-3).

The findings of this study suggest that the ability to integrate an entrepreneurial approach is enhanced if partnering organizations have a shared view and vision of the market, opportunity, and approach. Where this is shared from the outset, open and honest communication enables trust, sense making, and commitment to form at inception and develop through the tenure of the relationship. This environment of mutuality is seen as critical to support development, evolution, and the on-going success of the alliance (see 2.5.4 and 4.3).
<table>
<thead>
<tr>
<th>Stage</th>
<th>Category used in the study</th>
<th>Common group themes and components that support the “management of change” for each stage</th>
</tr>
</thead>
</table>
| 1.    | **Strategy formulation** | Commonality of focus  
- Common view of market and opportunity;  
- Confirm competencies through due diligence;  
- CEO and Executive commit to the vision and strategy;  
- Share common and consistent objectives;  
- Alignment of goal setting; and  
- Address issues and potential conflicts.  
**Strategy appropriateness**  
- Competencies to support each stage;  
- Acknowledgement of partners’ value;  
- Market understands the proposition;  
- Clear delineation in boundaries; and  
- Respect of each others culture and values.  
**Financial feasibility**  
Business integration |
| 2.    | **Implementation**       | Enabling environment  
- Communication of change, implications, and progress;  
- Ability to address impediments;  
- Create service levels service level agreements (SLA’s);  
- Establish Roles and responsibilities; and  
- Collaboration and cooperation is promoted.  
**Integrating businesses** |
| 3.    | **Maintenance**          | Enabling environment  
- Elimination of impediments;  
- Management of cultural differences;  
- Openness and flexibility promoted;  
- Accountabilities, rewards, and recognition established;  
- Communication is managed across multiple levels and through different forums;  
- Competencies developed or accessed; and  
- Performance management to measure success and opportunities for improvement. |

Figure 6-2: Common group themes and components “management of change” for each stage of the strategic alliance process.
### Strategy formulation and entry

**Catalyst for change**
- External environment:
  - Globalization of industries
  - Rate of technological change
  - Changes in regulatory, political, and economic framework
  - Financial performance; and
  - Market relevance.

**Implementation**
- Align partners to the relationship objective:
  - Handover strategy to stakeholders responsible;
  - Align organizations to vision; and
  - Craft format and structure to achieve objectives.

**Maintenance**
- Strategy is handed over to stakeholders responsible for this new environment;
- Activities are directed towards supporting the objectives; and
- Communication of SLA’s, KPI’s, and rewards in support of objectives.

### Management of change

**Commonality of focus**
- Common view of market and opportunity;
- Confirm competencies through due diligence;
- CEO and Executive commit to the vision and strategy;
- Share common and consistent objectives;
- Alignment of goal setting; and
- Address issues and potential conflicts.

**Strategy appropriateness**
- Competencies to support each stage;
- Acknowledgement of partners’ value;
- Market understands the proposition;
- Clear delineation in boundaries; and
- Respect of each others culture and values.

**Financial feasibility**
- Business integration

**Enabling environment**
- Communication of change, implications, and progress;
- Ability to address impediments;
- Create service levels service level agreements (SLA’s);
- Roles and responsibilities; and
- Collaboration and cooperation is promoted.

**Integrating businesses**

### Learning

**Environmental scanning;**
**Scenario planning;**
**Brainstorming; and**
**Prior experiences and competencies support “double loop” learning.**

**Challenge the best internal and external propositions based upon constraints; and**
**Prior experiences encourage “double loop” learning.**
**Singularly and collectively.**

**Prior experience and low staff turnover supports transition and market referencing; and**
**The level of experience influences whether “single or double loop” learning.**

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**Figure 6-3 Integration Checklist for an Entrepreneurial Approach.**

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Researchers argue that the ability to manage entrepreneurial adoption and change for mature stage organizations is inextricably linked to the emphasis placed on the learning, which indicates that this is built into the culture of the individual organizations and the environment created between the partnering organizations (see 2.5.5 and 2.5.5.1). So, the adaptations and reconfigurations referred to by Buchel et al (1998) are part of the partnering organizations ability to align an alliance’s internal environment with that of their external environment.

What this case study has also established is that the openness, trust, and mutuality developed between the partnering organizations occurs at different organizational levels as the strategic alliance forms and evolves. Collectively, organizations are relying upon their senior executives to support “double loop” learning by seeking feedback from all parts of their organizations to support their response and on-going alignment with their external environment.

Lastly the findings of this study have established that the identified catalysts of change, management of change, and learning supports an entrepreneurial approach for mature stage organizations to continually align with new and existing opportunities that exist in their external environment. Increased understanding of these components is expected to improve a mature stage organization’s ability to manage integration, change, and learning through partnering relationships in their external environment.

In conclusion, these findings suggest that:

- The ability of partnering organizations operating in a strategic alliance, to continually re-align their internal environment with their external environment is not only dependent upon the organizational competence of the partners, but also the leadership given by both partners, flattened hierarchies, flexible and adaptive organizational structures, and cultures that are not only respectful of differences but promote individualism and reward entrepreneurial initiative.
How the conclusions developed in this section (6.2) can be applied in an every day context and the potential implications of such application are further discussed (see 6.5.1).

6.3 How organizations learn mutually - Chapter 5 Conclusions

Chapter 5 addressed the following research question:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

The conclusions drawn from exploration of this question are discussed in the following three sections to understand how partnering organizations mutually learn through the construct of a strategic alliance.

6.3.1 Partners need to cooperate

As discussed (4.2.1) learning in the strategy formulation stage tends to be one-sided with attention directed towards the external environment, potential partnering organization’s offerings, competencies, and capabilities (see 5.2). Learning becomes two-sided in the implementation and maintenance stages (see 4.2.2 and 4.2.3). During implementation, partnering organizations work individually and collaboratively towards a shared alliance vision and objectives while ensuring alignment and integration of business structures, processes, policies, and technologies.

The spirit of cooperation and collaboration, is initially driven by the leadership and vision of the CEO and senior and middle management levels within each of the partnering organizations as focus shifts from external referencing to internal alignment between partnering organizations.

The creation of communication channels to support performance management, issue identification, and responsibilities and accountabilities for internal stakeholders further supports the strategic alliance. The obstacles to
learning, to accepting the “need to cooperate”, at this stage appear to stem from a lack of clarity in terms of vision, size of the market opportunity, differing expectations, and high turnover of staff.

However, if motivating factors are sufficient to support progress (see 5.2.1), its achievement is predicated upon the strengths of the environmental factors that support learning and cooperation (see 5.2.2), previous experience, relationship development, and a culture that values learning, openness, and transparency that also embraces learning, cooperation, and knowledge sharing between partnering organizations operating in this context (see 5.2.3).

The creation of a strategic alliance is an acknowledgement that partnering organizations recognize the benefit of cooperation in achieving their own individual organization’s business objectives. Their approach to learning is driven by the perceived value of cooperation and issues of “how to cooperate” are based upon the benefits gained at both alliance level (e.g. increased market share) and at individual level (e.g. achievement of professional and personal goals) from their initial cooperation (see 5.2.4).

In conclusion, these findings suggest that:

- Initially organizations are motivated to change primarily by a need to improve their relevance with their external environment. The partner selection process and learning between partnering organizations is based upon their complementary competencies, ease of integration, and the perceived feasibility of supporting potential market opportunities and financial objectives.

6.3.2 How to cooperate

In learning “how to cooperate” partnering organizations are now confronted with how to align and re-align organizational structures, cultures, and competencies to continually support the performance of the strategic alliance. In support of this, researchers had observed that long term partnering within
strategic alliances had enabled organizations to transfer knowledge between the organizations (see 5.3.1).

As partnering organizations operating within a strategic alliance recognize the benefit of cooperating they are increasingly prepared to explore how they can enhance their mutual positions and the success of the strategic alliance. The ability to align these components (strategy, structure, culture, and competencies) is based upon improved levels of trust, commitment, and sense making (Buchel et al 1998). This position is further enhanced through clarity of roles and responsibilities, openness of communication, and activities to support issue resolution and exploration of further opportunities for the partnering organizations (see 5.3.2).

At this stage, the primary motivation for the strategic alliance of increased revenues, profitability, customer acquisition, and market share remains. However, there is an acknowledgement that this position can be enhanced by cooperating and collaborating with the partnering organizations. This cooperation and collaboration develops increased levels of trust, commitment, and sense making between the partnering organizations. While the financial results continue to be important other factors are supporting and extending the strategic alliance’s longevity.

There is recognition that cooperating in the strategic alliance develops mutual interdependencies which can support further growth within each of the partnering organizations.

In conclusion, these findings suggest that:

- Following the formation of an alliance, partnering organizations focus increasingly upon integrating and realigning internal components: strategy; structure; culture; and human resources to support the direction of the strategic alliance.
- Cooperation between partnering organizations is enhanced as trust, commitment, and sense making grows between stakeholders at various
levels through communication, relationship development, experience, and time.

- Cooperation allowed each partnering organization to grow further.

6.3.3 Partners grow through cooperation

The importance of the strategic alliance to the partnering organizations has become a subconscious recognition that by cooperating further strategic alliance and the partnering organization will be able to grow further, mutual interdependencies to support further growth. In the maintenance stage of the strategic alliance, mutual learning emerges through increased and improved communication and mutual investment in time and resources to support the performance of the alliance. The increased learning aptitude of individuals and groups is reflected in the practices and processes of the alliance partners who begin to explore ways of maximizing opportunities within new and existing markets through increasing receptivity and transparency (see 5.4).

In order to expand and evolve, partnering organizations increasingly reassess their business structures, processes, technologies, and business model to maximize performance and improve business productivity. Partnering organizations develop learning contexts at all levels to focus on the institutionalization of new knowledge (see 5.3).

The result is that partnering organizations are engaged in creating solutions to problems and exploring innovative opportunities in the market that will encourage further development of their relationship, thereby placing greater emphasis on mutual learning. Partnering organizations improve their learning as the strategic alliance matures, supporting a view that longevity is evidence of success.

In conclusion, these findings suggest that:

- Partnering organizations focused on how they can mutually exploit opportunities are motivated by external relevance, financial outcomes
and a recognized need to learn and grow within their external environment.

How the conclusions developed in this section can be applied in an everyday context and the potential implications of such application are discussed later (see 6.5).

6.4 What does this research mean?

The conclusions drawn from this study extend current understanding of how strategic alliance works in practice and, more particularly, how learning occurs within mature stage organizations in partnership.

Examining the means by which organizations in partnership develop and establish learning strategies to increase their market efficacy, this thesis concludes that:

- Partnering organizations operating in the mature stage of a corporate life cycle within the construct of cross industry agreement strategic alliance can and do adopt entrepreneurial approaches in learning to recast the direction of their relationship.

6.5 Application – from research to practice

This section applies the findings from this research to the environment it is designed to support, the financial services industry.

6.5.1 Integration of an entrepreneurial approach – On-going application

This study has established that learning initiated in the strategy formulation stage is drawn through into the implementation and maintenance stages, to support an increasingly entrepreneurial environment which embraces change (see 4.2.1, 4.2.2, 4.2.3 and 4.3). Conclusions presented in this thesis suggest that the ability of partnering organizations to adopt an entrepreneurial approach, such as a strategic alliance, in the financial services industry,
however, appears to be highly dependent upon the prior experiences of internal stakeholders in operating in this context on prior occasions (see 4.3 and 6.2.2).

Alliance success is highly dependent upon partnering organizations sharing a common vision and assessment of market opportunity, and clearly understanding their individual roles in supporting a combined value proposition in their external environment. However, while consensus may exist at a CEO and senior executive level, the ability to align partnering organizations is related to the environment created within and between partnering organizations.

In this context, the ability to align and change becomes dependent upon communication, relevant competencies, clarity of boundaries and accountabilities, and an environment that promotes collaboration, cooperation, and a respect for the cultural differences that necessarily exist between partnering organizations. Learning, it seems clear, occurs individually within the individual partnering organizations, and collectively. It is enabled by clear communication protocols and flexibility (see 4.3).

Ultimately, partnering organizations must retain autonomy to act independently to retain and sustain their separate cultures and responsibilities in relation to capitalizing on opportunities in the wider marketplace. This appreciation and respect for difference leads to compromise, when it is necessary, to maintain the objectives of the strategic alliance in pursuit of its common vision.

Loss of difference, denial of difference, and minimal management and support of an alliance partner effectively questions the need for the strategic alliance, and destroys its identity, rapidly generating a loss of flexibility and resistance to change. In this case, loss of trust leads to an observable lack of willingness to learn and translates into the loss of competitive advantage for which the alliance was formed.
6.5.2 Application - how mature organizations learn together

This study has established that mature stage organizations seeking to enter entrepreneurial strategic alliances have considerable capacity to learn and adapt when shared vision and market direction can be operationalized. The manner in which this learning develops forms the basis for the three stage model described in this section and is based on evidence from the study that partnering organizations are fundamentally motivated by the pursuit of relevance to their external environment, and the need to identify a suitable partnering organization to support the market opportunity identified.

6.5.2.1 A mature stage organization learning model - First stage

The catalyst for an effective strategic alliance is the need to integrate structures, technologies, processes, and procedures to support a new business context. Partnering organization learn that “we” need to cooperate in order to achieve mutual and individual objectives. In examining “how to cooperate”, this study has suggested that motivation is initially drawn from each individual’s potential to meet and exceed their own key performance indicators, rewards, and recognition within the alliance.

Collectively, individuals within the partnering organizations align with an overall organizational direction, within an alliance yet based upon their own personal motivations. Underpinning this initial learning phase where we, “the partners”, establish a need to co-operate, partnering organizations anticipate, over time, building trust, commitment, and sense making through relationship building, communication, and access to resources with previous experiences in similar relationships.

6.5.2.2 A mature stage organization learning model – Second stage

In the second stage of this learning model (see Figure 6-4), it is proposed, the partnering organizations are not only motivated by a need to remain relevant with their external environment, but also by a need to ensure that their combined organizational mix of strategy, structure, culture, and
individualism supports both their evolving learning demands and their alignment with their external environment.

<table>
<thead>
<tr>
<th>Partners Need to Cooperate</th>
<th>How to Cooperate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivating factors</strong></td>
<td><strong>Integration and alignment of management forms</strong></td>
</tr>
<tr>
<td><strong>External Environment</strong></td>
<td>- Strategy development;</td>
</tr>
<tr>
<td>- Opportunity;</td>
<td>- Structure;</td>
</tr>
<tr>
<td>- Relevance;</td>
<td>- Culture;</td>
</tr>
<tr>
<td>- Structure.</td>
<td>- Human resources.</td>
</tr>
<tr>
<td><strong>Internal Environment</strong></td>
<td></td>
</tr>
<tr>
<td>- Partner selection;</td>
<td></td>
</tr>
<tr>
<td>- Complementary competencies;</td>
<td></td>
</tr>
<tr>
<td>- Integration; and</td>
<td></td>
</tr>
<tr>
<td>- Feasibility.</td>
<td></td>
</tr>
</tbody>
</table>

**Environment for learning and collaboration**
- Value learning and collaboration;
- Relationship development;
- Previous partnering experience;
- Effectiveness of communications;
- Knowledge management; and
- Time spent on due diligence and partnership selection.

**Partnership cohesion**

<table>
<thead>
<tr>
<th>Trust</th>
<th>Commitment</th>
<th>Sensemaking</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Relationship development;</td>
<td>- Values and action;</td>
<td></td>
</tr>
<tr>
<td>- Formal and informal communication channels; and</td>
<td>- Resources;</td>
<td></td>
</tr>
<tr>
<td>- Time spent on due diligence.</td>
<td>- Training; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Technology.</td>
<td>- Removal of ambiguity and complexity; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provision of clarity.</td>
</tr>
</tbody>
</table>

**Inhibiting factors**
- Inadequate motivation;
- Experience and staff turnover;
- Cultural resistance
- Poor relationship management; and
- Lack of time dedicated due diligence and partner selection.

**Transitioning to the next phase**
Driven by individual key performance indicators (KPI), rewards, and recognition, but now also in the spirit of collaboration and cooperation.

Figure 6-4 Stage 1 and 2 of the “Strategic Alliance Organizational Maturity Learning Model”.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
At the second learning stage, continued effective performance of alliance partners is influenced by the trust, commitment, and sense making that are embodied in each partner’s leadership team. Collectively, the partnering organizations have learned that they need to cooperate, they have learned *how to cooperate* and they have begun to recognize that cooperation can be leveraged to achieve continued growth.

Collectively, also, individuals are aligning to the overall organizational direction. The strategic alliance is now based upon a diverse but commonly focused collection of motivations, individuals and groups. Underpinning this second stage, learning *how to cooperate*, partnering organizations are now focused on further developing the levels of trust, commitment, and sense making through all levels of the partnering organizations through on-going relationship development, communication, growing and previous experiences, and time within this relationship.

### 6.5.2.3 A mature stage organization learning model – Final stage

The final stage of this learning model recognizes that partnering organizations are recognizing that learning in this context that they can grow. Learning occurs unevenly but at all levels as partnering organizations embed new learnings into their existing capabilities, competencies, and processes (see Figure 6-5).

These new learnings, it has been established, are referenced by the strategic alliance through leadership given, structure, and culture in supporting improved market positioning, growth, and continued expansion.
### Partners Need to Cooperate

**Motivating factors**

**External Environment**
- Opportunity
- Relevance
- Structure

**Internal Environment**
- Partner selection
- Complementary capabilities
- Integration
- Feasibility

### How to Cooperate

**Integration and alignment of management forms**
- Strategy development;
- Structure;
- Culture; and
- Human resources.

### Partners grow through cooperation

**Learning occurs on all levels**

**Embedding learnings into:**
- Competencies

### Environment for learning and collaboration

**Trust**
- Relationship development;
- Formal and informal communication channels; and
- Time spent on due diligence

**Commitment**
- Values and action;
- Resources;
- Training; and
- Technology.

### Inhibiting factors

- Inadequate motivation;
- Experience and staff turnover;
- Cultural resistance
- Poor relationship management; and
- Lack of time dedicated due diligence and partner selection.

**Sensemaking**
- Removal of ambiguity and complexity; and
- Provision of clarity.

### Cooperation is influencing learning

**Learning together to grow**
- Proactive;
- Improve market positioning; and
- Greater financial rewards.

---

**Figure 6-5 Three stage Strategic Alliance Organizational Maturity Learning Model.**

---

**Title:** Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
6.6 Implications for further research

The course of every research project reveals both areas in which research might be undertaken if greater resources were available and areas which might be extended if further time was available. The conclusions drawn from the findings of this study are necessarily tentative. The range of available [and willing] respondents is limited. Their expertise is frequently constrained by their specialization at senior organizational levels and their knowledge is necessarily likely to have commercial consequences if revealed in the marketplace of their competitors. Nevertheless, the research questions arising from this study are worthy of further study and they are introduced in the following sections.

6.6.1 Knowledge transfer – processes and problems in strategic alliance

There are a number of strong motivations supporting strategic alliances as a business form (see 2.4.1, 2.5.5, and 2.6), one being to exploit knowledge and learning (Zack 1999). An important area of research is an understanding of the processes and problems associated with knowledge transfer between partnering organizations operating in a strategic alliance. While this has not been the focus of the current study, it represents a research field which would generate even deeper understanding of why the three stage model presented in this thesis actually functions.

6.6.2 Learning and knowledge transfer

An increased understanding of the learning and knowledge transfer mechanisms proposed in the previous section might be expected to shed light on why embedded networks appear to have a greater ability to transfer knowledge between their partners (Powell et al 1996, Uzzi 1996). As Fischer et al (2002) observed, the mechanisms are not well understood. They have clearly impacted on the findings of this study and one area confirmed as being beneficial (Simonin 1999) is the transfer of personnel who are familiar
with the partnering organization and culture because they transfer both explicit and implicit knowledge (Argote 1999). This field is not well understood, fell beyond the scope of the present study, and requires further research.

6.6.3 Unlearning

How mature stage organizations moving into a strategic alliance discard obsolete knowledge and behaviours in order to acquire more meaningful knowledge (Iyer 2002) to support their new context, which Hedberg (1981) termed unlearning, appears to be a crucial element in further understanding how learning occurs. Dissolution is considered an important field for future research with an increasing proliferation of organizations seeking entry into new markets.

This research would be beneficial for organizations seeking to support a set of motivating factors for unlearning. Increased understanding of the mechanisms that partnering organizations use to facilitate unlearning could be expected to provide critical insights into cooperation, commitment, and the development of trust between partnering organizations.

6.7 Study limitations

This section explores the limitations with this particular study as it was designed and implemented.

6.7.1 Research design

The challenge in studying a complex subject involving entrepreneurial adoption, change, and learning within mature stage organizations within a strategic alliance is gaining substantial levels of relevant information from the respondents. It is difficult to be certain that the respondents’ experiences are comparable since their interpretations and responses to the (hypothetical) case study may be based upon different experiences and meaning (McKenzie 2003). For example, the more involved and complex the change
and learning process is (for example, explaining the issues and describing the approach taken by an organization to re-align), the more difficult it is likely to be to describe. In the context of the hypothetical strategic alliance developed for this study can only be expected to further complicate the process. In such a situation traditional reliability measures become largely irrelevant and the need for considerable repetition between responses becomes important (see 3.4.6).

Further to this, the challenge of interviewing respondents with extensive practical experience in the field, and then dealing with the complex nature of entrepreneurial adoption, change, and learning between partnering organizations is that respondents must utilize their own judgment of reality – which may be seen as personal perception rather than some “objective” reality (McKenzie 2003) and which Agyris and Schon (1996) have identified as “theory-in-use” and “espoused theory”. The latter, in this study, was seen to be the most likely concern.

For this research “espoused theory” was considered to be quite appropriate as interest was in the respondents' personal judgments of reality (McKenzie 2003). It would be unreasonable to imagine that respondents could offer more than their personal experience and judgement in respect to entrepreneurial adoption, change, and learning for mature stage organizations operating within a strategic alliance. As a result, while the responses of the respondents might not represent some “objective reality”, their perceptions have been sufficient to move them to the positions they now hold and from which, as ‘experts’ they have informed this study.

6.7.2 The study sample

As previously discussed (see 3.4.7), the composition of the sample was an issue that greatly impacted the duration of the research project. The initial case study candidate organization, option one, confirmed interest in June 2002, and after further deliberation rescinded their offer to participate in August 2002, identifying concerns with potential confidentiality issues.
Following this, the researcher identified a group of industry professionals with relevant global and regional experience based in Singapore to participate in this project, *option two*, between September and November 2002, however, as with the first candidate issues of confidentiality began to re-emerge hence ending this option. This is a view supported by Blau (1964) who, in his research into bureaucracy within organizations, concluded that mature stage organizations are less receptive to opening themselves up to investigation.

As a consequence of these events, the framework of a hypothetical case study, *option three*, was created in July 2003 to enable respondents with relevant background and knowledge to play a role within hypothetical organizations that enabled them to relate their professional experiences to a case without fear of commercial-in-confidence or confidentiality issues arising (see 3.4.6).

In this study, respondents interviewed were mid-level and senior executives from the financial services industry with experience in the field of research. As a result, they had definite views on the issues surrounding the study topic. Respondents were selected to play roles within this case study (see 3.4.6) based upon their current job levels, previous experiences, and involvement in partnership contexts to ensure that the research undertaken provided a realistic setting within which to discuss the issues associated with entrepreneurial adoption, change, and learning.

### 6.7.3 Personal involvement

The researcher has over 20 years experience in the financial services industry, particularly in the field of strategic alliance development. Professional and personal contacts in the financial industry supported access to respondents at appropriate levels to support the project. Undoubtedly, the knowledge and experience of the researcher influenced the interpretation of the data gathered.
However, despite some concerns from a methodological perspective, (see 3.7), this was generally considered to be beneficial to the study and enabled the researcher to utilize his knowledge and experience to contribute to the understanding and interpretation of entrepreneurial adoption, change, and learning that occurs between mature stage partnering organizations through formation, implementation, and evolution of a strategic alliance.

At the same time, this knowledge and experience may be seen to have resulted in the researcher filtering information deemed more or less relevant on the basis of his own personal and professional perspective. To moderate this potential bias, respondents were given the opportunity to review their responses and the final draft of the thesis findings and conclusions was discussed with respondents prior to submission. These mechanisms enabled the researcher to substantiate the accuracy of the findings, and interpretations presented in this thesis.

6.7.4 Interpretation of this research report

This research report is the product of the researcher’s knowledge and experience in the financial services industry, in particular with strategic alliances over 20 plus years, and his interpretation of the findings from this research project.

Others involved in the industry and working with strategic alliances reviewing this report may have different insights and understandings, particularly if their experience is derived from industries where strategic alliance is a more established entrepreneurial form.

6.8 Contribution to practice

The major findings of this thesis strongly support the reported model of learning within a strategically aligned context operating at three separate levels (as identified in the Strategic Alliance Organizational Maturity Learning Model, refer Figure 6-5). The findings from this study suggest that the ability of organizations to operate at each of these levels is a function of their past
experience with partnering structures, duration in their particular partnership, and the ability to achieve financial outcomes and market success based upon their partnerships.

Lack of experience or duration in a partnership can be addressed to a limited extent when partnering organizations provide strong leadership, share a vision, operate with flattened hierarchical organizational structures, establish cultures receptive to learning and change, open “two way” communication channels, and offer extended time to relationship development. As identified (see 6.4), each of these factors contributes to an environment that promotes trust, commitment, and sense making within each organization and between the partnering organizations.

The conclusions and their implications for extending current thinking in this area have been presented in tabular form (see Figures 6-1, 6.4) and categorized to support confirmation and extension of existing research findings, while suggesting further research in the area of entrepreneurial adoption, change, and learning for mature organizations entering into strategic alliances.

Increased understanding of the process involved and the reasoning that supports mature stage organizations in realigning with their markets offers an opportunity for industry professionals to better introduce changes required to support strategic alliances in the financial services industry.

This thesis makes a major contribution to practice in implementing entrepreneurial approaches, such as a strategic alliance, into mature organizations by creating a new understanding of how cooperation evolves into learning and substantiates change in the context of the alliance.
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Swinburne University Australian Graduate School of Entrepreneurship, Melbourne.


Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations


Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations


Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations


Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations


APPENDICES

Appendix A – Briefing Document and Hypothetical Case for Respondents

Strategic alliances as an entrepreneurial initiative and stimulus for learning in mature stage organizations

A case study on financial services organizations entering into cross industry agreement strategic alliances

by

Alan Rees

Dissertation submitted to

The Australian Graduate School of Entrepreneurship
Swinburne University of Technology

in partial fulfilment of the requirements for the degree of

Doctorate of Business Administration

Dr Neil Bechervaise (Supervisor)
Abstract

Sustained success for an organization is based upon its ability to constantly realign with opportunities that emerge within their markets. Thus, organizations must continually evolve as markets evolve.

This thesis examined how mature stage organizations within the financial services industry can adopt entrepreneurial approaches to learn, evolve and improve their competitiveness. Despite the rate of technological change, globalization, and convergence of industries that has occurred in the last decade, there is no clear model to support the adoption of entrepreneurial activities within mature stage organizations. Adopting an exploratory qualitative case study approach, the researcher interviewed informants with experience in Australia, European, North and South Asia, and the United States of America financial services industry to explore the research question:

How do mature stage organizations integrate strategic alliances as an entrepreneurial approach and capitalize on learning in response to evolving markets?

Interviewing key informants within the financial services industry, the study confirmed a range of means of conceptualizing, introducing, and managing new business initiatives through strategic alliances. These findings were synthesized into a hypothetical organization in which, it became evident, the more entrepreneurial and innovative the organization became, the more capable it was of sourcing and responding to new opportunities within existing and related markets.

The study confirmed the need in strategic alliances for shared vision, strong leadership, effective communication of the organization’s direction and strategy, a culture that embraces flexibility, business competence, a commitment to respect and manage differences between organizations, an ability to work collaboratively, and a willingness to upgrade or replace business processes and technologies to support innovation.

The study sought to provide an understanding of how entrepreneurial approaches can remain fluid rather than become static, and how they can be preserved within mature organizations.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
The importance of leadership, commonality of vision, collaboration, communication, integration of business structures and processes, and willingness to learn from each other began to emerge as central issues from the initial interviews. Consequently, a second research question was added:

How do partnering organizations operating in the mature stage of a corporate life cycle within the construct of a cross industry agreement strategic alliance adopt an entrepreneurial approach and mutually learn to recast the direction of their relationship?

The study confirmed that organizations should develop and support a culture that embraces learning, flexibility and change. Entrepreneurial organizations require vision, leadership, business structures, processes, and competencies to support innovation.

This research adds to the field by establishing that innovation is embedded in the ability of partnering organizations to learn continuously and collaboratively. In doing so, they become more capable of realigning with changing markets and creating and capitalizing on new markets. The research concludes that less hierarchical organizational structures within partnering organizations support strategic alliances and promote the ability of organizations to learn how to cooperate, collaborate, and grow individually and mutually together.
Background

This dissertation focuses on the issues associated with strategic alliances for financial services organizations (FSO) as opposed to acquiring or building particular capabilities to support an overall business. The driving force to support a strategic alliance is where an organization identifies another organization that may have the capability to support their overall business objective.

In the five largest acquisitions in 1997, banks paid an average of USD 2,500 per retail customer relationship, more than double paid by acquirers in 1993. To earn an acceptable return at these prices, banks must generate an additional $275 in profit per household, nearly tripling current profitability. (Boston Consulting Group Bank Administration Institute 1999:vii)

Ernst and Halevey (2000) were of the view that strategic alliances are better received by the market than mergers and acquisitions, because the market generally favors alliances for reducing risk and building business in turbulent environments.

For FSO’s this strategy is seen as a more fiscally responsible way of expanding their business at the same time as presenting the opportunity to achieve their overall business objectives. The advantage for a FSO, such as a bank, is that with a potentially large client base, extensive distribution channels, client information, and the synergistic connection a client sees with insurance and investment products this becomes plausible and acceptable extension in the client’s mind.

Alliance strategies such as these have clear short-term benefits – immediately expanded product capability and company branding benefits. (Boston Consulting Group Bank Administration Institute 1999: 50)

Why I Need This Information?

To identify the gaps in the literature and the ability to develop a process model to support the adoption of strategic alliances within FSO’s. The aim at the conclusion of this research is to test the results and model back against the key informants to support the development of academically and practically agreed knowledge in this area.
Process

Approximately 60 minute interviews with participants who are experienced in strategy formulation, implementation, and Maintenance phases of strategic alliances within an organization, and partnering organizations. In some instances this may involve second interviews to provide clarification and substantiate emerging conclusions. The sample size of informants expected to be interviewed is 16.

Sample Interview Guide

The interview will range across a number of key issues related to alliances entered into by a hypothetical Asia Pacific company, ZBK with its partners.

Questions will centre around external market responses, leadership, organizational culture, business structures and processes, communication to support the enabling of strategy, and the measurement of success.

Case Study

Country Overview

Kamchoria is a fictionalized island in the Asia Pacific Region covering 300,000 sq km. A recent population census of Kamchoria confirmed a population of just over 25 million people, of which 60% of the population is based in 2 major cities, the financial centre of Malau in the South and the political capital Ranjun in the north.

Today Kamchoria has a range of industries from primary through to tertiary. The government has invested heavily in the technology and services sectors to ensure that Kamchoria became a major financial services centre and trading hub in the Region, producer and exporter of high level technology, are some of its more profitable primary industries.

Financial Services Industry

Over this period, the government of Kamchoria was able to support different industries, with gradual and measured reforms through close regulation. In terms of the banking and finance sector, foreign banks were initially allowed to compete at an institutional level, as this supported the infrastructural development required within Kamchoria and in the Region. Therefore, in the late 1980’s, business and consumer banking remained predominantly the domain of local participants.
By the early 1990’s the government of Kamchoria recognizing the need to build a strong and vibrant financial centre for the Region, saw that allowing foreign banks to enter their local markets that this would further support their aims to build a stronger regional presence, thereby supporting their economy overall. This step towards deregulation of the financial services market saw foreign banks not only competing against the 7 major banks for institutional banking business, but against the major local banks, along with Kamchoria’s 8 regional based banks, and 15 national finance companies in the business and consumer banking markets.

Over the following years the market saw a number of acquisitions and mergers take place within the industry. By the late 1990’s a number of foreign banks had begun to withdraw from certain parts of the financial services industries to focus on the more profitable segments within the business and consumer banking market.

The foreign banks within these markets had targeted both private banking clients and those with invest able assets in excess of USD1 million, the line of credit and credit card markets - using strategic alliances with Visa and Mastercard to support that direction. Some new participants sought alliances with major department stores in Kamchoria to further support the development of their overall client base.

The retail banking distribution channels of the foreign banks consisted of a combination of call centre, internet, and small number of retail branches. But as the foreign banks began to build their credit card client bases, a new threat began to emerge for local FSO’s.

The regulation of the asset management industry in late 2002 by the Central Bank of Kamchoria (CKK) presented opportunities and threats for local and foreign FSO’s in the retail banking market. The requirement for FSO’s and other providers to facilitate and support a financial advisory framework was designed to protect individual clients for retail investment and insurance products by enabling FSO’s to work more closely with their clients, and to improve retention and profitability.

The local FSO’s had the majority of the primary banking relationships with the population of Kamchoria, so the challenge for these organizations was to retain their relationships and to provide a suitable offering that supported their clients personal financial visions. The threat that existed here was not only the entry of foreign banks into this potentially profitable segment, but the expected emergence and
proliferation of Independent Financial Planners (IFP’s) as an alternative to the traditional banking domain.

The major opportunity for local and foreign FSO’s alike will be their ability to package a value proposition that enables them to provide their client base with a complete financial solution.

As a part of this process local and foreign FSO’s need not only identify and target those mass affluent clients (MA), but also those that are the emerging mass affluent (EMA). Refer Attachment E for a definition of more detailed summary of MA and EMA. The challenge for these FSO’s will be their ability to identify potential customer profitability and provide a suitable proposition that prevents IFP’s from securing a substantial portion of this profitable market.

To further support their positioning in this market the challenge for FSO’s in Kamchoria was to develop a suitable value proposition in the asset/wealth management space to maximize potential revenues and overall market share.

**ZBK Banking Corporation “ZBK”**

ZBK is a locally based FSO currently ranked number three in the Kamchoria financial services markets by assets under management. Whilst ZBK had been relatively successful over the past 4 years, both the Private and Retail Banking markets have began to feel pressure from the foreign FSO’s of the likes of ABN Amro, Citibank, HSBC, Standard Chartered Bank, and more recently, 2002, from two Singaporean banks UOB and OCBC and one Malaysian bank, MayBank, who were also endeavoring to establish their presence in Kamchoria and other markets in the Region.

The foreign FSO’s were targeting specific potential profitable niches within three major markets: Institutional, Capital Markets and Foreign Exchange, and Retail. In terms of Retail their focus had been Private Banking, Asset Based Financing, and Credit Cards. However the recent drafting and enactment of the Regulated Financial Advisors Act (RFAA) has presented another opportunity within the retail banking market, MA and EMA segments.

To synthesize with the changes that were occurring locally and in the Region as a whole the Board and some of the key executives of ZBK met in October 2002 to finalize a high level strategy to support the bank’s positioning in Kamchoria and to
further build upon their regional presence in a number of neighboring countries in the Asia Pacific Region. The aim being to improve their own internal capabilities in Kamchoria and through careful investments in these neighboring markets to improve market share and overall revenues for ZBK. This was based upon the banks’ need to build a more significant profile in the Region to support business competence and capabilities to enter China by 2005.

Since China had scheduled to receive WTO status by 2003 the Board of ZBK had discussed and reviewed several medium to long term strategies to enter this market. To support this direction the Board had decided to also engage a global based consulting firm, Excite Consulting Services (ECS), that had had prior experience in supporting other organizations in entering large “off shore” markets.

ECS had recommended that ZBK perhaps give consideration to the use of joint ventures and various forms of contractual alliances, strategic alliances, with local FSO’s to support their initial entry into both neighboring and the China markets. The Principal of ECS and his firm who had been recently engaged to support ZBK in further developing their local retail banking business had suggested that there may be some key learnings from the current group of strategic alliances that were being formed to support their approach to wealth management business for MA and EMA segments in Kamchoria.

**ZBK’s Approach to the Wealth Management Industry**

As a part of ZBK’s review of the industry they identified a need to clearly understand the offering that would best support their existing and prospective clients. ZBK’s secondary research revealed that the MA’s are not a segment, but a business demanding distinct performance metrics, capabilities, value propositions and delivery structures.

The benefit of this is that ZBK could see this as an enabler to build stronger and more profitable relationships with their clients. From this ZBK identified the following components that would further support their approach in this industry:

- Extend and diversify the current selection of asset management products;
- Provide a range of insurance/risk products;
- Develop financial advisory capabilities; and
- Provide a range of distribution options to support their different value propositions.
To support this direction ZBK began to scan the market for a suitable insurance company and funds/asset management providers that would support this direction. This was aimed at utilizing the strength of their own brand and leveraging that of their potential alliance partners.

After a due diligence process lasting three months ZBK decided to enter into a contractual alliance with a global insurer, Great Global Insurance (GGI) to support a range of single and regular premium products. As part of this process alliances were also formed with a number of major asset management providers. To further support this positioning ZBK decided to develop their own on-line brokerage service “in house” with Great Global Insurance (GGI), and with External Asset Management Providers – Monet Asset Management (Monet) - Head of Distribution Asia Pacific – Burt. Refer Attachment B for a summary of the providers.
Attachment A – ZBK Banking Corporation

ZBK Corporate Overview

CEO – Bart and Leo
Director Retail Banking – Bryan and Larramy
Head of Channels, Retail Banking – Beatrice and Ling
Director ZBK Asset Management – Beverley and Linki
Director ZBK*CONNECT - Bernard and Luther

ZBK covers a range of banking fields: Institutional; Capital Markets and Foreign Exchange; International; Corporate; Small to Medium Businesses; and Retail which includes Private and Consumer Banking. Within retail this included individual markets such as: Mortgages; Wealth Management; Asset and Consumer Finance. The later including products such as credit cards, lines of credit, and merchant payment facilities.

ZBK Statistics

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Profit and Loss

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* Business tax rate of 25% was applied between 1999 and 2002.
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Attachment B – Corporate Overview of Strategic Alliance Partners

Great Global Insurance (GGI)

CEO Asia Pacific – Barney “Barn” and Leroy
Director Sales and Marketing – Betty and Listiani

GGI is one of the five leading global insurance companies. Today it has representation throughout the Asia Pacific Region, with some presence in Kamchoria. GGI provides a range of personal (household, motor vehicle, and travel), commercial (property, plant and equipment, transportation, and professional indemnity) along with a range of life insurance products.

In other Regions GGI also supports their insurance offering with range of annuities and other asset management products. They have had experience in western Europe and of recent in North America in working with other FSO’s, in particular banks, to support the co-operative distribution of their risk and asset management products alongside their partnering banks asset and liability products. This is commonly referred to as “bancassurance”.

Today in Kamchoria GGI relies upon insurance brokers for parts of their commercial products and their relatively small agency sales force, 220, to support the distribution of personal and life insurance products to the market. GGI sees the benefit of this alliance due ZBK’s distribution capacity and the size of their existing client base. Chuck Conner, CEO, sees the regulation of the wealth management and financial advisory framework in Kamchoria as providing significant opportunity and believes that they can support ZBK by providing a range of risk/insurance and asset management products in building their value propositions for this market. He is excited as to the potential of this relationship in terms of revenue and market for GGI.
External Asset Management Providers

Monet Asset Management (Monet)

*Head of Distribution Asia Pacific – Burt and Lex*

Monet provides a range of hedge funds and multi-managed funds globally. ZBK has sought a strategic alliance to broaden their asset management offering, and to leverage off the Monet brand. ZBK have also sort distribution alliance with Michael Angelo, Monet Asset Management, and Bret Whitely Investments as to supplement the bank offerings to the market place. Targets committed. Please note that ZBK*CONNECT is an “in-house” broking service developed by ZBK in conjunction with local software provider “OhYeah” to support those clients that prefer a phone and internet managed relationship. A joint venture arrangement has been struck 75% - 25%. 
Attachment C - Additional Background Information

How ZBK selected their Partners

GGI

GGI was selected after three months due diligence process in preference to other providers in the market place based upon their success in Europe with bancassurance. Their global presence, one of the top 5, extensive product offering, willingness to provide resources to support the training of their staff, and their experience in building wealth management capabilities in both Europe and the UK all supported their selection.

They had little or no presence in Kamchoria, relying upon insurance brokers to support their commercial products and an agency field force of 220 to support the distribution of their personal and life insurance products to the market.

ZBK’s decision was based upon GGI’s product and service offering, a recognizable global brand, and scope to build their non-interest income stream quickly. They were preferred over the local providers due to the perceived complication of working with larger local provider, and the potential of the brand associations to support a launch into China and other regional markets.

Monet Asset Management

Monet Asset Management, the world’s largest independent fund manager, aims to be managing K$4B in assets in Kamchoria by 2005. The giant fund management firm has also received approval from CBK to offer 33 offshore funds to retail investors which will be available through distributors such as ZBK and IFA’s. The choice of Monet Asset Management was based upon their reputation and branding in other markets.

ZBK*CONNECT

While ZBK had had discussions with TD Waterhouse, Charles Schwab, Yourprosperity, and E*Trade, they had decided to develop their own “in-house” on-line broker service in a joint venture with “Oh Yeah” a local software development company in Kamchoria. This would support those customers that prefer on-line trading and buying.
Overall objectives for each of the respective businesses

**ZBK**
- Secure the following additional non-interest income through alliances with GGI, Monet Asset Management, and ZBK*Connect: K$125MM in 2003, K$200MM in 2004, and K$250MM. This represented 20% of overall income target for 2003, projected to 25% in 2004, and 30% in 2005.
- Achieve a market share of 30% of bancassurance business by 2005, and 25% of the wealth management market overall by 2005. Current performance in this area is 8% and 7% respectively through arrangements with local providers.
- Reduce the cost income ratio to 52.5% by 2003, 50.0% by 2004, and 47.5% by 2005.

**GGI**
- Increase current market share within Kamchoria from 8% to 30% within 5 years.
- Increase the current customer base from 60,000 individual life policies, 80,000 non-life policies, and 10,000 small to medium-sized enterprises in Kamchoria. Through this alliance increase the life policies to 180,000 and non-life to 120,000 in 2003, and achieve a 50% increase in 2004 on the previous year and 25% in 2005.
- Develop and accredit your agency sales force as financial advisors.
- For ZBK and agency sales force introduce a number of principal protected notes with capital guarantee, equity based funds based on the Eastern European market.
- Enter the China market by 2004.

**Monet Asset Management**
- Generate sufficient investment sales to achieve an asset base of K$4B by 2005.
- Build the brand recognition of Monet in the Kamchorian market.

**ZBK*CONNECT**
- Provide an on-line medium to support the sale of ZBK’s investment and insurance products, and the ability to trade in stocks and shares.

Expectations of Each Role - ZBK

**CEO**
- Achieve overall market share of 30% by 2004, currently 26%. Measured by assets under management.
- Secure the following additional non-interest income by K$200MM in 2003, K$300MM in 2004, and $400MM. This represented $100MM in 2002.
- Achieve Return on Equity of 17.5% by 2003, and over 20% by 2004.
- Reduce the cost to income ratio to 52.5% by 2003, 50.0% by 2004, and 47.5% by 2005.

**Director Retail Banking**
- Secure the following additional non-interest income by K$150MM in 2003, K$225MM in 2004, and $300MM. This represented $85MM in 2002. This represents 20% of your income target.
- Achieve a market share of 30% of bancassurance business by 2005, and 25% of the wealth management market overall by 2005. Current performance in this area is 8% and 7% respectively through arrangements with local providers.
- Reduce operating costs compared to 2002 by 10%.

**Head of Channels, Retail Banking**
- Secure the following additional non-interest income through alliances with GGI, Monet Asset Management, and ZBK*Connect : K$125MM in 2003, K$200MM in 2004, and K$250MM. This represented 20% of overall income target for 2003, projected to 25% in 2004, and 30% in 2005.
- Achieve investment sales of $3.5B, up 50% on 2002, Life and non-life 100,000 and 20,000 policies respectively. In terms of investment product offering needs to be broad.
- Reduce operating costs compared to 2002 by 10%.

**Director ZBK Asset Management**
- Range of products : Principal Protected Notes, Equity Based Funds, and Hedge Funds

Director ZBK*Connect
- Minimize operating costs to $0.5MM and source on-line friendly products.

Expectations of Each Role - GGI

CEO Asia Pacific
- Increase brand profile of GGI in the Kamchorian market, market of 30% by 2005.
- Increase the current customer base from 60,000 individual life policies, 80,000 non-life policies. Through this alliance increase the life policies to 180,000 and non-life to 120,000 in 2003, and achieve a 50% increase in 2004 on the previous year and 25% in 2005.
- Develop alternative distribution channels to support GGI’s growth in Kamchoria.
- Generate total investment sales of $1B in 2003, $2B in 2004, and $2.5B in 2005.
- For ZBK and agency sales force introduce a number of principal protected notes with capital guarantee, equity based funds based on the Eastern European market.
- Enter the China market by 2004.

National Sales and Marketing Manager
- Secure a customer base that has 180,000 life policies and 120,000 non-life in 2003, and achieve a 50% increase in 2004 on the previous year and 25% in 2005.
- Generate total investment sales of K$750MM in 2003, K$1.5B in 2004, and K$1.9B in 2005 through ZBK.
- Training to support accreditation for ZBK Financial Advisor and Agency Sales Force in the RFAA.
Expectations of Each Role – Monet Asset Management

Head of Distribution Asia Pacific

- Achieve average net margins of 3% in 2003, 2.75% in 2004, and 2.6% in 2005.

ZBK has sought a 12 month contractual alliance with Michael Angelo, Monet Asset Management, and Bret Whitley Investments to source K$450MM, K$350MM, and K$200MM to support their broadness of their product offering.
Attachment D – Overview of the Asset Management and Insurance Industry

Central Bank of Kamchoria (CBK) conducted a research study into the asset management industry as at 31 December 2002. This research covered those FSO’s that conduct asset management activities in Kamchoria.

The total asset under management by Kamchorian based FSO’s grew to K$1,535B by the end of 2002. A significant portion of these funds represent the government sponsored retirement savings program (RSP) for Kamchoria, K$905B. The remaining funds, K$630B, are part of Kamchorians individual investment plans.

As part of the deregulation over the last two to three years, the government has allowed their population to personally manage up to 30% of the retirement savings program along with personal investments. With the remaining to be directed into government approved funds.

Since 1997 the individual discretionary investment funds have doubled year on year as the population of Kamchoria has become more aware of the need to better manage their investments to support future lifestyles. This has been combined with the need for banks to migrate their client base out of unprofitable savings accounts into investment products that provide greater economies of scale and improved revenue sources for their respective FSO’s.

The impact of September 11, 2001 on the market globally has seen clients move away from equity based products to protect their capital base, and provide an opportunity to earn a return on their investments. So instruments such as principal protected notes, and hedge funds are now more popular for supporting their short to medium term investment needs.

The introduction of the RFAA in 2002 now allows banks, finance companies, insurance companies, and IFA’s to retail both asset management and insurance based products to their respective and prospective client bases. However, in doing so, this Act requires representatives of these respective organizations to comply with an appropriate financial planning framework that supports more prudent financial management for the population of Kamchoria.
## Attachment E – Targeted Client Segments

<table>
<thead>
<tr>
<th>Client Profile</th>
<th>Emerging Mass Affluent</th>
<th>Mass Affluent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Income</strong></td>
<td>• Combined family gross income greater than K$80,000.</td>
<td>• Combined family gross income greater than K$100,000.</td>
</tr>
<tr>
<td><strong>Personal situation</strong></td>
<td>• 28 – 35, Married, No Children.</td>
<td>• 35 &gt;, Married, 2 Children.</td>
</tr>
<tr>
<td><strong>Size of Funds Available for Investment</strong></td>
<td>• Greater than K$100,000.</td>
<td>• Greater than K$250,000.</td>
</tr>
<tr>
<td><strong>Where in the Financial Life Cycle?</strong></td>
<td>• Debt reduction, reducing profitability to the Bank.</td>
<td>• Asset accumulation, seeking investment vehicles to maximize wealth.</td>
</tr>
<tr>
<td><strong>How they purchase?</strong></td>
<td>• Information based. • Supplemented by basic financial planning.</td>
<td>• More comprehensive planning.</td>
</tr>
<tr>
<td><strong>Investment Goals</strong></td>
<td>• Longer term liquidity. • Savings plan.</td>
<td>• Liquidity plus an amount to enjoyment in retirement.</td>
</tr>
<tr>
<td><strong>Type of Asset/Investment Products Sought</strong></td>
<td>• Capital guaranteed • Basic equities • Basic Annuities</td>
<td>• Capital guaranteed • Equities • Hedge funds • Other index linked products</td>
</tr>
<tr>
<td><strong>Type of Liability/Lending Products Sought</strong></td>
<td>• Home and motor vehicle lending facilities. • Line of credit. • Credit cards. • Insurance products.</td>
<td>• Home and motor vehicle lending facilities. • Line of credit. • Credit cards. • Insurance products. • Stock trading. • Linked and packaged offerings.</td>
</tr>
<tr>
<td><strong>Access</strong></td>
<td>• On-line – Call Centre or Internet. • Financial Advisor.</td>
<td>• Financial Advisor. • Relationship Manager.</td>
</tr>
<tr>
<td><strong>Value Proposition Sought</strong></td>
<td>• Product-driven. • &quot;Low-Touch&quot; Delivery. • Do-It-Yourself.</td>
<td>• Seeking premium product and service. • Low cost.</td>
</tr>
<tr>
<td>Client Profile</td>
<td>Emerging Mass Affluent</td>
<td>Mass Affluent</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Financial Solution Sought.** | - Transaction based.  
- Retirement savings program. | - Transaction based.  
- Retirement savings program.  
- Plan based. |
| **Financial Planning Needs.** | - Simple needs analysis.  
- Risk profiling. | - Needs analysis.  
- Risk profiling.  
- Asset allocation.  
- Portfolio tracking. |
Appendix B – Covering Advices for Respondents

Date

To whom it may concern

Letter of Introduction – Research Project

This letter is to confirm that I am currently undertaking research and writing this dissertation in partial fulfilment of the requirements for a degree in a Doctorate of Business Administration through The Australian Graduate School of Entrepreneurship under the supervision of Dr Neil Bechervaise¹.

My dissertation is designed to examine two research questions in relation to mature and established organizations within the financial services industry and their ability to “bring inside” an entrepreneurial approach to support their ability to recast their business direction.

My research is based on and supports strategic alliances as a form of innovation and identifies factors that support the implementation and Maintenance of these initiatives. The research will cover issues in relation to leadership, business structures and processes, competencies, and organizational culture in supporting these alliances.

To validate our research and to clarify issues associated with strategic alliances in this industry, I have adopted a qualitative case study research approach. To overcome the issues of organizational confidentiality, a hypothetical case has been created to allow participants to contribute based upon their own professional experience in holding or having held similar roles in organizations without having to apply or associate their answers with their current organization. Therefore it is the participant’s confidential view and interpretation as to what the issues are and what is important to support the integration and management of strategic alliances in this industry.

To protect the identity of the individuals participating in this study, no one participant will be advised of another individual’s involvement in the case study. Individuals selected for this case study have experience across a number of different financial institutional markets: Australia; Hong Kong; Indonesia; Japan; Malaysia; New Zealand; and Singapore, and currently operate in Asia Pacific Region.

¹ Refer Attachment A for Neil Becherviase Biography.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Your involvement in this project is greatly appreciated and I trust that you will gain something worthwhile from the experience. If, for any reason, you decide that you wish to withdraw from the study at any point, all data you have provided will be deleted from the study. If you have any further questions, please feel free to contact me or my academic supervisor, Dr Neil Béchervaise [email: neil@bechervaise.com]

Yours sincerely

Alan Rees²

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² Refer Attachment B for Alan Rees Biography.
Neil Béchervaise
61 3 9592 2674
neil@bechervaise.com

Experience:
Executive Coaching
Strategic Planning
Business Development
On-line Education
Academic Research
Teaching
Strategy and Technology Integration

Qualifications:
Doctor of Philosophy Monash University, Australia.
Masters in Education Monash University, Australia.
Bachelor of Education University of Calgary, Canada

Professional Associations:
Member of Australian Institute of Company Directors
Member of Australian College of Education

Managing Director of Global Research Business Pty Ltd and Principal of NB Consulting [Australasia] Pty Ltd, Dr Béchervaise specializes in executive mentoring, training development programs and website design. He is an Adjunct Professor with the Australian Graduate School of Entrepreneurship at Swinburne University of Technology where he has coordinated the Research program for the Doctorate of Business Administration.

Dr Béchervaise initially trained as an industrial chemist. He has had a long career as a poet, drama educator and textbook writer, as a high school teacher of Maths, Sciences, English, Drama and Media Studies over 30 years in Australia and Canada, and as a business consultant facilitating management training, organizational restructure and executive coaching.

Working with a research team from Deakin University School of Nursing, Dr Béchervaise has provided research direction for a study of the preferred learning and working styles of graduate nurses entering nursing research in a multicultural context. More recently research has focused on leadership development and change implementation effectiveness.

As Principal of NB Consulting (Australasia) Pty Ltd, Dr Béchervaise provides consultancy teams with particular expertise in Change Facilitation and Leadership Mentoring, Industry Training Program development, website development and the creation of flexible, on-line learning delivery links. He has worked with the Bank of Cyprus (Australia) to develop their successful Australian Banking License application. In collaboration with BSA Consulting, he provides strategic planning support for joint venture development in China and his most recent work has been in the development of a Data Management Institute.

Dr Béchervaise has completed projects, and maintains consultancy links, with Auckland Institute of Technology, Deakin University, Swinburne University of Technology, the Yooroang Goorang Centre for Indigenous Health, the Australian Association for the Teaching of English and the University of British Columbia in Canada.
### Attachment B – Biography

<table>
<thead>
<tr>
<th>Alan Rees</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 9699 8021 and 65 6348 8987</td>
</tr>
<tr>
<td><a href="mailto:alanrees@hotmail.com">alanrees@hotmail.com</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experience:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
</tr>
<tr>
<td>Business Development</td>
</tr>
<tr>
<td>Channel Management</td>
</tr>
<tr>
<td>Business Re-engineering</td>
</tr>
<tr>
<td>Strategy and Technology Integration</td>
</tr>
</tbody>
</table>

| Alan has over 20 years experience in the banking, finance, insurance, automotive sectors, and working with small to medium business enterprises in Australia, New Zealand, and Singapore. He has worked extensively in strategy formulation, marketing planning and implementation, channel management, business development, integration of new technologies, and business process re-engineering. |

<table>
<thead>
<tr>
<th>Qualifications:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate of Business Administration (in progress), Australian Graduate School of Entrepreneurship, Australia.</td>
</tr>
<tr>
<td>Masters of Marketing, Melbourne Business School, University of Melbourne, Australia.</td>
</tr>
<tr>
<td>Bachelor of Business (Accounting and Information Technology Management), Victoria University of Technology, Australia.</td>
</tr>
</tbody>
</table>

The types of initiatives he has been involved with over the course of his career are:
- Championed and developed new banking, finance, and insurance channels, products, and services.
- Initiated, researched and established new markets for existing products and services.
- Formulated and implemented business and marketing strategies.
- Identified opportunities for improving business capability, productivity, and effectiveness.
- Developed and managed intermediary and internal business relationships to support distribution of products and services across a number of different industries.
- Motivated, trained, and lead diverse teams of sales and marketing professionals.

Alan has worked with large financial services organizations in the Asia Pacific Region including ANZ Bank, AVIVA, DBS Bank, Esanda Finance Corporation, and GE Capital and has also worked alongside and project led initiatives with major global consulting firms such as BCG, CSC Index, and FMCG.

His experience in the retail banking and finance segment was with DBS Bank, GE Capital, and Swann Insurance. He was involved in building business capabilities for wealth management, lending, insurance, and cards products.

Prior to 1998 Alan was involved in supporting the small to medium enterprise market across a range of industries for the banking, finance, insurance, and automotive sectors. His responsibilities ranged across a number of areas including strategy formulation and implementation, product development, promotions management, business process re-engineering due to changes in business direction and technologies, development and management of intermediary relationships, and project and line management.

He is currently completing a doctoral dissertation on the use of strategic alliances as opposed to mergers and acquisitions as a strategy for growth and market share in the financial services sector in Asia.

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Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Appendix C – Final Interview Guide – Qualitative Research

Interview guide used in undertaking the first round of interviews. The interview guide may be modified later to ensure the questions remain relevant to the participants role in the hypothetical case proposed to reduce the extent of information to be covered in the time available.

Overview:

- What are the factors that you consider will contribute to the success of these strategic alliances for ZBK and its partners?
- Do you consider that there may be factors that may work against the success of these alliances for ZBK, GGI, Monet, and ZBK*CONNECT?
- Do you expect that partners may learn from experiences in this case to support future strategic alliances? How will this learning and knowledge be retained?

Strategy Formulation:

- In your opinion in this case how do you believe the opportunity was identified and the strategy derived?
- How influential do you think are overseas trends, other industries, and local market activities in supporting the thought and assessment processes for those organizations involved in this case?
- Within ZBK, GGI, and Monet who would you consider to be responsible for both opportunity identification and deriving strategy?
- What level of importance would you place on internal capabilities of your organization and your partnering organization to support a new initiative, such as a strategic alliance?
- In this case how much attention do you believe should have been given to understanding a strategic alliance partners organizational direction, market positioning, branding, culture, business structure, processes, and competence?
- In this particular case what do you consider to be the advantages and disadvantages of a strategic alliance as opposed to either an acquisition or merger?
Now that these strategic alliance have been confirmed how much involvement or influence do you believe you should have in formulating and adapting the strategy going forward?

How do you expect that organizational support will be garnered within ZBK and each of the partnering organization for the opportunity and strategy?

In this case how would you expect ZBK and other partners to support multiple strategic alliances at one time?

What do you believe from your experience and in this case for ZBK, GGI, and Monet, would be the greatest impediments for introducing these types of strategic alliances into the financial institutions market?

At this stage how would you expect to measure success of these initiatives for the respective organizations (ROI, movements share price, increases in non-interest income, customer retention, market share, customer profitability, staff feedback, employee turnover)?

How would you expect ZBK, GGI, and Monet to communicate success/results throughout their respective organizations?

In this case how would you expect to support the implementation process of these strategic alliances?

**Implementation:**

In your role how much involvement do you believe you and the partnering organizations: ZBK; GGI; and Monet, should have in the implementation process?

In this case what influence do you believe you should have over the future business structure and processes?

In your role what say would you expect to have over the organizational competence of your organization and partnering organizations to support these strategic alliances?

How do you in this case influence the organizational culture so it is aligned to the strategic alliance sought with the respective partners?

In this case what do you believe will be the factors that support the introduction of these alliances?

From your perspective what do you believe are the factors that may work against the introduction of these strategic alliances as proposed in this case?

In your role how would you mitigate against potential dislocation of the strategic alliances sought in this case?
From your organization's perspective, how would you or the organization communicate your impending changes to support the strategic alliances proposed in this case?

How would you expect to measure the success of the initiatives identified in this case (achieving the scheduled implementation date, customer satisfaction, staff feedback, employee turnover).

**Maintenance:**

- How much involvement and feedback would you expect to receive in terms of the performance and the day-to-day management of the alliances proposed in this case?
- What influence do you believe you should have in your role over the future business structure and processes in your organization in terms of supporting these alliances?
- What involvement should you have in the organizational competence required to support these strategic alliance(s)?
- In this case, how would you influence the staff to gain their support to this new initiative?
- In your role, what do you believe are the factors that would support the ongoing success of these strategic alliance(s) for ZBK, GGI, and Monet?
- In your role, what do you believe are the factors that may work against the ongoing success of these strategic alliance(s) for ZBK, GGI, and Monet?
- In your role, how would you ensure better organizational alignment between your businesses internally and that of the strategic alliance partners in this case?
- How would you measure ongoing success of the alliance initiatives in this particular case (sales results, customer retention, customer satisfaction, overall customer profitability, staff feedback, and employee turnover)?
- From your perspective, what will ensure success of a new strategic alliance or venture in this case?
- In your role, how would you influence a change in the organization's strategy once it is implemented in this case?
Appendix D – Initial Interview Guide – Qualitative Research June 2002

Date:
Name:
Current or last position held:
Role duration:
Current and previous organizations:
Current location:

Career background:

Can you list the new initiatives (i.e. strategic alliances, new technologies, new products and/or services) that you have either been involved, supported or lead in introducing into your previous organizations over your career.

Of these initiatives which would you classify as being new to the industry in their Region or market?

Of these initiatives which were successful for your organization?

Why were they successful and how did you measure performance of these initiatives? (i.e. ROI, increased revenues, share price, market share, reduced operating costs, improved business productivity, etc.).

Of these new initiatives which were not successful?

Why were they not successful and how did you measure performance of these initiatives? (i.e. ROI, increased revenues, share price, market share, reduced operating costs, improved business productivity, etc.).

How did your organizations support the introduction of new ideas into your previous businesses?

How were your organizations structured to support the introduction of new ideas?

How did your organizations support multiple entrepreneurial initiatives at one time?
In any of these instances did you use consultants to support the introduction of entrepreneurial initiatives?

For these initiatives who was responsible for their implementation?

From your experience what are the factors that act to support innovation and entrepreneurial activities in financial institutions?
- External Environment (Market):
- Internal Environment (Organizational):

What do you believe from your experience have been the greatest impediments for introducing innovation into your businesses?
- Leadership:
- Structure:
- Culture:

In implementing new ideas, such as strategic alliances, new technologies, etc. into organizations like financial institutions. Do you believe that these types of organizations are capable of adopting new ideas.

How is success measured? Is this defined prior to engagement?
Appendix E - Qualitative Research - Interview Respondents

Group 1 – Participants with extensive experience in Asian based markets.

<table>
<thead>
<tr>
<th>Role</th>
<th>Informants</th>
<th>Role and Organization</th>
<th>Date Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO – ZBK “Bart”</td>
<td>X</td>
<td>Managing Director, X Bank, Singapore</td>
<td>02/09/03</td>
</tr>
<tr>
<td>ZBK Director Retail Banking – “Bryan”</td>
<td>X</td>
<td>Managing Director, AP</td>
<td>06/08/03</td>
</tr>
<tr>
<td>ZBK Head of Channels, Retail Banking “Beatrice”</td>
<td>X</td>
<td>Vice President, Consumer Banking, B Bank</td>
<td>“Not Interviewed”</td>
</tr>
<tr>
<td>Director ZBK Asset Management “Beverley”</td>
<td>X</td>
<td>Head of Asset Management, S, Singapore</td>
<td>11/08/03</td>
</tr>
<tr>
<td>Director ZBK*Connect “Bernard”</td>
<td>X</td>
<td>Partner, ICS</td>
<td>07/08/03</td>
</tr>
<tr>
<td>CEO Asia Pacific – GGI “Barney”</td>
<td>X</td>
<td>CEO, A Insurance</td>
<td>16/09/03</td>
</tr>
<tr>
<td>Director Sales and Marketing – GGI “Betty”</td>
<td>X</td>
<td>Director Business Development, Asia</td>
<td>06/08/03</td>
</tr>
<tr>
<td>Head of Distribution Asia Pacific – Monet Asset Management “Burt”</td>
<td>X</td>
<td>Head of Distribution, Asia</td>
<td>11/9/03</td>
</tr>
</tbody>
</table>
Group 2 – Participants with predominant experience in Australian and Western based markets.

<table>
<thead>
<tr>
<th>Role</th>
<th>Informants</th>
<th>Role and Organization</th>
<th>Date Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO – ZBK “Leo”</td>
<td>Y</td>
<td>Managing Director, A Bank</td>
<td>14/08/03</td>
</tr>
<tr>
<td>ZBK Director Retail Banking – “Larramy”</td>
<td>Y</td>
<td>Managing Director, DS</td>
<td>08/08/03</td>
</tr>
<tr>
<td>ZBK Head of Channels, Retail Banking “Ling”</td>
<td>Y</td>
<td>Senior Manager, D Operations</td>
<td>16/08/03</td>
</tr>
<tr>
<td>Director ZBK Asset Management “Linki”</td>
<td>Y</td>
<td>Senior Marketing Manager, A, Consumer Banking</td>
<td>“Not Interviewed”</td>
</tr>
<tr>
<td>Director ZBK “Connect Luther”</td>
<td>Y</td>
<td>Executive Director, CSX</td>
<td>“Not Interviewed”</td>
</tr>
<tr>
<td>CEO Asia Pacific – GGI “Leroy”</td>
<td>Y</td>
<td>CEO, HF</td>
<td>28/08/03</td>
</tr>
<tr>
<td>Director Sales and Marketing – GGI “Listiani”</td>
<td>Y</td>
<td>Manager Director, H</td>
<td>19/09/03</td>
</tr>
<tr>
<td>Head of Distribution Asia Pacific – Monet Asset Management “Lex”</td>
<td>Y</td>
<td>Head of Corporate, CSX</td>
<td>14/08/03</td>
</tr>
</tbody>
</table>
Appendix F – Combined Emergent Analysis “Major Considerations & Issues”

**Strategy Formulation**

What is the basis for a successful strategic alliance from the outset? Common view of the market and the size of the business opportunity.

What influences support strategic alliances as a business option? The external and internal environment and the potential partners in the market place.

What influences an organization’s strategic thinking towards this as a business option? An improvement in their overall positioning in the market place.

What is part of an organization’s consideration set in terms of selecting a strategic alliance partner? The ability to work with a partner and whether their business competence, capabilities, processes, and technologies support this relationship.

What is the strategic alliance trying to achieve? Improve its relevance and positioning within the market place.

Why are strategic alliances a viable business alternative? Less costly than M&A’s, opportunity to extend current product and service offering quickly, speed to market, and to improve customer relationship.

What does it take to make a strategic alliance work at this stage? Adequate due diligence to understand the risk management and market issues. Alignment of objectives and goals between partners, and the involvement of CEO’s and internal senior stakeholders from both organizations.

How is the strategic alliance managed at this stage? Formulation of clear and mutually agreed business plan that has been supported by discussion between key senior internal stakeholders from both organizations.

What factors support a successful strategic alliance at this stage? Clear vision, co-operative and collaborative environment, mutual respect between partners, clear boundaries, identification of performance measures and financial incentives to support business alignment.
What factors may work against strategic alliances at this stage? Self-interest, lack of vision, lack of clarity of roles and responsibilities, and a unwillingness to work together.

Implementation

What is the focus at this stage? That roles and responsibilities are clearly defined to support the implementation of the strategic alliance.

How does an organization achieve strategic alignment at this stage? Education of the internal stakeholders and staff involved in this change as to its business need, benefit, and its impact upon their day-to-day activities in the future. Roles and responsibilities are established to support the Maintenance of this strategic alliance, this is reinforced through Service Level Agreements (SLA’s) established to support the management of this business initiative.

How is information communicated at this stage? Several mediums (intranet, e-mail, newsletter, etc.) to confirm the need for the change and to get the buy-in and commitment from those involved in this new business initiative. Regulatory and performance management reporting is established to support Maintenance phase of this initiative.

What ensures a successful implementation of a strategic alliance? Proactive management of issues, partners are working in co-operative and collaborative business environment. The message is clear and consistent as to why the organization needs this change and the implications of this change.

What works against a strategic alliance at this stage? Lack of respect for partnering organizations capabilities, lack of communication, lack of clarity as to direction, roles and responsibilities, and business goals.

Maintenance

What supports the Maintenance of the strategic alliance? High performing products, MIS that tracks the performance and drivers of the strategic alliances, co-operative and collaborative environment, clarity of roles and responsibilities, and active management of SLA’s.
What works against the Maintenance of a strategic alliance? Lack of focus and commitment to the alliance that is frustrated by an un-cooperative and un-collaborative environment. Not delivering on resources. Resistance of one or both of the partners to change. Lack of clarity of roles and responsibilities and that is not supported by clear communication in terms of expectations.

How is communication being managed at this stage? It is flowing both ways between partners at multiple levels. Forums are created between partners to formally manage performance and issues associated with the strategic alliance. Various forums (intranet, e-mail, newsletter, etc.) are used to communicate on the performance of the alliance.

What is needed for strategic alliance partners to work together at this stage? An ability to respect each other's culture. A willingness to work together to achieve a common solution at the time respecting the other partners' frame of reference in terms of the alliance.

What are my expectations during the Maintenance of a strategic alliance? Control over the development of staff competence. Suggestions to improve business performance are welcomed as part of constant dialogue between partners. KPI are continually managed to ensure alignment throughout both partnering organizations.

How do we manage the relationship between strategic alliance partners? Actively reviewing performance, addressing any issues through constant dialogues that may be negatively impacting upon the performance of the alliance.

How is success measured at this stage? Growth in assets under management. MIS is being used to track sales and profitability results, customer acquisition and retention. At the time this is considered in the context of market growth and share.

Learning
This can be heavily influenced by the CEO and the sponsors' past experiences, so good experiences will provide a more positive approach as opposed to a negative one. If you can learn from your past experiences this can definitely support future strategic alliances. However, this can be a function of stability of staff within an organization. We also see organization learning from observing others. The
The challenge is to understand, mitigate, and manage differences to support the performance of the strategic alliance.
Appendix G – Combined Analysis of Considerations and Issues

Group 1 (Bart, Bryan, Beatrice, Beverley, Bernard, Barney, Betty, and Burt)
Group 2 (Leo, Larramy, Ling, Linki, Luther, Leroy, Listiani, and Lex.)

**Strategy Formulation**

<table>
<thead>
<tr>
<th>What Are The Major Considerations?</th>
<th>What Are The Issues?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the basis for a successful strategic alliance to work from the outset?</strong></td>
<td>They have a common view of the market, common view as to how this business opportunity could be tackled, potential the size of the financial opportunity, and identifying the appropriate partner or partners to support this.</td>
</tr>
<tr>
<td><strong>What influences and supports a strategic alliance as a business option?</strong></td>
<td>Understanding the current environmental issues: political, legal, regulatory, and technological, and clearly what is needed to support a relationship with the most appropriate partner or partner(s) for the business opportunity identified.</td>
</tr>
<tr>
<td><strong>What influences an organization’s strategic thinking toward this business option?</strong></td>
<td>How this proposed alliance will improve the organizations positioning in the market place, how this alliance may support the overall objectives and direction of the business, and does this provide the organization with the competencies they are seeking.</td>
</tr>
<tr>
<td><strong>What is part of your consideration set in terms of selecting a strategic alliance partner?</strong></td>
<td>Can you work with your partners, does the product offering and value proposition provided your partner support the business opportunity, do their competence, capabilities, processes and technologies support this relationship.</td>
</tr>
<tr>
<td><strong>What is the strategic alliance trying to achieve?</strong></td>
<td>This opportunity is enabling an organization to achieve their business objectives, and in doing it is relevant to the market.</td>
</tr>
<tr>
<td><strong>Why is a strategic alliance a viable business alternative?</strong></td>
<td>They are less costly and complex than a merger or acquisition, extend an organizations product offering, they enable the broadening of market offering very quickly, flexibility in terms of capital investment, and supports customer acquisition and retention.</td>
</tr>
<tr>
<td><strong>What Are The Major Considerations?</strong></td>
<td><strong>What Are The Issues?</strong></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td><strong>What does it take to make a strategic alliance work at this stage?</strong></td>
<td>Adequate due diligence to understand the risk management issues, significant investment of capital and resources by both partners, goals need to relevant to support the alliance, the strategy is not only owned at the CEO level of both partners but also by both senior executive teams are involved, engaging internal stakeholders within both partnering organization to support the launch or consideration of this strategic alliance, and at the same time understanding the potential issues associated with change and how this will be managed with this new arrangement.</td>
</tr>
<tr>
<td><strong>How is the strategic alliance managed at this stage?</strong></td>
<td>Clear business plan with an understanding as to how things will work, CEO and senior executives from both organizations are involved in crafting the details of the strategy and implementation approach, consideration is made to the mutual offerings of each partner in supporting this phase, forums are created between partners to commence the process of issue management, and ensuring that internal stakeholders know how success will measured overall.</td>
</tr>
<tr>
<td><strong>What factors support a successful strategic alliance at this stage?</strong></td>
<td>Clear vision, co-operation and collaboration between partners, mutual respect for your partners views and cultural differences, promoting a value proposition that reflects the need and opportunity within the market, staff confidence with the value proposition, clear boundaries and understanding about the different products offered, the right balance of financial incentives supporting stakeholders, and establishing how performance will be tracked and measured.</td>
</tr>
<tr>
<td><strong>What factors may work against strategic alliances at this stage?</strong></td>
<td>Potential self-interest, unequal investment of capital and/or resources, cannot agree on the business case to support the strategic alliance, clarity of roles and responsibilities, willingness of a partner or partner(s) to work together, reliance on brand alone for identifying partner without considering other factors, lack of a common vision, and loss of focus.</td>
</tr>
</tbody>
</table>
### Implementation

<table>
<thead>
<tr>
<th>What Are The Major Considerations?</th>
<th>What Are The Issues?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the focus at this stage?</strong></td>
<td>Roles and responsibilities are clearly defined and this cascaded throughout both partnering organizations to areas, the strategy is delegated to ensure ownership and management, and organizations are focused on the issues associated with the implementation of the strategic alliance.</td>
</tr>
<tr>
<td><strong>How does an organization achieve strategic alignment?</strong></td>
<td>Focus is on educating the rest of the organization as to the changes through training, SLA are established, roles and responsibilities are communicated to staff involved in supporting the strategic alliance, defined and this cascaded throughout both partnering organizations to areas, the strategy is delegated to ensure ownership and management, and organizations are focused on the issues associated with the implementation of the strategic alliance.</td>
</tr>
<tr>
<td><strong>How is information is communicated at this stage?</strong></td>
<td>Mediums such as the intranet, internal newsletters, e-mails are used to support buy-in and commitment to the current changes occurring throughout the business. Other reporting is established to support regulatory and performance tracking and measurement to support the different levels of management.</td>
</tr>
<tr>
<td><strong>What ensures success at implementation for a strategic alliance?</strong></td>
<td>Proactive management of issues, working together with our partner in a co-operative and collaborative environment, mutual respect between partners, clear and consistent accountabilities, introducing the necessary changes to support the strategic alliance by the scheduled date, a clear and consistent message as to what we are trying to achieve within both organizations, and people are working together to introduce the changes required by the scheduled implementation date.</td>
</tr>
</tbody>
</table>
### What Are The Major Considerations?

| What works against a strategic alliance at implementation? | Lack of respect of partnering organizations capabilities, the actual direction and goal, and communication. Lack of clarity over roles and responsibilities. |

### Maintenance

| What supports the Maintenance of a strategic alliance? | High performing products. MIS to show that the strategic alliance is achieving its business objectives. An openness, mutuality, flexibility, and responsiveness to support the performance of the strategic alliance within a collaborative environment. Active management of issues and flagging them with the appropriate stakeholders to ensure that action can taken. Use of SLA’s, clarity of roles and responsibilities, and customer feedback to ensure our value proposition is relevant, service levels are being achieved and in the end we are achieving alignment. |

<p>| What works against the Maintenance of a strategic alliance? | One party losing focus or commitment to the objective of the strategic alliance. Not delivering on resources and capabilities promised to support the arrangement. One party dominating another in terms the way in which the alliance should be conducted. Complacency, lack of clear accountabilities and competence to support the alliance. One partner is resistant to the level of change that is required. An inability of a partner or partner(s) to compromise to achieve a solution along the way. Poor level of communication between partners and issues are being addressed in isolation. |</p>
<table>
<thead>
<tr>
<th><strong>What Are The Major Considerations?</strong></th>
<th><strong>What Are The Issues?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How is communication being managed at this stage?</strong></td>
<td>(Communication is flowing both ways between partners at multiple levels to support the performance of the strategic alliance. Weekly numbers are supporting alignment, and forums such as steering committees are being used to support the formal assessment of progress and operational issues that will improve performance. Various mediums are used to communicate progress Intranet, E-Mails, and Newsletters. This tailored to support the various information of the internal stakeholders to support alignment.)</td>
</tr>
<tr>
<td><strong>What is needed for strategic alliance partners to work together at this stage?</strong></td>
<td>An ability to respect each others cultures and to be able to work together on common business objective, partner’s ability to adapt to support the market direction, maintain good relationships with your partner, willing to work together and compromise where necessary in the context of supporting the relationship, and appreciate each others frame of reference and position.</td>
</tr>
<tr>
<td><strong>What are my expectations during the Maintenance of a strategic alliance?</strong></td>
<td>Control over the development of my staff’s competence, strategic alliance partners are respecting each other differences and culture in supporting the business objective. Alignment is being addressed through accountabilities and incentives. Suggestions to improve business processes and performance are welcomed by both partners, operation is constantly monitored early on and per-emptive action is taken to support the performance of the strategic alliance. KPI are managed to ensure alignment with overall business objective, and dialogue is constant between partners.</td>
</tr>
<tr>
<td><strong>How do we manage the relationship between strategic alliance partners?</strong></td>
<td>In supporting the performance of the strategic alliance you are actively reviewing performance standards set and managing expectations in terms of the market. Any negative behaviour is addressed. Constant dialogue is assisting the performance of the strategic alliance at all levels.</td>
</tr>
<tr>
<td><strong>What Are The Major Considerations?</strong></td>
<td><strong>What Are The Issues?</strong></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td><strong>How is success measured for a strategic alliance at this stage?</strong></td>
<td>We measure assets under management, growth of assets under management, we use MIS to track performance to ensure it is on track, we are achieving business objectives and results in the areas identified, improved market share, service levels agreed between partners are either being met or exceeded, significant improvement in cross-selling results in terms of products and services, supported by constant dialogue between partners to support improved performance.</td>
</tr>
</tbody>
</table>

**Learning**

This can be heavily influenced by the CEO and the sponsors past experiences, so good experiences will provide a more positive approach as opposed to a negative ones. If you can learn from your past experiences this can definitely support future strategic alliances. However, this can be a function of stability of staff within an organization. We also see organization learning from observing others. The challenge is to understand, mitigate, and manage differences to support the performance of the strategic alliance.
Appendix H – Strategic alliance process theme and grouped summaries that “support” and “subvert” for each stage

*Group 1 (Bart, Bryan, Beatrice, Beverley, Bernard, Barney, Betty, and Burt)*

**Strategy Formulation – Themes**

<table>
<thead>
<tr>
<th>Factors that support strategic alliances in each area of the interviews covered.</th>
<th>Factors that work against strategic alliances in each area of the interviews covered.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy Formulation - Theme Summaries</strong></td>
<td><strong>Strategy Formulation - Theme Summaries</strong></td>
</tr>
<tr>
<td>▪ Potential partners support and understand the potential creation or extension of your value proposition within their current or proposed markets;</td>
<td>▪ Lack of clear and mutual understanding as to the direction of the market between the partners;</td>
</tr>
<tr>
<td>▪ The size of the market opportunity is sufficient to justify investment, and potential partners have strong branding and presence to support the overall value proposition;</td>
<td>▪ Lack of a common vision amongst the partners as to what we are endeavouring to achieve with this strategic alliance;</td>
</tr>
<tr>
<td>▪ CEO and equivalents ownership and commitment to the strategy, and willingness to impart the support of senior executive teams to support implementation and Maintenance.</td>
<td>▪ Inability to agree on the strategic and financial objectives;</td>
</tr>
<tr>
<td>▪ Strategic alliance partners have a common view as to the direction of the market and the business and financial model to be successful;</td>
<td>▪ Hidden agendas and potential self-interest that is at conflict with the strategic alliance;</td>
</tr>
<tr>
<td>▪ Clear boundaries between partners products and services to avoid potential conflicts and loss of focus to the overall objective;</td>
<td>▪ Unable to agree on appropriate business case to support the arrangement;</td>
</tr>
<tr>
<td>▪ Partners have clear, common, and consistent objectives that support the strategic alliances: market share, revenue, profit and EBIT growth;</td>
<td>▪ Unequal investment and commitment of resources to the strategic alliance;</td>
</tr>
<tr>
<td>▪ Strategic alliance are low cost and can be introduced the market relatively quickly to support the development of revenue streams;</td>
<td>▪ Lack of agreement on the expected business outcomes from the relationship;</td>
</tr>
</tbody>
</table>

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
<table>
<thead>
<tr>
<th>Factors that support strategic alliances in each area of the interviews covered.</th>
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<tbody>
<tr>
<td><strong>Strategy Formulation - Theme Summaries</strong></td>
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</tr>
<tr>
<td>▪ Partner acknowledge the skills and offering that their partner brings to their business and the benefits of pooling capabilities between the two organizations to achieve their overall objectives;</td>
<td>▪ And your target audience; and</td>
</tr>
<tr>
<td>▪ Partners have the right capabilities and skills to support the strategic alliance from strategy formulation through to implementation and Maintenance;</td>
<td>▪ Lack of clarity in terms roles and responsibilities within the strategic alliance.</td>
</tr>
<tr>
<td>▪ Need some form of due diligence firstly to understand how a potential partner may help my organization achieve my objectives, and secondly how we can integrate technology and business, processes and procedures;</td>
<td></td>
</tr>
<tr>
<td>▪ Positive response from the market in terms share price and customer interest in the partners new value proposition;</td>
<td></td>
</tr>
<tr>
<td>▪ Customers still see the organization as separate and independent from their partner;</td>
<td></td>
</tr>
<tr>
<td>▪ Goal or target setting needs to be aligned to support the overall objective of the strategic alliance;</td>
<td></td>
</tr>
<tr>
<td>▪ Once agreed as a direction attention given to the integration of technologies, processes, and procedures;</td>
<td></td>
</tr>
<tr>
<td>▪ Appropriate accountabilities, remuneration and incentive structure to support the objectives of the strategic alliance; and</td>
<td></td>
</tr>
<tr>
<td>▪ An appreciation and respect for the other partners' culture and values.</td>
<td></td>
</tr>
</tbody>
</table>
### Strategy Formulation - Group Summaries

<table>
<thead>
<tr>
<th>1. Market proposition</th>
<th>1. Market expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ The size of the market opportunity is sufficient to justify investment;</td>
<td>▪ Lack of agreement between the partners as to the potential opportunity or direction of the market;</td>
</tr>
<tr>
<td>▪ Positive response from the market in terms share price; and</td>
<td>▪ Both partners have different expectations from the market; and</td>
</tr>
<tr>
<td>▪ Customer interest in the partners new value proposition.</td>
<td>▪ Poorly defined space for your partners’ product(s) in supporting your proposed target audience.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Commonality of focus</th>
<th>2. Lack of focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Potential partners support and understand the potential creation or extension of your value proposition within their current or proposed markets;</td>
<td>▪ Potential partners lack a common vision as to what they expect to achieve from the partnership;</td>
</tr>
<tr>
<td>▪ Partners have clear, common, and consistent objectives that support the alliances: market share, revenue, profit and EBIT growth;</td>
<td>▪ Both partners are unable to agree on a business case to support the strategic alliance and proposition for the market; and</td>
</tr>
<tr>
<td>▪ Need some form of due diligence firstly to understand how a potential partner may help my organization achieve my objectives;</td>
<td>▪ Insufficient time is dedicated to the due diligence process to support the assessment of prospective partners to support my organization in achieving my business objectives.</td>
</tr>
<tr>
<td>▪ Strategic alliance partners have a common view as to the direction of the market and the business and financial model to be successful;</td>
<td></td>
</tr>
<tr>
<td>▪ CEO and equivalents’ ownership and commitment to the strategy;</td>
<td></td>
</tr>
<tr>
<td>▪ Goal or target setting needs to be aligned to support the overall objective of the strategic alliance; and</td>
<td></td>
</tr>
<tr>
<td>▪ avoid potential conflicts and loss of focus to the overall objective.</td>
<td></td>
</tr>
</tbody>
</table>

### Strategy Formulation - Group Summaries

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Prospective partners are unable to agree on the strategic and financial objectives to support their relationship; and</td>
<td>▪ Partners have different expectations in terms of outcomes for their strategic alliance; and</td>
</tr>
<tr>
<td>▪ Reliance upon the prospective partners brand without considering other factors that may impact upon the performance of the business.</td>
<td></td>
</tr>
</tbody>
</table>
### 3. Alliance strategy appropriateness
- Partners have the right capabilities and skills to support the strategic alliance from strategy formulation through to implementation and Maintenance;
- Partner acknowledge the skills and offering that their partner brings to their business and the benefits of pooling capabilities between the two organizations to achieve their overall objectives;
- Willingness to impart the support of senior executive teams to support implementation and Maintenance.
- Potential partners have strong branding and presence to support the overall value proposition;
- Clear boundaries between partners products and services;
- Customers still see the organization as separate and independent from their partner identity/brand recognition; and
- An appreciation and respect for the other partners’ culture and values.

### 4. Financial feasibility of the alliance
- Appropriate accountabilities, remuneration and incentive structure to support the objectives of the strategic alliance; and
- Strategic alliance are low cost

### 5. Business integration
- Unequal investment and commitment of resources by partners to the strategic alliance.
- Hidden agendas and potential self-interest that is at conflict with the strategic alliance; and
- Lack of adequate attention given to both the internal and external environment supporting this relationship.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
and can be introduced the market relatively quickly to support the development of revenue streams.

5. Business integration
- Once agreed as a direction attention given to the integration of technologies, processes, and procedures; and
- How we can integrate technology and business, processes and procedures.

**Implementation – Themes**

<table>
<thead>
<tr>
<th>Factors that support strategic alliances in each area of the interviews covered.</th>
<th>Factors that work against strategic alliances in each area of the interviews covered.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementation - Theme Summaries</strong></td>
<td><strong>Implementation - Theme Summaries</strong></td>
</tr>
<tr>
<td>▪ The significance and importance of a strategic alliance is driven from the top, CEO level, for both organizations, and is supported by the next level down, the senior executive team;</td>
<td>▪ Lack of commitment from some of the senior executive involved in the strategic alliance;</td>
</tr>
<tr>
<td>▪ Ability of partners to work together to identify possible issues and probable solutions to support the proposed value proposition for the target audience;</td>
<td>▪ A strategic alliance partner over promising and under delivering;</td>
</tr>
<tr>
<td>▪ The ability of the partners to provide a value proposition that is relevant to their target market;</td>
<td>▪ Lack of mutuality and respect for the businesses involved in the strategic alliance partnership;</td>
</tr>
<tr>
<td>▪ Understand the importance of adequately integrating business processes to support the business performance of the strategic alliance;</td>
<td>▪ Lack of direction, goals, and accountabilities at this phase of the process/project;</td>
</tr>
<tr>
<td>▪ The ability of the CEO to able to let go of the strategy and to let the next level manage the implementation of the strategic alliance;</td>
<td>▪ Complacency;</td>
</tr>
<tr>
<td></td>
<td>▪ Inability to develop internal competence; and</td>
</tr>
<tr>
<td></td>
<td>▪ Inability to manage and action the outstanding issues to support the implementation.</td>
</tr>
</tbody>
</table>

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Factors that support strategic alliances in each area of the interviews covered.

<table>
<thead>
<tr>
<th>Implementation - Theme Summaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Senior management ability to articulate the direction and benefits of the strategic alliance to support their respective organizations;</td>
</tr>
<tr>
<td>▪ The ability of the senior management team to manage the issues from the “ground” and customize solutions that continue to support the alignment;</td>
</tr>
<tr>
<td>▪ Defining the roles and responsibilities for stakeholders involved in supporting the implementation of the strategic alliance;</td>
</tr>
<tr>
<td>▪ Establishing clear accountabilities and measures for staff involved in supporting the performance of the strategic alliance;</td>
</tr>
<tr>
<td>▪ Successful implementation will be based upon achieving the scheduled implementation date, what we intended to achieve, receiving and acting upon staff feedback, and keeping employee turnover to a minimum;</td>
</tr>
<tr>
<td>▪ Use of Service Level Agreement (SLA) to monitor and manage the performance of the strategic alliance;</td>
</tr>
<tr>
<td>▪ Introduction of incentives for staff to support this phase of the project;</td>
</tr>
<tr>
<td>▪ Managing information at all levels within both organization to confirm the changes, implications, and progress;</td>
</tr>
<tr>
<td>▪ Mutual understanding, trust, and respect between partners that supports a spirit of collaboration and co-operation to support the achievement of this business objective;</td>
</tr>
</tbody>
</table>

Factors that work against strategic alliances in each area of the interviews covered.

<table>
<thead>
<tr>
<th>Implementation - Theme Summaries</th>
</tr>
</thead>
</table>

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
### Implementation - Theme Summaries

<table>
<thead>
<tr>
<th>Factors that support strategic alliances in each area of the interviews covered.</th>
<th>Factors that work against strategic alliances in each area of the interviews covered.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Potential impediments are identified and addressed to support the business objective; and • Attention is given to listening to staff issues and training to support the potential change of this new business arrangement.</td>
<td></td>
</tr>
</tbody>
</table>
### Implementation - Group Summaries

#### 1. Commitment to direction
- Significance and importance of a strategic alliance is driven from the top, CEO level, for both organizations, and is supported by the senior executive team;
- Partners ensure that the value proposition remains relevant to their target audience; and
- Partners now work together to identify possible issues and probable solutions to support the implementation of the proposed value proposition to the market.

#### 2. Management of strategy
- The ability of the CEO to be able to let go of the strategy and to let the next level manage the implementation of the strategic alliance;
- Senior management ability to articulate the direction and benefits of the strategic alliance to support their respective organizations;
- The ability of the senior management team to manage the issues from the “ground” and customize solutions that continue to support the alignment;

#### 3. Enabling environment
- Information concerning the changes, implications, and progress in relation to the strategic alliance is communicated throughout the partners organizations;
- Attention is given to listening to staff issues and training to support the potential change of this new business arrangement; and
- Impediments are identified and addressed to support the business

### Implementation - Group Summaries

#### 1. Commitment to direction
- Lack of commitment from some of the senior executive team involved in this project to support the strategic alliance.

#### 2. Management of strategy
- Potentially a partner may be over promising and under delivering at this stage of the project which is causing friction between partners’ stakeholders.

#### 3. Enabling environment
- There is lack of direction, goals, and accountabilities at this phase of the project to support the implementation of the strategic alliance.
- There is lack of mutuality and respect between the partners involved in the strategic alliance; and
- A general level of complacency and lack interest by one of the partners in the relationship.

#### 4. Business integration
- Unable to develop or influence the development of internal competence required to support the strategic alliance.
4. Business integration

- Recognize the importance of integrating business processes to support the performance of the strategic alliance.
**Maintenance – Themes**

<table>
<thead>
<tr>
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<th>Factors that work against strategic alliances in each area of the interviews covered.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintenance - Theme Summaries</strong></td>
<td><strong>Maintenance - Theme Summaries</strong></td>
</tr>
<tr>
<td>▪ For a strategic alliance to be successful the buy-in and commitment has to be managed at all levels, and this is especially important for those that work with our mutual customers;</td>
<td>▪ Loss of focus or commitments to the business objectives;</td>
</tr>
<tr>
<td>▪ Group of people, stakeholders, within each of organizations need to be responsible for supporting the overall achievement of the business objective, so clear;</td>
<td>▪ Not delivering on resources promised to support the strategic alliance;</td>
</tr>
<tr>
<td>▪ A commitment is given to the strategic alliance based upon accountabilities and the overall percentage that relates to an individual’s key performance indicators in support of the business objectives for this relationship;</td>
<td>▪ One party dominating another, where one has greater influence over the other partner in achieving the outcome;</td>
</tr>
<tr>
<td>▪ The reward and recognition system is now aligned with the objectives of the strategic alliance;</td>
<td>▪ Inability to influence and control management issues related to performance;</td>
</tr>
<tr>
<td>▪ A need to be consistently monitoring and managing the performance standards set in terms of the Service Level Agreement (SLA);</td>
<td>▪ Complexity of different business agendas e.g. pricing of products through different channels;</td>
</tr>
<tr>
<td>▪ We are using Management Information Systems (MIS) Reporting to confirm whether both partners are achieving their business objectives;</td>
<td>▪ The inability to manage difference;</td>
</tr>
<tr>
<td>▪ Identifying and managing issues that may be negatively impacting upon the performance of the strategic alliance;</td>
<td>▪ Unwillingness of both parties to meet on common ground;</td>
</tr>
<tr>
<td>▪ Proactively work with partners to craft solutions to issues, opportunities, and problems as they arise;</td>
<td>▪ Lack of clarity around expectations and openness as to who is responsible for what;</td>
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<tr>
<td>▪ Open communication is informally managed on a day-to-day basis to support issues identification and resolution;</td>
<td>▪ Inability to work together and appreciate the other strategic alliance partners perspective;</td>
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<td>• Formal forums, such as steering committees, are created that supports dialogue between the two organizations concerning issues and performance of the strategic alliance;.</td>
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<td>• You need to be cognizant of changes in the market and have the ability to introduce new products, modify existing products, and upgrade business processes to better support the customer experience and business productivity;</td>
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<td>• Understand how important the above is in supporting the partners individual brand in the market place;</td>
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1. Ownership of strategy
- Internal stakeholders at a senior and middle management level within both organizations need to own and work with the strategy to keep both businesses focused on the business objectives.

2. Management of strategy
- Group of people, stakeholders, within both organizations need to be responsible for supporting the overall achievement of the business objective and reinforce with their staff through aligning accountabilities and activities.

3. Enabling environment
- Information concerning the changes, implications, and progress in relation to the strategic alliance is communicated throughout the partners organizations;
- Attention is given to listening to staff issues and training to support the potential change of this new business arrangement; and
- Impediments are identified and addressed to support the business objective.
- Monitor and manage the performance standards set in terms of the Service Level Agreement (SLA);
- The accountabilities and the overall percentage that relates to an individual’s key performance indicators supports the performance of this strategic alliance; The reward and

1. Ownership of strategy
- Between the partners there is a loss of focus or commitment to the business objectives;
- One of the partners is dominating another, where one has greater influence over the other partner in achieving the outcome;
- Constant change at the top level, thereby affecting the performance of the strategic alliance.

2. Management of strategy
- Complexity of different business agendas e.g. pricing of products through different channels;
- Unwillingness of both parties to meet on common ground; and
- Inability to work together and appreciate the other strategic alliance partners perspective.

3. Enabling environment
- Not delivering on resources promised to support the strategic alliance;
- Inability to work together and appreciate the other strategic alliance partners perspective;
- The inability to manage difference;
- Resistance to change and unwilling to consider the other partners perspective;
- Inability of the organization to leverage capabilities;
- Inability to influence and control management issues related to performance; and
- Lack of clarity around expectations and openness as to who is responsible for what.
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<td>A recognition system is introduced to ensure that stakeholders within both organization are working towards a successful achievement of the objectives of the strategic alliance;</td>
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<td>✓ An ability between partners to respect individual cultures in supporting their business in terms of the overall objectives and expectations of this arrangement; and</td>
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<td>✓ Appreciation of differences between partners, compromise where necessary, to achieve solution that support the strategic alliance business objectives.</td>
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### 4. Information management

- ✓ Management Information Systems (MIS) Reporting is utilized to confirm whether both partners are achieving their business objectives;
- ✓ Managing issues that may have negative impact on the performance by proactively working with partners to craft solutions to issues, opportunities, and problems as they arise;
- ✓ Open communication is informally managed through the intranet, internal newsletters and bulleted to support issues identification and resolution;
- ✓ Formal forums, such as steering committees, are created to support

- ✓ Lack of communication and dialogue between the partners, internal stakeholders supporting this strategic alliance.
dialogue between the two organizations support the performance of the strategic alliance; and

✓ A preparedness to work with key stakeholders from both organizations to achieve a solution that supports all parties and the objectives of the strategic alliance.

5. Performance Measurement

✓ Introduction or modification to existing products to support the market and to support the partner's individual branding in the market place; and

✓ Achievement of business objectives and targets set for revenue, profitability, ROI, market share, customer acquisition and retention.

Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
### Learning – Themes

<table>
<thead>
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<tr>
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<td>▪ Stability of the organizational structure.</td>
</tr>
<tr>
<td>▪ Organizations can learn as they go along, but it is contingent upon stability in the staff exposed to alliances in the past.</td>
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</table>

### Learning - Group Summaries

1. Organizational learning and supporting the markets
   ▪ Utilize past experience to support future business strategies to support growth within their selected markets;
   ▪ Central business unit responsible for identifying similar business opportunities in different markets throughout the world; and
   ▪ Stability of key stakeholders support current and future strategic alliances.

2. Willingness to learn
   ▪ Receptive and responsive to new ideas both internally and externally to support business growth; and
   ▪ Organization is prepared to work with its partner to adapt to market changes.

1. Organizational learning and supporting the markets
   ▪ Poor experiences with other strategic alliances in the past;
   ▪ Instability within organizational structure and personnel of one or both of the partners within the strategic alliance; and
   ▪ Lack of experience and the rate of learning required to support their business direction.

2. Willingness to learn
   ▪ Organization are resistant to new ideas and potential changes that will affect their current business operation and direction.

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Title: Strategic alliances as an entrepreneurial stimulus for learning in mature stage organizations
Appendix I – Respondents grouping by stage for “factors that support” theme analysis - Group 1

Strategy Formulation Theme Summaries - Factors that support strategic alliances:

- Potential partners support and understand the potential creation or extension of your value proposition within their current or proposed markets;
- The size of the market opportunity is sufficient to justify investment, and potential partners have strong branding and presence to support the overall value proposition;
- CEO and equivalents ownership and commitment to the strategy, and willingness to impart the support of senior executive teams to support implementation and Maintenance.
- Strategic alliance partners have a common view as to the direction of the market and the business and financial model to be successful;
- Clear boundaries between partners products and services to avoid potential conflicts and loss of focus to the overall objective;
- Partners have clear, common, and consistent objectives that support the strategic alliances: market share, revenue, profit and EBIT growth;
- Strategic alliance are low cost and can be introduced the market relatively quickly to support the development of revenue streams;
- Partner acknowledge the skills and offering that their partner brings to their business and the benefits of pooling capabilities between the two organizations to achieve their overall objectives;
- Partners have the right capabilities and skills to support the strategic alliance from strategy formulation through to implementation and Maintenance;
- Need some form of due diligence firstly to understand how a potential partner may help my organization achieve my objectives, and secondly how we can integrate technology and business, processes and procedures;
- Positive response from the market in terms share price and customer interest in the partners new value proposition;
- Customers still see the organization as separate and independent from their partner;
- Goal or target setting needs to be aligned to support the overall objective of the strategic alliance;
- Once agreed as a direction attention given to the integration of technologies, processes, and procedures;
- Appropriate accountabilities, remuneration and incentive structure to support the objectives of the strategic alliance; and
- An appreciation and respect for the other partners culture and values.

**Strategy Formulation Theme – Grouped Summaries**

1. **Market proposition**
   - The size of the market opportunity is sufficient to justify investment;
   - Positive response from the market in terms share price; and
   - Customer interest in the partners new value proposition.

2. **Commonality of focus**
   - Potential partners support and understand the potential creation or extension of your value proposition within their current or proposed markets;
   - Partners have clear, common, and consistent objectives that support the alliances: market share, revenue, profit and EBIT growth;
   - Need some form of due diligence firstly to understand how a potential partner may help my organization achieve my objectives;
   - Strategic alliance partners have a common view as to the direction of the market and the business and financial model to be successful;
   - CEO and equivalents' ownership and commitment to the strategy;
   - Goal or target setting needs to be aligned to support the overall objective of the strategic alliance; and
   - Avoid potential conflicts and loss of focus to the overall objective.

3. **Alliance strategy appropriateness**
   - Partners have the right capabilities and skills to support the strategic alliance from strategy formulation through to implementation and Maintenance;
   - Partner acknowledge the skills and offering that their partner brings to their business and the benefits of pooling capabilities between the two organizations to achieve their overall objectives; and
   - Willingness to impart the support of senior executive teams to support implementation and Maintenance.
   - Potential partners have strong branding and presence to support the overall value proposition;
   - Clear boundaries between partners products and services; and
   - Customers still see the organization as separate and independent from their partner identity/brand recognition.
- An appreciation and respect for the other partners culture and values.

4. **Financial feasibility of the alliance**
   - Appropriate accountabilities, remuneration and incentive structure to support the objectives of the strategic alliance; and
   - Strategic alliance are low cost and can be introduced the market relatively quickly to support the development of revenue streams.

5. **Business integration**
   - Once agreed as a direction attention given to the integration of technologies, processes, and procedures; and
   - How we can integrate technology and business, processes and procedures.

**Implementation Theme Summaries - Factors that support strategic alliances:**
- The significance and importance of a strategic alliance is driven from the top, CEO level, for both organizations, and is supported by the next level down, the senior executive team;
- Ability of partners to work together to identify possible issues and probable solutions to support the proposed value proposition for the target audience;
- The ability of the partners to provide a value proposition that is relevant to their target market;
- Understand the importance of adequately integrating business processes to support the business performance of the strategic alliance;
- The ability of the CEO to able to let go of the strategy and to let the next level manage the implementation of the strategic alliance;
- Senior management ability to articulate the direction and benefits of the strategic alliance to support their respective organizations;
- The ability of the senior management team to manage the issues from the “ground” and customize solutions that continue to support the alignment;
- Defining the roles and responsibilities for stakeholders involved in supporting the implementation of the strategic alliance;
- Establishing clear accountabilities and measures for staff involved in supporting the performance of the strategic alliance;
- Successful implementation will be based upon achieving the scheduled implementation date, what we intended to achieve, receiving and acting upon staff feedback, and keeping employee turnover to a minimum;
Use of Service Level Agreement (SLA) to monitor and manage the performance of the strategic alliance;

Introduction of incentives for staff to support this phase of the project;

Managing information at all levels within both organization to confirm the changes, implications, and progress;

Mutual understanding, trust, and respect between partners that supports a spirit of collaboration and co-operation to support the achievement of this business objective;

Potential impediments are identified and addressed to support the business objective; and

Attention is given to listening to staff issues and training to support the potential change of this new business arrangement.

**Implementation Theme – Grouped Summaries**

1. **Commitment to direction**
   - Significance and importance of a strategic alliance is driven from the top, CEO level, for both organizations, and is supported by the senior executive team;
   - Partners ensure that the value proposition remains relevant to their target audience; and
   - Partners now work together to identify possible issues and probable solutions to support the implementation of the proposed value proposition to the market.

2. **Management of strategy**
   - The ability of the CEO to able to let go of the strategy and to let the next level manage the implementation of the strategic alliance;
   - Senior management ability to articulate the direction and benefits of the strategic alliance to support their respective organizations; and
   - The ability of the senior management team to manage the issues from the “ground” and customize solutions that continue to support the alignment.

3. **Enabling environment**
   - Information concerning the changes, implications, and progress in relation to the strategic alliance is communicated throughout the partners organizations;
Attention is given to listening to staff issues and training to support the potential change of this new business arrangement; and

Impediments are identified and addressed to support the business objective.

Use of Service Level Agreement (SLA) to monitor and manage the performance of the strategic alliance;

Defining the roles and responsibilities for stakeholders involved in supporting the implementation of the strategic alliance;

Establishing clear accountabilities and measures for staff involved in supporting the performance of the strategic alliance;

Introduction of incentives for staff to support this phase of the project.

Partners now share a mutual understanding, trust, and respect that supports a spirit of collaboration and co-operation to ensure implementation and the future achievement of their business objectives; and

Successful implementation is recognized as being based upon achieving the scheduled implementation date, what we intended to achieve, receiving and acting upon staff feedback, and keeping employee turnover to a minimum.

4. Business integration

Recognize the importance of integrating business processes to support the performance of the strategic alliance.

Maintenance Theme Summaries - Factors that support strategic alliances:

- For a strategic alliance to be successful the buy-in and commitment has to be managed at all levels, and this is especially important for those that work with our mutual customers;

- Group of people, stakeholders, within each of organizations need to be responsible for supporting the overall achievement of the business objective, so clear;

- A commitment is given to the strategic alliance based upon accountabilities and the overall percentage that relates to an individual's key performance indicators in support of the business objectives for this relationship;

- The reward and recognition system is now aligned with the objectives of the strategic alliance;
A need to be consistently monitoring and managing the performance standards set in terms of the Service Level Agreement (SLA);

We are using Management Information Systems (MIS) Reporting to confirm whether both partners are achieving their business objectives;

Identifying and managing issues that may be negatively impacting upon the performance of the strategic alliance;

Proactively work with partners to craft solutions to issues, opportunities, and problems as they arise;

Open communication is informally managed on a day-to-day basis to support issues identification and resolution;

Formal forums, such as steering committees, are created that supports dialogue between the two organizations concerning issues and performance of the strategic alliance;

Being prepared to work with key stakeholders from both organizations to achieve a solution that supports all parties where difficulties, problems or opportunities are encountered;

There needs to be an environment between the partners that supports openness, mutuality in appreciating each others individual business needs and objectives, flexibility and responsiveness in achieving reviewing business objectives;

The strategic alliance partners ability to respect each other cultures in supporting their business in terms of the overall objectives and expectations of this arrangement;

You need to be cognizant of changes in the market and have the ability to introduce new products, modify existing products, and upgrade business processes to better support the customer experience and business productivity;

Understand how important the above is in supporting the partners individual brand in the market place;

The ability to appreciate differences that may exist between parties and to compromise to achieve a solution that supports the overall business objectives; and

Success is measured once the strategic alliance is operational by achievement of business objectives this will more than likely include targets for revenue, profitability, ROI, market share, customer acquisition and retention.
Maintenance – Grouped Summaries

1. Ownership of strategy
   - Internal stakeholders at a senior and middle management level within both organizations need to own and work with the strategy to keep both businesses focused on the business objectives.

2. Management of strategy
   - Group of people, stakeholders, within both organizations need to be responsible for supporting the overall achievement of the business objective and reinforce with their staff through aligning accountabilities and activities.

3. Enabling environment
   - Information concerning the changes, implications, and progress in relation to the strategic alliance is communicated throughout the partners organizations;
   - Attention is given to listening to staff issues and training to support the potential change of this new business arrangement; and
   - Impediments are identified and addressed to support the business objective.
   - Monitor and manage the performance standards set in terms of the Service Level Agreement (SLA);
   - The accountabilities and the overall percentage that relates to an individual’s key performance indicators supports the performance of this strategic alliance; and
   - The reward and recognition system is introduced to ensure that stakeholders within both organization are working towards a successful achievement of the objectives of the strategic alliance.

4. Information management
   - Management Information Systems (MIS) Reporting is utilized to confirm whether both partners are achieving their business objectives;
   - Managing issues that may have negative impact on the performance by proactively working with partners to craft solutions to issues, opportunities, and problems as they arise;
Open communication is informally managed through the intranet, internal newsletters and bulleting to support issues identification and resolution;

Formal forums, such as steering committees, are created to support dialogue between the two organizations support the performance of the strategic alliance; and

A preparedness to work with key stakeholders from both organizations to achieve a solution that supports all parties and the objectives of the strategic alliance.

Creation of an environment between the partners that supports openness, mutuality, flexibility and responsiveness in reviewing and achieving business objectives;

An ability between partners to respect individual cultures in supporting their business in terms of the overall objectives and expectations of this arrangement; and

Appreciation of differences between partners, compromise where necessary, to achieve solution that support the strategic alliance business objectives.

5. Performance Measurement

Introduction or modification to existing products to support the market and to support the partner’s individual branding in the market place; and

Achievement of business objectives and targets set for revenue, profitability, ROI, market share, customer acquisition and retention.

**Learning Theme Summaries - Factors that support strategic alliances**:

- Good experiences in the past will support future strategic alliances;
- Capitalize on previous experience to improve market positions;
- Need to flexible to cater for changes to the market, so therefore have an open mind;
- Willingness to pool knowledge, and preparedness to work through issues and new experiences;
- Stability of the staff will enhance and support organizational learning when it comes to strategic alliances; and
- Organizations can learn as they go along, but it is contingent upon stability in the staff exposed to alliances in the past.
Learning – Grouped Summaries

1. Organizational learning and supporting the markets
   - Utilize pasts experience to support future business strategies to support growth within their selected markets;
   - Central business unit responsible for identifying similar business opportunities in different markets throughout to the world; and
   - Stability of key stakeholders support current and future strategic alliances.

2. Willingness to learn
   - Receptive and responsive to new ideas both internally and externally to support business growth; and
   - Organization is prepared to work with its partner to adapt to market changes.
Appendix J - Respondents grouping by stage for “factors that do not support” theme analysis - Group 1

Strategy Formulation Theme Summaries - Factors that work against strategic alliances:

- Lack of clear and mutual understanding as to the direction of the market between the partners;
- Lack of a common vision amongst the partners as to what we are endeavouring to achieve with this strategic alliance;
- Inability to agree on the strategic and financial objectives;
- Hidden agendas and potential self-interest that is at conflict with the strategic alliance;
- Unable to agree on appropriate business case to support the arrangement;
- Unequal investment and commitment of resources to the strategic alliance;
- Lack of agreement on the expected business outcomes from the relationship;
- Lack of time to support an adequate due diligence process;
- Lack of adequate attention given to both the internal and external environment supporting this relationship;
- Reliance upon branding without consideration being given to other issues;
- Different expectations in terms of outcomes between the partners;
- Poorly defined space for your product and your target audience; and
- Lack of clarity in terms roles and responsibilities within the strategic alliance.

Strategy Formulation – Grouped Summaries

1. Market expectations
   - Lack of agreement between the partners as to the potential opportunity or direction of the market;
   - Both partners have different expectations from the market; and
   - Poorly defined space for your partners product(s) in supporting your proposed target audience.

2. Lack of focus
   - Potential partners lack a common vision as to what they expect to achieve from the partnership;
   - Both partners are unable to agree on a business case to support the strategic alliance and proposition for the market; and
Insufficient time is dedicated to the due diligence process to support the assessment of prospective partners to support my organization in achieving my business objectives.

3. **Strategy appropriateness**
   - Prospective partners are unable to agree on the strategic and financial objectives to support their relationship; and
   - Reliance upon the prospective partners brand without considering other factors that may impact upon the performance of the business.

4. **Financial feasibility of the alliance**
   - Partners have different expectations in terms of outcomes for their strategic alliance; and
   - Unequal investment and commitment of resources by partners to the strategic alliance.

5. **Business integration**
   - Hidden agendas and potential self-interest that is at conflict with the strategic alliance; and
   - Lack of adequate attention given to both the internal and external environment supporting this relationship.

**Implementation Theme Summaries - Factors that work against strategic alliances:**

- Lack of commitment from some of the senior executive involved in the strategic alliance;
- A strategic alliance partner over promising and under delivering;
- Lack of mutuality and respect for the businesses involved in the strategic alliance partnership;
- Lack of direction, goals, and accountabilities at this phase of the process/project;
- Complacency;
- Inability to develop internal competence; and
- Inability to manage and action the outstanding issues to support the implementation.
**Implementation – Grouped Summaries**

1. **Commitment to direction**
   - Lack of commitment from some of the senior executive team involved in this project to support the strategic alliance.

2. **Management of strategy**
   - Potentially a partner may be over promising and under delivering at this stage of the project which is causing friction between partners stakeholders.

3. **Enabling alignment**
   - There is lack of direction, goals, and accountabilities at this phase of the project to support the implementation of the strategic alliance.
   - There is lack of mutuality and respect between the partners involved in the strategic alliance; and
   - A general level of complacency and lack interest by one of the partners in the relationship.

4. **Business integration**
   - Unable to develop or influence the development of internal competence required to support the strategic alliance.

**Maintenance Theme Summaries - Factors that work against strategic alliances:**

- Loss of focus or commitments to the business objectives;
- Not delivering on resources promised to support the strategic alliance;
- One party dominating another, where one has greater influence over the other partner in achieving the outcome;
- Inability to influence and control management issues related to performance;
- Complexity of different business agendas e.g. pricing of products through different channels;
- The inability to manage difference;
- Unwillingness of both parties to meet on common ground;
- Lack of clarity around expectations and openness as to who is responsible for what;
Inability to work together and appreciate the other strategic alliance partners perspective;
Resistance to change and unwilling to consider the other partners perspective;
Inability of the organization to leverage capabilities;
Constant change at the top level, thereby affecting the performance of the strategic alliance; and
Lack of communication and dialogue between the partners.

Maintenance – Grouped Summaries

1. Ownership of strategy
   - Between the partners there is a loss of focus or commitment to the business objectives;
   - One of the partners is dominating another, where one has greater influence over the other partner in achieving the outcome;
   - Constant change at the top level, thereby affecting the performance of the strategic alliance.

2. Management of strategy
   - Complexity of different business agendas e.g. pricing of products through different channels;
   - Unwillingness of both parties to meet on common ground; and
   - Inability to work together and appreciate the other strategic alliance partners perspective.

3. Enabling environment
   - Not delivering on resources promised to support the strategic alliance;
   - Inability to work together and appreciate the other strategic alliance partners perspective;
   - The inability to manage difference;
   - Resistance to change and unwilling to consider the other partners perspective;
   - Inability of the organization to leverage capabilities;
   - Inability to influence and control management issues related to performance; and
   - Lack of clarity around expectations and openness as to who is responsible for what.
4. **Information management**
   - Lack of communication and dialogue between the partners, internal stakeholders supporting this strategic alliance.

**Learning Theme Summaries - Factors that work against strategic alliances:**

- Poor previous experiences;
- Lack of experience;
- Speed of learning without prior experience;
- Resistance to ideas from other organizations; and
- Stability of the organizational structure.

**Learning – Grouped Summaries**

1. **Organizational learning and supporting the markets**
   - Poor experiences with other strategic alliances in the past;
   - Instability within organizational structure and personnel of one or both of the partners within the strategic alliance; and
   - Lack of experience and the rate of learning required to support their business direction.

2. **Willingness to learn**
   - Organization are resistant to new ideas and potential changes that will affect their current business operation and direction.
Appendix K – Implications for Further Research

The implications for further research described in this section are drawn from the practical experience of the researcher on the basis of implementing the research design developed for the study (see chapter 3)

1. Project Start

Experience

In undertaking a project of this nature is understanding the potential limitations of your respondents availability from a time perspective to support the interview process. In some instances due to the limited time available the researcher was required to summarize areas to ensure coverage of the material was achieved. To support this process, in these instances, the researcher nearing the interview completion discussed findings to date and the potential model emerging through this research process to discuss their responses in relation to the emerging theory and model.

Future Approach

The time in each interview will vary based upon the respondents experience and interest in the research area. Therefore it is important to confirm dates and times in advance that are convenient for the respondents that will not conflict with earlier and later meetings and commitments. It is important to confirm these meetings at least 24 hours prior to ensure that the respondents are still available. What I, as a researcher, learned through this research exercise is that respondents in this industry, financial services, were more flexible from a time perspective towards the end of their working day. They were able to allocate time as the last meeting of the day, which meant time and their output was not compromised.

2. Respondent Preparation

Experience

The interviews were well received by the respondents as most found the subject relevant and of significance based upon the financial services industry environment in Asia at the moment. Several found the opportunity to discuss and explore
approaches in supporting entrepreneurial adoption, change, and learning that occurs within strategic partnering interesting.

The challenge from the researchers perspective was ensuring that all participants were across the case study and understood the issues prior to the interview. As a consequence in a limited number of instances the researcher was required to spend some time at the outset of the interview providing a de-brief on the case study (see 3.4.6). This only became a problem if time constraints existed for the respondents involved.

Future Approach

In the case of the latter, at least, it is important for researchers to acknowledge that respondents, CEO, senior and mid-level executives, are busy people, and if they do get a chance to read the case study (see 3.4.6) and support material prior to your interview that is great. In the end you need to factor in time to support a debriefing on a case study of this nature. In terms of the subject matter discussed respondents were given the opportunity to review the material covered in their meeting and the implications of their commentary in supporting knowledge development in this research field.

3. Interviewing Process

Experience

The interviews flowed fairly smoothly with each of the respondents with the aim to promote open and honest discussion in the research area. The sequence of the interviews varied from time to time, and this was dependent upon the respondents providing either their overall view of the issues or “war stories” in relation to strategic alliances and the learning and change associated with this type of activity. Whilst some of the information provided at the time did not appear as relevant to our research aims, its relevance was validated at the data analysis phase of this research project. To support the respondents interest, the researcher role was to ensure that the interview questions identified were covered when and where possible in the time allocated.
Future Approach

Accept that respondents will deviate from the researcher’s prepared interview script in order to make their own particular point in relation to a topic in the subject area. So researcher need to be flexible to support the respondents response path in order to gain a more meaningful interpretation of their responses, even though you either may be time challenged or need to go back over other issues later to support completeness of the research exercise.

4. Content Analysis

Experience

The content analysis coding required a number of re-works to support categorization and analysis of the data sourced. The creation of an entrepreneurial adoption checklist for mature stage organizations and three stage organizational learning model for strategic alliances evolved over a number of iterations, as a consequence this involves a considerable amount of time.

In the end the project needed to be balanced to produce a research report that was an accurate and useful representation for mature stage organizations in understanding the issues that support entrepreneurial adoption, learning, and change for partnering organizations operating in a strategically aligned context in the financial services industry.

Future Approach

To support this research project three test interviews were conducted in Singapore and Melbourne to confirm the suitability of the interview guide (see 3.4.4.2). However, no consideration was given to potential additional categories that may be required to support data analysis. One option offered by McKenzie (2003) was to use pilot study with a small sample interview number, three, and to transcribe these initial interviews to confirm whether additional categories may be required.
5. Personal Involvement

Experience

Initially as a full-time banker then as a business consultant, the researcher underestimated the amount of work involved in completing this research project. The researcher was faced with the challenge of balancing work, an ever expanding family (4 children 5 years of age and under), and residing in another country. The initial challenge for this project was identifying a case study candidate or format (see 6.7.2) that would support this research project, this took some 12 months to resolve before interviewing commenced. Following interviewing another area that was underestimated was the time required to support data transcription and analysis. Whilst the average interview time was one and half hours, the transcription of interviews from tape took on average 8 hours, and the data analysis a further 25 hours of categorization and data analysis. Whilst this is very time consuming exercise it was also beneficial for the researcher in identifying and confirming common themes that were emerging, supporting areas for categorization and consideration, and the quality of the data reported in the final document.

Future Approach

Based upon my personal experience, future researchers are encouraged to consider the following when undertaking a project of this nature:

- Keep your immediate and extended family informed and involved in terms of your research and how they can support your progress. Involve them as “sounding boards” in terms of your research thought and enlist their support where possible as proof readers.

- Leverage your research wherever possible. This research area has been beneficial to the researcher in supporting business consulting projects in both the financial services industry and other industries in Asia.

- Source business consulting colleagues who will find this research area of interest in supporting their understanding, but also those issues associated with strategic alliance formation and evolution. Research is a great networking opportunity to support business development activities.